

JACK HENRY & ASSOCIATES, INC.  
663 Highway 60, P. O. Box 807  
Monett, Missouri 65708

NOTICE OF 1996 ANNUAL MEETING OF STOCKHOLDERS

TO THE STOCKHOLDERS OF JACK HENRY & ASSOCIATES, INC.:

PLEASE TAKE NOTICE that the 1996 Annual Meeting of the Stockholders of Jack Henry & Associates, Inc., a Delaware corporation, will be held at the Monett City Park Casino, Monett, Missouri, on Tuesday, October 29, 1996, 11:00 a.m., local time, for the following purposes:

- (1) To elect seven (7) directors to serve until the 1997 Annual Meeting of Stockholders;
- (2) To approve the adoption of the 1996 Stock Option Plan;
- (3) To amend the Certificate of Incorporation to require two-thirds stockholder vote for stockholder amendment of By-Laws;
- (4) To amend the Certificate of Incorporation to prohibit stockholder action by written consent;
- (5) To amend the Certificate of Incorporation regarding consideration of relevant factors in certain business combinations; and
- (6) To transact such other business as may properly come before the Annual Meeting and any adjournments thereof.

The close of business on September 24, 1996, has been fixed as the record date for the Annual Meeting. Only stockholders of record as of that date will be entitled to notice of and to vote at said meeting and any adjournment or postponement thereof.

The accompanying form of Proxy is solicited by the Board of Directors of the Company. Reference is made to the attached Proxy Statement for further information with respect to the business to be transacted at the Meeting.

ALL STOCKHOLDERS ARE INVITED TO ATTEND THE MEETING IN PERSON. WHETHER OR NOT YOU EXPECT TO ATTEND, PLEASE DATE AND SIGN THE ENCLOSED PROXY. IF YOU DECIDE TO ATTEND THE MEETING, YOU MAY REVOKE YOUR PROXY AND VOTE YOUR SHARES IN PERSON.

By Order of the Board of Directors

Janet E. Gray  
Secretary

Monett, Missouri  
September 20, 1996

JACK HENRY & ASSOCIATES, INC.  
663 Highway 60  
P.O. Box 807  
Monett, Missouri 65708

PROXY STATEMENT  
FOR THE 1996 ANNUAL MEETING OF STOCKHOLDERS  
To Be Held Tuesday, October 29, 1996

This Proxy Statement and the enclosed proxy card (the Proxy) are furnished to the stockholders of Jack Henry & Associates, Inc., a Delaware corporation (the Company), in connection with the solicitation of Proxies by the Companys Board of Directors for use at the Companys 1996 Annual Meeting of Stockholders, and any adjournment or postponement thereof (the Annual Meeting), to be held at the Monett City Park Casino, Monett, Missouri, at 11:00 a.m., local time, on

Tuesday, October 29, 1996. The mailing of this Proxy Statement, the Proxy, the Notice of Annual Meeting and the accompanying 1996 Annual Report to Stockholders is expected to commence on or about September 24, 1996.

The Board of Directors does not intend to bring any matters before the Annual Meeting except those indicated in the Notice and does not know of any matter which anyone else proposes to present for action at the Annual Meeting. If any other matters properly come before the Annual Meeting, however, the persons named in the accompanying form of Proxy, or their duly constituted substitutes, acting at the Meeting, will be deemed authorized to vote or otherwise to act thereon in accordance with their judgment on such matters.

If the enclosed Proxy is properly executed and returned prior to voting at the Annual Meeting of the Stockholders, the shares represented thereby will be voted in accordance with the instructions marked thereon. All of the proposals, including the election of directors, will require the affirmative vote of a majority of the shares of common stock voting in person or by Proxy at the Annual Meeting.

Any stockholder executing a Proxy retains the power to revoke it at any time prior to the voting of the Proxy. It may be revoked by a stockholder personally appearing at the Annual Meeting and casting a contrary vote, by filing an instrument of revocation with the Secretary of the Company, or by the presentation at the Annual Meeting of a duly executed later dated Proxy.

VOTING

At the 1996 Annual Meeting, Stockholders will consider and vote upon:

- (1) The election of seven (7) directors;
- (2) Approval of the adoption of the 1996 Stock Option Plan;
- (3) Amendment of the Certificate of Incorporation to require a two-thirds stockholder vote for stockholder proposed amendment of the By-Laws;
- (4) Amendment of the Certificate of Incorporation to prohibit stockholder action by written consent;
- (5) Amendment of the Certificate of Incorporation regarding consideration of relevant factors in certain business combinations; and
- (6) Such other matters as may properly come before the Annual Meeting.

Only stockholders of record at the close of business on September 24, 1996, the record date for the 1996 Annual Meeting, are entitled to notice of and to vote at such meeting. Stockholders are entitled to one vote for each share of Common Stock on each matter to be considered at the Annual Meeting.

The Companys authorized capital stock currently consists of 30,000,000 shares of common stock, par value \$.01 per share (the Common Stock), and 500,000 shares of preferred stock, par value \$1.00 per share (the Preferred Stock). As of August 19, 1996, there were 11,868,571 shares of Common Stock outstanding and no shares of Preferred Stock outstanding. At such date, the Companys executive officers and directors were entitled to vote, or to direct the voting of 5,241,345 shares of Common Stock, representing 41.46% of the shares entitled to vote at the 1996 Annual Meeting. Unless otherwise specified, all share numbers and other share data have been adjusted to reflect 3 for 2 stock splits in March 1992 and again in March 1993 and the 4 for 3 stock split in March 1994, each effected as stock dividends.

All shares represented by Proxy and all Proxies solicited hereunder will be voted in accordance with the specifications made by the stockholders executing such Proxies. If a stockholder does not specify how a Proxy is to be voted, the shares represented thereby will be voted: (1) FOR the election as directors of the seven (7) persons nominated by management; (2) FOR approval of the adoption of the 1996 Stock Option Plan; (3) FOR amendment of the Certificate of Incorporation to require a two-thirds stockholder vote for stockholder-proposed amendment of the By-Laws; (4) FOR amendment of the Certificate of Incorporation to prohibit stockholder action by written consent; (5) FOR amendment of the Certificate of Incorporation regarding consideration of relevant factors in

certain business combinations; and (6) FOR and in accordance with the discretion of the persons to whom the Proxy is granted upon other matters that may properly come before the Annual Meeting.

STOCK OWNERSHIP OF CERTAIN STOCKHOLDERS

The following table sets forth information as of August 19, 1996, concerning the equity ownership of those individuals who are known to be the beneficial owners, as defined in Rule 13d-3 of the Securities Exchange Act of 1934, of 5% or more of the Companys Common Stock, and by all of the Companys directors and executive officers as a group:

Title of Class	Name and Address of Beneficial Owner	Number of Shares Beneficially Owned (1)	Percentage of Shares Outstanding (1)
\$.01 par value Common Stock	John W. Henry, Michael E. Henry, Vicki Jo Henry and JKHY Partners 663 Highway 60 Monett, MO	3,298,866 (2)	26.09%
	Jerry D. Hall 663 Highway 60 Monett, MO	1,340,686 (3)	10.60%
	Eddina F. Henry 411 Lincoln Road South Monett, MO	950,000 (4)	7.51%
	All directors and executive officers as a group (9 persons)	5,241,345 (5)	41.46%

(1) The persons named in the table have sole voting and investment power with respect to all shares of Common Stock shown as beneficially owned by them, except as noted below. With respect to shares held in the Companys 401(k) Employee Stock Ownership Plan (the 401(k) ESOP), a participant has the right to direct the voting and disposition of shares allocated to his account.

(2) Reflects information in a Schedule 13D, as amended, filed jointly by members of the Henry family reporting for JKHY Partners (the Partnership), a family partnership of which the listed individuals are partners. John W. Henry

separately may be deemed to beneficially own 894,114 shares, including 687,083 shares held individually, 27,031 shares allocated to his 401(k) ESOP account, and 180,000 shares currently acquirable by exercise of outstanding stock options. Michael E. Henry separately may be deemed to beneficially own 2,404,752 shares, including 24,806 shares held individually, 9,946 shares allocated to his 401(k) ESOP account, 170,000 shares currently acquirable by exercise of outstanding stock options, 1,250,000 shares held by the Partnership and 950,000 shares held in a living trust established by his mother, Eddina F. Henry. Michael E. Henry may be deemed to share beneficial ownership in the shares held by the Partnership and by the Eddina F. Henry Trust because he has been granted proxies to vote such shares. Vicki Jo Henry does not beneficially own any shares of common stock in her individual capacity and her business address is 6851 South Holly Circle, Suite 270, Englewood, Colorado, 80112. The business address of John W. Henry, Michael E. Henry and the Partnership is reflected in the

table.

(3) Includes 31,133 shares held in the Companys 401(k) ESOP for Mr. Halls account and 180,000 shares currently acquirable by exercise of outstanding stock options.

(4) Reflects information in a Schedule 13D filed by Eddina F. Henry to report shares held in a revocable trust for her benefit. As described above in Footnote (2), beneficial ownership of these shares is shared with Michael E. Henry.

(5) Includes 579,999 shares which are or will be acquirable within 60 days under outstanding stock options, and 100,478 shares held in the Companys 401(k) ESOP for the accounts of all officers and directors as a group.

PROPOSAL 1  
ELECTION OF DIRECTORS

Procedure

At the meeting, the stockholders will elect seven (7) directors to hold office for one-year terms ending at the Companys 1997 Annual Meeting of Stockholders or until their successors are elected and qualified. The number of seats on the Companys Board of Directors has previously been fixed at eight (8), but the recent unexpected death of director William Caraway left one seat open. The Companys Board of Directors has amended the By-Laws to reduce the size of the Board to seven (7) directors and has nominated the Companys remaining seven (7) current directors for reelection at the Annual Meeting.

The stockholders are entitled to one vote per share on each matter submitted to vote at any meeting of the Stockholders. Unless contrary instructions are given, the persons named in the enclosed Proxy or their substitutes will vote FOR the election of the nominees named below.

The Board of Directors believes that all of the nominees are willing to serve as directors. However, if any nominee at the time of election is unable to serve or is otherwise unavailable for election, and as a result other nominees are designated by the Board of Directors, the persons named in the enclosed Proxy or their substitutes intend to vote for the election of such designated nominees.

Nominees For Election

The directors and nominees for election as directors of the Company, as well as certain information about them, are as follows:

Name	Position with Company	Director Since	Number of Shares Beneficially Owned (1)	Percentage of Shares Outstanding (1)
Michael E. Henry	Chairman, Chief Executive Officer and Director	1986	2,404,752 (2)	19.02%
Michael R. Wallace	President, Chief Operating Officer and Director	1991	222,247 (3)	1.76%
John W. Henry	Vice Chairman, Senior Vice President and Director	1977	894,114 (2)	7.07%
Jerry D. Hall	Executive Vice President and Director	1977	1,340,686 (4)	10.60%
James J. Ellis	Director	1985	76,863 (5)	*
Burton O. George	Director	1987	44,199 (5)	*
George R. Curry	Director	1989	100,540 (6)	*

\* Less than 1%

(1) Information is set forth as of August 19, 1996. The persons named in the table have sole voting and investment power with respect to all shares of Common

Stock shown as beneficially owned by them, except as noted below. With respect to shares held in the Companys 401(k) Employee Stock Ownership Plan (the 401(k) ESOP), a participant has the right to direct the voting and disposition of shares allocated to his account.

(2) See Stock Ownership of Certain Stockholders - Footnote (2), above. The number of shares beneficially owned by John W. Henry and Michael E. Henry are separately listed in the table.

(3) Includes 175,000 shares currently acquirable by exercise of an outstanding option and 13,955 shares held in the Companys 401(k) ESOP for Mr. Wallaces account.

(4) See Stock Ownership of Certain Stockholders - Footnote (3), above.

(5) Includes 11,666 shares that are currently acquirable and 3,333 that are acquirable beginning October 27, 1996, by exercise of outstanding options.

(6) Includes 85,541 shares held as trustee for self, shares held as trustee for family members, shares held in trust with spouse as co-trustee for her benefit, and 11,666 shares that are currently acquirable and 3,333 shares that are acquirable beginning October 27, 1996, by exercise of outstanding options.

The following information relating to the Companys directors and nominees for director, all of whom are United States citizens, is with respect to their principal occupations and positions during the past five years:

Michael E. Henry, age 35, Chairman of the Board, Chief Executive Officer and Director. Mr. Henry, the son of John W. Henry and a director of the Company since 1986, has served as the Companys Chairman of the Board and Chief Executive Officer since October, 1994. He previously served as Vice Chairman and Senior Vice President since 1993. Previous to that he served as Manager of Research and Development since 1983. He joined the Company in 1979.

Michael R. Wallace, age 34, President, Chief Operating Officer and Director. Mr. Wallace, a director of the Company since 1991, has served as President since 1993 and as the Chief Operating Officer since October, 1994. He previously served as Manager of Installation Services since 1986. He joined the Company in 1981.

John W. Henry, age 61, Vice Chairman, Senior Vice President and Director. Mr. Henry, a founder and principal stockholder of the Company, has served as Vice Chairman since October, 1994. He previously served as Chairman of the Board from 1977 through 1994. He also has been a director since the Companys inception in 1977. He previously served as Chief Executive Officer from 1977 through 1988 and as President until 1989.

Jerry D. Hall, age 53, Executive Vice President and Director. Mr. Hall, a principal stockholder of the Company, has served as Executive Vice President since October, 1994. He previously served as Chief Executive Officer from 1990 through 1994. He also has been a director since the Companys inception in 1977.

He previously served as President from 1989 through 1993 and as Vice President-Operations from 1977 through 1988.

James J. Ellis, age 62, Director. Mr. Ellis, a director of the Company since 1985, has been Managing Partner of Ellis/Rosier Financial Services since 1992. Mr. Ellis served as general manager of MONY Financial Services, Dallas, Texas, from 1979 until his retirement in 1992. Mr. Ellis also serves as a director of Merit Medical Systems, Inc.

Burton O. George, age 69, Director. Mr. George, a director of the Company since 1987, is retired. He previously had been in the banking business since 1958, and most recently served as Chairman of the Board and Chief Executive Officer of First National Bank of Berryville, Berryville, Arkansas from 1985 through 1989.

George R. Curry, age 71, Director. Mr. Curry, a director of the Company since 1989, is Chairman of Central Bank, Lebanon, Missouri, with which he has been affiliated since 1949, as well as President of Central Shares, Inc., a bank holding company.

#### THE BOARD OF DIRECTORS AND COMMITTEES OF THE BOARD

The Companys Board of Directors held four (4) meetings during the last fiscal year. The Company maintains an Audit Committee and a Compensation Committee of which Messrs. Curry, George and Ellis are members. The Company does not maintain a standing Nominating Committee. The functions of the Audit Committee are to provide direct communication between the Board of Directors and the Companys auditors and to recommend the selection of the Companys auditors to the Board of Directors. The functions of the Compensation Committee are to recommend salaries for executives and key employees to the Board of Directors for approval and to review and make recommendations to the Board of Directors on compensation plans for the other employees. The Compensation Committee also administers the Companys 1987 Stock Option Plan. The Audit Committee met once and the Compensation Committee met twice during the last fiscal year and each director attended at least 75% of the total of all meetings of the Board of Directors and all committees on which they served.

#### Directors Compensation

The Companys directors who are employed by the Company do not receive any separate compensation for service on the Board of Directors. The Companys directors who are not otherwise employed by the Company no longer receive cash

compensation for attendance at meetings of the Board of Directors that they attend, but are reimbursed for out-of-pocket expenses incurred in attending such meetings. With the adoption of the 1995 Non-Qualified Stock Option Plan last year, the non-employee directors of the Company are now compensated for their service by the annual grant of non-statutory stock options to purchase 5,000 shares of common stock of the Company, subject to an overall grant limitation under the plan of 50,000 shares to any individual director.

#### EXECUTIVE OFFICERS AND SIGNIFICANT EMPLOYEES

The executive officers and significant employees of the Company, as well as certain biographical information about them, are as follows:

Name	Position with Company	Officer/Significant Employee Since
Michael E. Henry	Chairman of the Board and Chief Executive Officer	1983
Michael R. Wallace	President and Chief Operating Officer	1991
John W. Henry	Vice Chairman and Senior Vice President	1977
Jerry D. Hall	Executive Vice President	1977
Terry W. Thompson	Vice President, Chief Financial Officer and Treasurer	1990
Marguerite P. Butterworth	Vice President	1993

The following information relating to the Company's executive officers and significant employees, all of whom are United States citizens, not already described herein, is with respect to their principal occupations and positions during the past five years:

Terry W. Thompson, Age 46, Vice President, Chief Financial Officer and Treasurer. Mr. Thompson has served as Vice President, Chief Financial Officer and Treasurer of the Company since 1990.

Marguerite P. Butterworth, Age 48, Vice President. Ms. Butterworth has served as Vice President since February of 1993. Ms. Butterworth joined the Company in 1983 and has been Hardware Manager since 1984.

#### SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

The Company is required to identify any director or officer who failed to timely file with the Securities and Exchange Commission a report required under Section 16(a) of the Securities Exchange Act of 1934 relating to ownership and changes in ownership of the Company's common stock. The required reports consist of initial statements on Form 3, statements of changes on Form 4 and annual statements on Form 5. During the fiscal year ended June 30, 1996, there were no delinquent filings by any director or officer.

#### EXECUTIVE COMPENSATION

The following table sets forth certain information with regard to the compensation paid by the Company to the Chief Executive Officer and to the Company's other four most highly compensated executive officers for the year ended June 30, 1996.

#### SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary \$	Bonus \$	Other Annual Compensation (\$)(1)	Long-Term Compensation Shares underlying Options (2)	All Other Compensation
Michael E. Henry Chairman and Chief Executive	1996	\$175,000	\$ 700	-	100,000	-
	1995	\$133,333	\$37,500	-	40,000	-
	1994	\$100,000	\$ 700	-	-	-

Officer

Michael R. Wallace	1996	\$175,000	\$ 700	-	100,000	-
	1995	\$150,000	\$ -	-	40,000	-
President and Chief operating Officer	1994	\$120,833	\$ 700	-	-	-
John W. Henry	1996	\$152,400	\$ 700	-	-	-
Vice Chairman and Senior Vice President	1995	\$152,400	\$ 700	-	-	-
	1994	\$181,567	\$ 700	-	-	-
Jerry D. Hall	1996	\$152,400	\$ 700	-	-	-
Executive Vice President	1995	\$160,733	\$ 700	-	-	\$2,991 (3)
	1994	\$202,400	\$ 700	-	-	\$2,766 (3)
William W. Caraway	1996	\$102,400	\$136,842(4)	-	-	-
Senior Vice President	1995	\$101,600	\$142,732(4)	-	-	-
	1994	\$100,000	\$ 70,110(4)	-	-	-

(1) For each listed officer, less than amount required to be reported.

(2) Adjusted for subsequent splits.

(3) Premium on key man split-dollar insurance.

(4) Primarily comprised of commissions earned.

The following tables set forth information with respect to stock options granted to and exercised by the executive officers named in the Summary Compensation Table during the fiscal year ended June 30, 1994, together with the number of options outstanding as of such date. All data has been adjusted for the 4 for 3 stock split in fiscal year 1994 and for the 3 for 2 stock splits effected in fiscal years 1993 and 1992.

Option Grants in Last Fiscal Year

Name	Number of Shares underlying Options Granted (#)	Percent of Total Options Granted to Employees in Fiscal Year	Exercise or base Price (\$/Sh)	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock price Appreciation for Option Term (1)	
					5% (\$)	10% (\$)
Michael E. Henry	100,000	23%	\$18.875	9/18/05	\$1,187,500	\$2,375,000
Michael R. Wallace	100,000	23%	\$18.875	9/18/05	\$1,187,500	\$2,375,000

(1) The amounts in these columns are required to be disclosed by the SEC at rates set by regulation and are not intended to forecast possible future appreciation of Company stock or amounts that may ultimately be realized upon exercise. The Company chose not to use an alternative formula for grant date valuation.

Aggregated Option Exercises in Last Fiscal Year and June 30, 1995, Option Values

Name	Shares Acquired on Exercise	Value Realized (\$)	Number of Shares Underlying Unexercised Options at 6/30/95		Value of Unexercised In-the-Money Options at 6/30/95	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Jerry D. Hall	--	--	180,000	--	\$5,080,500	--
John W. Henry	--	--	180,000	--	\$5,080,500	--
Michael E. Henry	20,000	\$469,996	170,000	--	\$3,335,000	--
Michael R. Wallace	15,000	\$352,496	175,000	--	\$3,478,750	--
William W. Caraway	12,000	\$74,840	-	--	-	--

COMPENSATION COMMITTEE REPORT

The Company's executive officer compensation program is administered and reviewed

by the Compensation Committee. The Compensation Committee consists of three independent, non-employee Directors of the Company. There was no insider participation on the Compensation Committee.

The objectives of the Companys executive officer compensation program are to:

- Encourage continuation of JHAs entrepreneurial spirit
- Attract and retain highly qualified and motivated executives
- Encourage esprit de corps and reward outstanding performance

In meeting the foregoing objectives, the Compensation Committee strives for the interests of management and shareholders to be the same - the maximization of shareholder values. The components of the executive compensation program which are employed by the Committee to meet these goals include base salary, discretionary bonuses, and stock options.

Salaries are established at levels to compensate for the position held and contributions made by each executive. Recommendations regarding increases in salary are based upon subjective evaluation of each individuals performance and contribution.

The management team was included with all employees in the discretionary Christmas bonus. A longer term incentive is provided by the award of stock options because the ultimate value of options granted will be determined by long-term growth in the Company stock price. Awards of options are believed to help focus executives attention on managing the Company from the perspective of an owner with an equity stake in the business. This component of executive compensation is provided through the Companys 1987 Stock Option Plan (the Plan), under which the executive officers, and all other employees of the Company and its subsidiaries, are eligible to receive options. The Committee has discretion to designate optionees and to determine the terms of the options granted, however option prices shall be fixed and not less than 100% of fair market value of the stock at the date of grant, and options may not be exercisable more than ten years after the date of grant. Stock options were granted to the management

team for the same reasons noted above regarding discretionary bonuses.

In employing the foregoing three elements of compensation, the Compensation Committee considers the experience, prior compensation levels, personal performance, number and value of previously granted options, and other subjective factors relating to each individual and seeks to optimize the balance between base salary, short-term and long-term incentives. Compensation is generally weighted in favor of base salary.

The salary of Chief Executive Officer, Michael E. Henry, was not changed this year. The Chief Executive Officer received the same Christmas bonus as noted above for the entire management team. Stock options on 100,000 shares were granted to Mr. Michael E. Henry this fiscal year due to excellent performance up to the date of grant.

Recent changes in U.S. income tax law have imposed a \$1,000,000 cap on the deduction which may be taken with respect to any individual officers compensation. While current cash compensation paid to the Companys executive officers is substantially less than the cap, the ultimate value of stock options is not now known, and thus the cap may be important in some future year. The deduction cap has been considered by the Compensation Committee and we intend to take the steps necessary to conform the Companys compensation structure to comply with the cap if the issue arises in a future period.

George R. Curry  
Burton O. George  
James J. Ellis  
Members of the Compensation Committee

#### COMPANY PERFORMANCE

The following graph presents a comparison for the five-year period ended June 30, 1996 of the market performance of the Company's common stock with the S&P 500 Index and an index of peer companies selected by the Company:

The following information depicts a line graph with the following values:

Description	1992	1993	1994	1995	1996
Jack Henry & Associates, Inc.	\$303.47	\$531.39	\$ 439.56	\$ 820.83	\$1,928.24
Peer Group Only	\$114.55	\$179.05	\$174.96	\$ 254.11	\$ 345.24
S & P Only	\$113.41	\$128.87	\$130.68	\$ 164.75	\$ 207.59

\*The above comparison assumes \$100 was invested on July 1, 1991 and assumes reinvestment of dividends. Total returns are calculated according to market capitalization of peer group members at the beginning of each period. Peer companies selected are in the business of providing specialized computer

software, hardware and related services to financial institutions and other businesses. Companies in the peer group are Banctec, Bisys Group, Broadway & Seymour, Cerner Corp., Continuum, Crawford & Co., Electronic Arts, First Data, Fiserv, Keane, National Data, PC Quote, Primark, Rainbow Technology, SEI Corp., Sterling Software and Verifone.

## PROPOSAL 2

### APPROVAL OF ADOPTION OF 1996 STOCK OPTION PLAN

#### Introduction

The Board of Directors believes that the Company and its stockholders have benefitted substantially over the years from the use of stock options as an effective means to secure, motivate and retain qualified and competent employees of the Company and its subsidiaries. In 1987, the Company adopted its first Qualified Stock Option Plan (the 1987 Plan) for employees who are primarily responsible for the management, growth and financial success of the Company and its subsidiaries. The 1987 Plan was originally authorized to issue options for 300,000 shares, which amount was increased to 600,000 in 1991, and 1,500,000 in 1992. Options may only be granted under the 1987 Plan until April 20, 1997. Because of the imminent expiration of the 1987 Stock Option Plan, and believing that a new plan is both necessary and appropriate for the Company to continue offering stock incentives in the form of stock options to current and future employees, the Board of Directors adopted the 1996 Stock Option Plan (the Plan) on August 27, 1996, subject to approval by the stockholders. If stockholder approval at the Annual Meeting is obtained, the Plan will become effective on November 1, 1996.

The Board of Directors recommends that the stockholders vote FOR approval of adoption of the Plan. Unless otherwise directed therein, the proxies solicited hereby will be voted for approval of adoption of the Plan.

The principal features of the Plan are summarized below. The Plan is similar to the existing 1987 Plan in many respects. The summary is qualified in its entirety by the full text of the Plan, which is set forth as Exhibit A to this Proxy Statement.

#### General

The purposes of the Plan are to obtain for the Company the benefits of the incentive inherent in the ownership of the Companys Common Stock by employees of the Company and its subsidiaries who are important to the success and the growth of the business of the Company, to help the Company retain the services of such persons, and to compensate such persons for their service to the Company (or the Companys subsidiaries, as the case may be). The number of employees of the Company and its subsidiaries which are eligible to participate in the Plan is 330.

The aggregate number of shares which may be issued, and as to which stock options may be granted under the Plan, is 1,500,000 shares of the Companys Common Stock par value \$.01 (Common Stock), subject to proportionate adjustment by reason of merger, consolidation, reorganization, recapitalization, or exchange of shares or by stock dividend, stock split, combination of shares, or other changes in capital structure effected without receipt of consideration. If any stock option granted under the Plan expires, is surrendered in whole or in part, or terminates for any reason without being exercised in full, then the number of shares subject to the stock option will again be available for purposes of the Plan. The shares of the Companys Common Stock which may be issued under the Plan may be either authorized but unissued shares or treasury shares, or both.

An option holder shall have none of the rights of a stockholder with respect to any shares covered by the option until such individual shall have exercised the option, paid the option price and been issued a stock certificate for the purchased shares. Upon exercise of the option, payment of the option price and issuance of the stock certificate, the option holder shall have all of the rights of a stockholder with respect to such shares including voting and dividend rights, subject only to the provisions of this Plan and other instruments implementing the provisions hereof.

#### Administration

The Plan is to be administered by the Companys Board of Directors (the Board).

The Board, however, may at any time appoint a committee (the Committee) of two (2) or more non-employee directors and delegate to such Committee one or more of the administrative powers allocated to the Board under the provisions of the Plan, including (without limitation) the power to determine the person or persons to be granted options under the Plan, the number of shares to be covered by such options, whether such options are to be incentive stock options (Incentive Options) under Section 422A of the Internal Revenue Code of 1986, as amended (the Code) or non-qualified options (Non-qualified Options) not intended to meet the requirements of Section 422A, and the time or times at which options are to be exercisable. The Board or the Committee, as the case may be, has the power to interpret and amend the Plan, subject to further approval by the stockholders for certain amendments relating to option shares, grants, pricing, term and eligibility. All questions of interpretation and application of the Plan, or as to stock options granted under the Plan are subject to the determination of the Board or the Committee, which will be final and binding.

#### Eligibility and Grant of Stock Options



The persons who shall be eligible to receive options pursuant to the Plan are such employees of the Company, and subsidiary corporations of the Company (Subsidiary Corporation) or any affiliated company of the Company (Affiliated Company), as defined in the Plan, including employees who are also members of the Board, as the Board or the Committee shall from time to time select.

The Board or the Committee shall have the full and absolute authority to determine the number of shares to be covered by granted options, whether options are to be Incentive Options or Non-qualified Options, as well as the time or times at which options are to be exercisable and such other terms and conditions as may be applicable to such options. However, no option granted under the Plan shall have a term in excess of ten (10) years from the grant date. Provided, further, that the aggregate fair market value of the Common Stock with respect to which Incentive Options granted under the Plan are exercisable shall not exceed \$100,000 per grantee or such greater amount as may be permitted by later amendments to Section 422A of the Code.

The option price per share shall be fixed by the Board or the Committee, but in no event shall the option price per share be less than one hundred percent (100%) of the fair market value of a share of Common Stock on the date of the option grant. The Plan has specific provisions for determining the Fair Market Value of Common Stock for the purpose of determining the option price. On August 30, 1996, the fair market value of a share of Common Stock, as so computed, was \$29.50.

For the first six (6) months after the date of grant, no option granted under the Plan shall be transferable by the optionee other than by will or by the laws of descent and distribution. Thereafter, options may be transferred during the lifetime of an optionee to any Permitted Transferee, as defined under the Plan. Permitted Transferees include members of the immediate family of the optionee and any trust established for the benefit of the optionee or the optionees immediate family members. Immediate family member means the optionees spouse, children and grandchildren and any partnership, corporation, limited liability company or other entity, all the beneficial interest in which are held by the optionee or immediate family members. Permitted Transferees may only transfer options to other Permitted Transferees of the optionee. Notwithstanding any of the foregoing, Incentive Options shall be exercisable only by the optionees and shall not be assignable or transferrable by the optionee otherwise than by will or by the laws of decent and distribution.

#### Adjustment of Shares

If any changes made in the shares subject to the Plan or subject to any option granted under the Plan (through merger, consolidation, reorganization, recapitalization, stock dividend, split-up, combination of shares, exchange of shares, issuance of rights to subscribe, or change in capital structure), appropriate adjustments or substitutions shall be made by the Board or the Committee in or for such shares (including adjustments in the maximum number of

shares subject to the Plan and the number of such shares and price per share subject to the Plan and the number of such shares and price per share subject outstanding options granted under the Plan) as the Board or the Committee, in its sole discretion shall deem equitable to prevent dilution or enlargement of option rights.

#### Surrender and Termination of Options

In the event of a sale of all or substantially all of the assets of the Company or fifty percent (50%) or more of the outstanding voting stock of the Company by means of a sale, merger, reorganization or liquidation, the Board shall have discretionary authority to authorize the surrender of all unexercised options in exchange for a cash distribution equal in amount to the difference between (i) the fair market value of the authorized surrender date of the shares for which the surrender option or portion thereof is at the time excisable, and (ii) the aggregate option price payable for such shares.

Further, if, in connection with any such sale, merger, reorganization or liquidation, a provision is made for each outstanding option to either be assumed by the successor corporation (or parent thereof) or be replaced with a comparable option to purchase shares of the capital stock of the successor corporation (or parent thereof), each person holding unexercised options shall be entitled to have such options assumed by the successor corporation (or parent thereof) or replaced with a comparable option, as the case may be. The determination of option comparability will be made by the Board, and its determination shall be final, binding and conclusive.

#### Amendment and Termination of the Plan

The Board shall have the exclusive power and authority to amend or modify the Plan in any or all respects, whatsoever; provided, however, that no such amendment or modification shall, without the consent of the option holders, adversely affect rights and obligations with respect to options at the time outstanding under the Plan; and provided, further, that the Board shall not, without the approval of the stockholders of the Company, (i) increase the maximum number of shares issuable under the Plan, except for permissible adjustments; (ii) materially modify the eligibility requirements for the grant of options under the Plan; or (iii) make any other changes in the Plan which require stockholder approval pursuant to Section 422A of the Code.

The Plan, unless sooner terminated, shall terminate at the close of business on November 1, 2006. The Board shall have the authority to effect, at any time and from time to time, with the consent of the affected optionees, the cancellation of any or all outstanding options under the Plan and to grant in substitution

therefor new options under the Plan covering the same or different numbers of shares of Common Stock but having an option price per share not less than one hundred percent (100%) of fair market value on the new grant date.

#### Federal Income Tax Consequences

The following is a brief summary of the principal Federal income tax consequences of the grant and exercise of non-statutory and statutory stock options under present law.

#### Tax Treatment - Non-Statutory Stock Options

An optionee will not recognize any taxable income for Federal income tax purposes upon receipt of a non-statutory stock option.

Upon the exercise of a non-statutory stock option with cash, the amount by which the fair market value of the shares received, determined as of the date of exercise, exceeds the option price is generally treated as compensation received in the year of exercise. If the option price is paid in whole or in part with shares of the Companys Common Stock, no income, gain or loss is recognized on the receipt of shares equal in value on the date of exercise to the shares delivered in payment of the option price. The fair market value of the remainder

of the shares received upon exercise, determined as of the date of exercise, less the amount of cash, if any, paid upon exercise, is generally treated as compensation received on the date of exercise. Individuals are subject to special Federal income tax rules upon the exercise of a non-statutory stock option (i) if the exercise is within six months of the date of grant, or (ii) in the event the fair market value of the shares acquired is less than the option price on the date of exercise.

In each instance that an amount is treated as compensation received, the Company generally is entitled to a corresponding deduction in the same amount for compensation paid to the optionee in such taxable year was reasonable.

#### Tax Treatment - Statutory Stock Options

The grant of a statutory stock option pursuant to Section 422A of the Code has no tax consequences to the optionee. Thus, optionees have no income from the receipt of statutory stock options, and the Company will have no business expense deductions from the grant of the statutory stock option.

When the statutory stock option is exercised, no income is attributed to the optionee to whom stock is transferred. However, to obtain this tax deferred treatment, the individual must maintain the shares he or she acquires through the exercise of the statutory stock option for the required holding period. In short, there must be no disposition of the stock: (i) within two (2) years after the option is granted, or (ii) within one (1) year after the stock is transferred to the optionee. These holding period requirements do not apply to statutory options that are exercised after the employees death. If an individual fails to hold the stock for the requisite holding period, the tax will be deferred only until the tax year in which the stock is disposed of, and the gain will be treated as ordinary income. On the other hand, when the requisite holding periods are met, an individual will be taxed at capital gains rate when stock obtained pursuant to the exercise of the statutory stock option is sold.

#### Vote Required

Under Delaware law, the affirmative vote of the holders of a majority of the shares of the Companys Common Stock present in person or represented by proxy and entitled to vote at the annual meeting, a quorum being present, is necessary for the approval of the adoption of the Plan. The aggregate number of shares for which a vote FOR, or AGAINST or ABSTAIN is made is counted for the purpose of determining the minimum number of affirmative votes required for approval, and the total number of votes cast FOR approval is counted for the purpose of determining whether sufficient votes are received. An abstention from voting on a matter by a stockholder present in person or represented by proxy and entitled to vote has the same legal effect as a vote AGAINST the matter.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR APPROVAL OF THE 1996 STOCK OPTION PLAN. PROXIES RECEIVED BY THE BOARD OF DIRECTORS WILL BE VOTED FOR THE APPROVAL OF THE ADOPTION OF THE PLAN UNLESS STOCKHOLDERS SPECIFY IN THEIR PROXY A VOTE OF AGAINST OR ABSTAIN.

#### Proposal 3

AMEND CERTIFICATE OF INCORPORATION  
TO REQUIRE TWO-THIRDS STOCKHOLDER VOTE  
FOR STOCKHOLDER AMENDMENT OF BYLAWS

The Board of Directors unanimously recommends that the stockholders approve the proposed amendment to ARTICLE TENTH of the Certificate of Incorporation, to specify that the stockholders have the power to adopt, alter, amend or repeal the bylaws of the Company upon the affirmative vote of the holders of two-thirds of the Companys stock entitled to vote. It is proposed that this provision be added to the current ARTICLE TENTH of the Certificate of Incorporation, which now merely provides that the Board of Directors may make, alter or repeal the Bylaws of the Company.

The proposed amendment, which amends ARTICLE TENTH in its entirety, is as follows:

TENTH: The board of directors of the corporation is expressly authorized to make, alter or repeal the bylaws of the corporation. The bylaws of the

corporation may also be adopted, altered, amended or repealed by the affirmative vote of the holders of two-thirds of the corporations stock entitled to vote.

The Companys Certificate of Incorporation and, until recently, its Bylaws, have both been silent with regard to the stockholders power to make, alter and repeal the Companys Bylaws. Prevailing legal and other authorities, including 109(a) of the Delaware General Corporation Law, support the notion that the stockholders retain the right to adopt, amend or repeal Bylaws, whether or not the certificate of incorporation or bylaws specify such rights, and no particular voting majority is specified. The Board of Directors believes that it is important to specify that stockholder votes with respect to bylaws should require a two-thirds majority. The Bylaws have recently been amended by Board action to require a two-thirds majority vote of the stockholders to approve any adoption, amendment or repeal of a bylaw and the proposed amendment to the Certificate of Incorporation will give full effect to this bylaw change.

The Board of Directors believes that requiring a two-thirds vote of the stockholders with respect to any bylaw change proposed by the stockholders is consistent with long-standing provisions in the Certificate of Incorporation and with the independent philosophy and tradition of the Company. Since its incorporation, the Certificate of Incorporation has contained Sections 6.1 and 6.2, which require a two-thirds stockholder vote for amendment or repeal of specific articles and to approve a merger or sale of all or substantially all of the assets of the business. It is felt that these provisions have been useful, in conjunction with the significant holdings of the largest stockholders, in helping to preserve the independence and stability of the Company and its management. In particular, these supermajority provisions are believed to encourage persons who might in the future attempt to acquire control of the Company to initiate such an acquisition through arms-length negotiations with the Companys Board. It is believed that the Board, with its intimate knowledge of the Company, will be in the best position to evaluate on behalf of all of the stockholders any such acquisition proposal which might be received in the future. The two-thirds vote requirements enable the Board to fully perform this function, unhampered by the threat of removal or other coercive action which might be taken by a party who gains the bare majority control of the shares. If the proposal is not adopted, then some of the protections afforded by the above-mentioned two-thirds vote requirements for amending the Certificate of Incorporation and approval of merger and sale transactions could be circumvented through bylaw amendments adopted by a bare majority of the stockholders. Long-standing and recently adopted bylaws could be changed to the detriment of the remaining minority stockholders.

This proposal should be considered in the context of a number of amendments to the Companys By-Laws which were adopted by the Board of Directors in connection with the Restatement of the By-Laws effective May 1, 1986. In addition to the aforementioned requirement of a two-thirds majority vote for stockholder approval of amendments to the By-Laws, the following amendments were adopted by the Board:

Special meetings of the stockholders may now only be called by the Chairman of the Board, the President or the Board as a whole. The previous by-law allowed a special meeting to also be called by the majority of stockholders.

Provisions pertaining to stockholder action by written consent have been eliminated. See Proposal 4.

New provisions specify that stockholder meetings shall be presided over by the Chairman of the Board or the President, and specify the power of the presiding officer with respect to conduct of the meeting.

New provisions detail procedures and advance notice requirements for stockholder proposals and nominations.

Vacancies on the Board may now only be filled by a vote of the majority of the directors.

Directors may now be removed by a two-thirds vote of the stockholders for cause or by a majority of the Board.

Adoption of the proposed amendment to the Certificate of Incorporation will have the effect of making it more difficult for the stockholders to change the Bylaws without the support of the Board of Directors. The amendment may deter certain acquisitions and future takeover attempts which holders of some or even a bare majority of the outstanding stock believe to be in their best interest and may make removal of management more difficult. However, the Board believes that the benefits of protecting its ability to negotiate with the proponent of a bylaw change or of an unfriendly or unsolicited proposal to acquire or restructure the Company outweighs the disadvantages of discouraging such stockholder bylaw proposals.

It should be noted that this proposal has been made to continue and strengthen long-standing organizational principles and philosophies of the Company. To date, the Company has never been confronted with a stockholder proposal for bylaw change and has not been the subject of any hostile takeover proposals or threats. The Board of Directors has recently eliminated a provision from the By-Laws which allowed stockholder action by written consent.

#### Vote Required

Pursuant to Section 6.1 of the Companys Certificate of Incorporation, a vote of the holders of two-thirds of the Companys stock entitled to vote is required to amend the Certificate of Incorporation unless the amendment is recommended to the stockholders by at least two-thirds of the members of the Companys Board of Directors, in which case only the vote of a simple majority of the Companys stock entitled to vote is required. The directors have unanimously recommended

that all of the amendments to the Certificate of Incorporation proposed herein pursuant to this Proposal 3, and the following Proposals 4 and 5, be approved by the stockholders. Therefore, the affirmative vote of the holders of a majority of the shares of the Companys common stock present in person or represented by proxy and entitled to vote at the Annual Meeting, a quorum being present, is necessary for the approval of the amendments to the Certificate of Incorporation set forth in Proposals 3, 4 and 5. The aggregate number of shares for which a FOR or AGAINST or ABSTAIN is counted for the purpose of determining the minimum number of affirmative votes required for approval, and the total number of votes cast FOR approval is counted for the purpose of determining whether sufficient votes are received. An abstention from voting on a matter by a stockholder present in person or represented by proxy and entitled to vote has the same legal effect as a vote AGAINST the matter.

The Board of Directors recommends that you vote For Proposal 3. Proxies received by the Board of Directors will be voted for approval of the amendment to the Certificate of Incorporation unless stockholders specify in their proxy a vote of Against or Abstain.

#### Proposal 4

##### AMEND CERTIFICATE OF INCORPORATION TO PROHIBIT STOCKHOLDER ACTION BY WRITTEN CONSENT

The Board of Directors unanimously recommends that a new ARTICLE SIXTEENTH be added to the Certificate of Incorporation requiring that stockholder action be taken only at an annual meeting of the stockholders or at a special meeting of the stockholders and prohibiting all stockholder action by written consent. Pursuant to the Delaware General Corporation Law, unless otherwise provided in the Certificate of Incorporation, any action required or permitted to be taken by stockholders of the Company may be taken without a meeting and without a stockholder vote if a written consent setting forth the action is signed by the holders of shares of outstanding stock having the number of votes that would be necessary to authorize such action at a meeting of the stockholders. The

Companys Certificate of Incorporation does not currently contain any restrictions on stockholder voting by written consent.

The proposed amendment, which is a new ARTICLE SIXTEENTH, is as follows:

SIXTEENTH: Any action required or permitted to be taken by the stockholders of the corporation must be taken at an annual or special meeting of the stockholders and may not be taken by any consent in writing in lieu of a meeting of such stockholders.

The prohibition of stockholder action by written consent would give all the stockholders of the Company the opportunity to participate in proposed stockholder action and would prevent the holders of a majority of the voting stock from using the written consent procedure to take stockholder action without affording all stockholders an opportunity to participate. The Board of Directors believes in the value of the Companys stockholder meetings and the communication which is fostered at such gatherings. The Board does not consider the stockholder written consent procedure to be useful with respect to the governance of the Company. No vote of the stockholders of the Company has ever been taken by written consent, and none is threatened at this time.

This amendment will prevent stockholders from attempting to take action outside of a duly called and held annual or special meeting of the stockholders. A recent amendment to the Bylaws of the Company adopted by the Board of Directors has eliminated provisions allowing stockholders to call a special meeting of the stockholders, thus the proposed amendment may limit stockholder consideration of stockholder proposals to those which are timely and appropriately put into consideration at an annual meeting or unless the Chairman, President or a majority of the Board of Directors agrees to put the matter to a vote at a special meeting of the stockholders. On balance, the Board of Directors supports the proposal on the principle that stockholder action should be taken at meetings open to all stockholders and only after appropriate dialogue and debate.

The Board of Directors recommends that you vote For approval of Proposal 4. Proxies received by the Board of Directors will be voted for approval of the amendment to the Certificate of Incorporation unless stockholders specify in their proxy a vote of Against or Abstain.

#### Proposal 5

##### AMEND CERTIFICATE OF INCORPORATION REGARDING CONSIDERATION OF RELEVANT FACTORS IN CERTAIN BUSINESS COMBINATIONS

The Board of Directors unanimously recommends that a new ARTICLE SEVENTEENTH be added to the Companys Certificate of Incorporation which would explicitly direct the Board of Directors to take into account all relevant factors in exercising its business judgment as to what is in the best interests of the Company and its stockholders in evaluating certain tender officers and business combination proposals. Neither the relative weight to be given each factor nor the method of determining how each factor is to be ascertained is specified in the amendment. These are to be determined by the Board of Directors at the time of the exercise of its business judgment.

The proposed amendment, which is a new ARTICLE SEVENTEENTH, is as follows:

SEVENTEENTH: The Board of Directors of the corporation, when evaluating any offer of another party to (i) purchase or exchange any securities or property

for any outstanding equity securities of the corporation, (ii) merge or consolidate the corporation with another corporation, or (iii) purchase or otherwise acquire all or substantially all of the properties and assets of the corporation, shall, in connection with the exercise of its judgment in determining what is in the best interests of the corporation and its stockholders, give due consideration to all relevant factors, including without limitation: (a) not only the price or other consideration being offered in

relation to the then current market price of the corporations outstanding shares of capital stock, but also the Board of Directors estimate of the future value of the corporation as an independent going concern and the unrealized value of its property and assets; (b) the financial and managerial resources and future prospects of the other party; and (c) the possible social, legal, environmental and economic effects of the transaction on the business of the corporation and its subsidiaries and on the employees, customers and creditors of the corporation and its subsidiaries and the effects on the communities in which the corporations offices are located. In evaluating any such offer on the basis of the foregoing factors, the directors shall be deemed to be performing their duly authorized duties and acting in good faith and in the best interests of the corporation within the meaning of Section 145 of the General Corporation Law of Delaware, as it may be amended from time to time.

This proposal, if approved, is intended to give comfort to the Companys employees, customers and other constituencies that the Board of Directors would consider their interests in deciding whether to recommend a tender or exchange offer or to authorize a merger. The Board believes that this would have a positive impact on the communities in which the Company and its subsidiaries operate. This proposal also reflects the Boards concern that the value of the Company at any one time may not be adequately reflected in the market price of its stock. Therefore, this proposal would explicitly permit the Board of Directors to compare the consideration to be offered in a proposed acquisition of the Company with other measures of the Companys worth.

While the value of the consideration offered to the stockholders is a very important factor when weighing the benefits of an acquisition or business combination proposal, the Board of Directors believes it is also appropriate to consider other relevant factors. For example, the proposed amendment directs the Board to evaluate the consideration being offered in relation to both the then-current value of the Company in a freely negotiated transaction and in relation to the Board of Directors estimate of the future value of the Company as an independent concern. A takeover bid often places the target virtually in the position of making a forced sale, often at a time when the market price of its stock may be temporarily depressed. In a friendly, negotiated transaction, however, management would have the opportunity to seek a suitable partner at a time of its choosing and to negotiate for the most favorable price and terms which would reflect not only the current but also the future value of the Company.

Under present Delaware law, absent a charter provision such as Proposal 5, the Board of Directors may be limited in its ability to consider any interests other than the short-term maximization of value to the stockholders. Other states have enacted corporation laws which allow the directors to consider the interests of constituencies other than the stockholders, but Delaware has yet to adopt a so-called constituency statute.

Adoption of Proposal 5 will strengthen the hand of the Board of Directors in dealing with anyone attempting to take over the Company, but may also discourage potential purchasers. The Board believes that the advantages of being able to take the long-term and broad-constituency view will maximize stockholder values in the long run.

The Board of Directors recommends that you vote For approval of Proposal 5. Proxies received by the Board of Directors will be voted for approval of the amendment to the Certificate of Incorporation unless stockholders specify in their proxy a vote of Against or Abstain.

#### INDEPENDENT AUDITORS

Baird, Kurtz and Dobson, certified public accountants, served as independent auditors for the Company for the year ended June 30, 1996. The Company has not selected its auditors for the current year, because the Company does not select its auditors until after the final Audit Committee meeting on the prior years examination is held. Representatives of Baird, Kurtz and Dobson are expected to be present at the Annual Meeting with the opportunity to make a statement if

they desire to do so and to be available to respond to appropriate questions.

#### STOCKHOLDER PROPOSALS

Stockholders who intend to present proposals at the Companys 1997 Annual Meeting of Stockholders must submit their proposals to the Companys Secretary on or before June 2, 1997.

#### COST OF SOLICITATION AND PROXIES

Proxy solicitation is being made by mail, although it may also be made by telephone, telegraph or in person by officers, directors and employees of the Company not specifically engaged or compensated for that purpose. The Company will bear the entire cost of the Annual Meeting, including the cost of preparing, assembling, printing and mailing the Proxy Statement, the Proxy and any additional materials furnished to stockholders. Copies of the solicitation materials will be furnished to brokerage houses, fiduciaries and custodians for forwarding to the beneficial owners of shares held of record by them and, upon their request, such persons will be reimbursed for their reasonable expenses

incurred in completing the mailing to such beneficial owners.

#### FINANCIAL STATEMENTS

Financial statements of the Company are contained in the 1996 Form 10-K which accompanies this Proxy Statement. Incorporated herein by reference are the financial statements contained in such Form 10-K.

#### OTHER MATTERS

The Board of Directors knows of no matters that are expected to be presented for consideration at the 1996 Annual Meeting which are not described herein. However, if other matters properly come before the meeting, it is intended that the persons named in the accompanying Proxy will vote thereon in accordance with their best judgment.

By Order of the Board of Directors

/s/ Michael E. Henry

Michael E. Henry  
Chairman of the Board

Monett, Missouri  
September 23, 1996

A copy of the Companys Annual Report on Form 10-K is attached hereto. Exhibits to Form 10-K, listed on pages and thereof, have been omitted. The Company will furnish a copy of any exhibit subject to charge upon written request directed to Terry W. Thompson, Chief Financial Officer, Jack Henry & Associates, Inc., 663 Highway 60, Post Office Box 807, Monett, Missouri, 65708.  
Exhibit A

JACK HENRY & ASSOCIATES, INC.  
1996 STOCK OPTION PLAN

#### PURPOSES OF THE PLAN

This 1996 Stock Option Plan (the Plan) is intended to promote the interests of JACK HENRY & ASSOCIATES, INC. (JHA) by providing a method whereby those employees of JHA or its subsidiaries who are primarily responsible for the management, growth and financial success of JHA and its subsidiaries may be offered incentives and rewards which will encourage them to acquire a proprietary interest, or otherwise increase their proprietary interest in JHA and remain in the service and employ of JHA or its subsidiaries.

#### ADMINISTRATION OF THE PLAN

The Plan shall be administered by the Board of Directors (the Board) of JHA. The Board, however, may at any time appoint a committee (Committee) of two (2) or more non-employee directors and delegate to such Committee one or more of the administrative powers allocated to the Board under the provisions of the Plan, including (without limitation) the power to determine the person or persons to be granted options under the Plan, the number of shares to be covered by such options, whether such options are to be incentive stock options (Incentive Option) under Section 422A of the Internal Revenue Code of 1986, as amended (the Code) or non-qualified options not intended to meet the requirements of Section 422A, and the time or times at which options are to be exercisable. Members of the Committee shall serve for such period of time as the Board may determine and shall be subject to removal by the Board at any time. The Board may also at any time terminate the functions of the Committee and reassume all powers and authority previously delegated to the Committee.

References to the Committee in various sections of the Plan shall be of no force or effect unless the Committee is at the time responsible for the administration of the section of the Plan which includes the reference to the Committee. The Board is authorized (subject to the provisions of the Plan) to establish such rules and regulations as it may deem appropriate for the proper administration of the Plan and to make such determinations under, and issue such interpretations of, the Plan and any outstanding options as it may deem necessary or advisable. Decisions of the Board or the Committee, as the case may be, shall be final and binding on all parties who have an interest in the Plan or any outstanding option.

All determinations made and other actions taken by the Board or Committee shall be made by the affirmative vote of a majority of the members of the Board or Committee, but any determination or action reduced to writing and signed by a majority of the members of the Board or Committee shall be fully as effective as if it had been made or taken by a majority vote at a meeting duly called and held.

#### ELIGIBILITY FOR OPTION GRANTS

The persons who shall be eligible to receive options pursuant to the Plan are such employees of JHA, any Subsidiary Corporation of JHA (Subsidiary Corporation) or any Affiliated Company of JHA, as hereinafter defined, including employees who are members of the Board of JHA, as the Board or Committee shall from time to time select. As used herein, the term Subsidiary Corporation shall be defined as set forth in Section 425(f) of the Code.

The Board or Committee shall have full authority to determine the number of shares to be covered by granted options, whether options are to be Incentive Options under Section 422A of the Code or non-qualified options not intended to meet the requirements of Section 422A, the time or times at which options are to

be exercisable, and such other terms and conditions as may be applicable to such options.

#### STOCK SUBJECT TO THE PLAN

The stock issuable under the Plan shall be shares of JHA authorized but unissued or reacquired Common Stock par value \$.01 (Common Stock). The aggregate number of shares which may be issued under the Plan shall not exceed One Million Five Hundred Thousand (1,500,000) shares. The total number of shares issuable under the Plan shall be subject to adjustment from time to time in accordance with subsection (c) below.

Should an option expire, be surrendered in whole or in part or terminate for any reason without being exercised, then the shares subject to the portion of the option expired, surrendered or not so exercised shall be available for subsequent option grants under the Plan; provided, however, shares subject to any option or portion thereof surrendered in accordance with Section 7 of the Plan shall not be available for subsequent option grants under the Plan.

In the event any change is made to the Common Stock issuable under the Plan

(whether by reason of merger, consolidation, reorganization, recapitalization, or exchange of shares or by stock dividend, stock split, combination of shares, or other change in capital structure effected without receipt of consideration), then unless such change results in the termination of all outstanding options pursuant to the provisions of Section 7 of the Plan, such adjustments shall be made in the maximum number and/or class of shares issuable under the Plan and in the number, class of shares and/or the option price per share of the stock subject to each outstanding option as may be determined by the Board to be appropriate in order to prevent the dilution of benefits hereunder or under outstanding options.

#### TERMS AND CONDITIONS OF OPTIONS

Option Agreements. The granting of an option hereunder shall occur at the time the Board or Committee adopts a resolution granting an option pursuant to this Plan or at such later date as may be specified by the Board or the Committee in such resolution (the Grant Date). Options granted pursuant to the Plan shall be evidenced by instruments in such form and containing such terms and conditions as the Board shall from time to time authorize; provided, however, that each such instrument shall comply with and incorporate the terms and conditions specified in this Section 5.

##### Option Price

The option price per share shall be fixed by the Board or Committee, but in no event shall the option price per share be less than one hundred percent (100%) of the fair market value of a share of Common Stock on the date of the option grant.

The option price shall become immediately due upon exercise of the option and shall be payable in one of the alternative forms specified below:

full payment by certified check payable to JHA;

full payment in shares of Common Stock having a fair market value on the Exercise Date (as such term is defined below) equal to the option price; or

any combination of certified check payable to JHA and/or shares of Common Stock valued at fair market value on the Exercise Date, equal in the aggregate to the option price.

For purposes of this subsection (2), the Exercise Date shall be the date on which written notice of the exercise of the option is delivered to JHA, together with payment of the option price for the purchased shares.

The fair market value of a share of Common Stock on any relevant date under subsections (1) and (2) above (and for all other valuation purposes under the Plan) shall be determined in accordance with the following provisions:

If the Common Stock is not at the time listed or admitted to trading on any stock exchange, but is traded in the over-the-counter market, the fair market value shall be the mean between the last reported bid price and the last reported asked price (or, if such information is available, the mean between the last reported high and low sales prices) of one share of Common Stock on the valuation date in the over-the-counter market, as such prices are reported by the National Association of Securities Dealers, Inc. through its NASDAQ system or any successor system. If there are no reported bid and asked prices or high and low sales prices reported on the valuation date, then the mean between the last reported bid price and last reported asked price (or, if such information is available, the mean between the last reported high and low sales prices) on the last date preceding the valuation date for which such quotations or prices existed shall be determinative of fair market value.

If the Common Stock is at the time listed or admitted to trading on any stock exchange, then the fair market value shall be the mean between the last reported high and low sales prices of one share of Common Stock on the valuation date on

the stock exchange determined by the Board or Committee to be the primary market for the Common Stock, as such price is officially quoted on the composite tape of transactions on such exchange. If there is no reported sale of Common Stock on such exchange on the valuation date, then the fair market value shall be the mean between the last reported high and low sales prices on the exchange on the last date preceding the valuation date for which such quotations exist.

If the Common Stock at the time is neither listed nor admitted to trading on any stock exchange nor traded in the over-the-counter market, then the fair market value shall be determined by the Board after taking into account such factors as the Board shall deem appropriate, including valuations of the stock performed by independent appraisers selected by the Board.

**Term and Exercise of Options.** Each option granted under the Plan shall become exercisable at such time or times and upon fulfillment of such conditions as are determined by the Board and for such period of time thereafter and for such number of shares as shall be determined by the Board or Committee and set forth in the instrument evidencing such option. However, no option granted under the Plan shall have a term in excess of ten (10) years from the grant date.

**Assignability.** For the first six (6) months after the date of grant, no option granted under the Plan shall be transferable by the optionee other than by will or by the laws of descent and distribution. Following the first six (6) months after the date of grant, options may be transferred during the lifetime of an optionee, to any Permitted Transferee. Permitted Transferees shall include members of the immediate family of the optionee, any charity qualified under 501 (c) (3) of the Internal Revenue Code and any trust established for the benefit of the optionee or the optionees immediate family members. For this purpose, immediate family member shall mean the optionees spouse, children, step-children, grandchildren and step-grandchildren and any partnership, corporation, limited liability company or other entity, all the beneficial interests in which are held by the optionee or immediate family members. Permitted Transferees may only transfer options to other Permitted Transferees of the optionee. JHA may disregard any transfer of an option which has not been properly registered with JHA or its agents. In the event of a death of a Permitted Transferee who held options at death, such options shall thereafter be exercisable, as provided in subsection (f)(3), by such person(s) entitled to do so under the will of the Permitted Transferee, or by the legal representative of the Permitted Transferee.

**Employment Status.** For purposes of Section (f) of this Section 5, an optionee shall be deemed to be an employee of JHA if such optionee is employed by i) JHA; ii) a Parent Corporation (as that term is defined in Section 425(e) of the Code) of JHA (Parent Corporation); iii) a Subsidiary Corporation of JHA; or iv) any corporation in which JHA directly or indirectly owns stock possessing at least twenty percent (20%) of the total combined voting power of all classes of stock; or any partnership in which JHA directly or indirectly owns at least twenty percent (20%) of the capital interest or profits interest (Affiliated Company) (JHA and all such other companies are sometimes hereinafter referred to as the employer corporation); provided, however, that if an optionee is employed by an Affiliated Company, no shares of stock acquired by such optionee upon exercise of an Incentive Option will be eligible to qualify for tax treatment under Section 422A of the Code unless such optionee was employed by JHA, a Subsidiary Corporation or a Parent Corporation of JHA on the date such Incentive Option was granted and such optionee acquires such stock by exercising such Incentive Option not later than three (3) months from the date such optionee is last employed by JHA, a Subsidiary Corporation or a Parent Corporation of JHA.

#### **Effect of Termination of Employment**

In the event the employment of an employee to whom an option has been granted under the Plan shall be terminated other than by reason of permanent disability within the meaning of Section 22 (e) (3) of the Code, retirement pursuant to any retirement plan of any employer corporation, or by death, then any outstanding options granted to such employee under the Plan shall terminate and cease to be exercisable by the employee or any Permitted Transferee immediately upon the date of such termination of employment (but in any event not later than the

termination date of the option). Options granted under the Plan shall not be affected by any change of duties or position so long as the optionee continues to be in the employ of JHA. The option agreements may contain such provisions as the Board shall approve with reference to the effect of approved leaves of absence.

If an employee holding an option which has not expired or terminated shall become permanently disabled within the meaning of Section 22(e) (3) of the Code, then the employee shall have a period of one (1) year from the date of cessation of employee status during which to exercise such option or options for the number of shares for which such option or options are exercisable on the date of cessation of employee status, but in no event shall such options be exercisable after the specified expiration date of the option term. Upon the expiration of such limited period of exercisability, or (if earlier) upon the expiration of the option term, the option shall terminate and cease to be exercisable.

If an employee holding an option which has not expired or terminated shall retire pursuant to any retirement plan of any employer corporation, then the employee shall have a period of three (3) months from the date of cessation of employee status during which to exercise such option or options for the number of shares for which such option or options are exercisable on the date of cessation of employment status, but in no event shall such options be exercisable after the specified expiration date of the option. Upon the expiration of such limited period of exercisability, or (if earlier) upon the expiration of the option term, the option shall terminate and cease to be exercisable.

If a person holding an option which has not expired or terminated shall die, then the estate of the decedent or the person or persons to whom his or her rights under the option were transferred by will or by the laws of descent and distribution shall have a period of one (1) year from the date of death during which to exercise such option or options for the number of shares as to which the decedent could have exercised such option at the time of his or her death,



but in no event shall such options be exercisable after the specified expiration date of the option term. Any such exercise shall be effected by written notice to the Board from the persons entitled to exercise the option and the person or persons giving the same shall furnish to the Board such other documents or papers as the Board may reasonably require, including, without limitation, evidence of the authority of such person or persons to exercise the option and evidence satisfactory to the Board that any death taxes payable with respect to such shares have been paid or provided for. Upon the expiration of such limited period of exercisability, or (if earlier) upon the expiration of the option term, the option shall terminate and cease to be exercisable.

**Stockholder Rights.** An option holder shall have none of the rights of a stockholder with respect to any shares covered by the option until such individual shall have exercised the option, paid the option price and been issued a stock certificate for the purchased shares. Upon exercise of the option, payment of the option price and issuance of the stock certificate, the option holder shall have all of the rights of a stockholder with respect to such shares including voting and dividend rights, subject only to the provisions of this Plan and other instruments implementing the provisions hereof.

#### INCENTIVE OPTIONS.

The additional terms and conditions specified below shall be applicable to all Incentive Options granted under the Plan. Options which are specifically designated as non-qualified options when issued under the Plan shall not be subject to such additional terms and conditions.

**Dollar Limitation.** The aggregate fair market value (determined as of the respective date or dates of grant) of the Common Stock with respect to which Incentive Options granted under the Plan (or any other plan of JHA or its parent or subsidiary corporations) are exercisable for the first time by any optionee during any calendar year shall not exceed One Hundred Thousand Dollars (\$100,000) or such greater amount as may be permitted under subsequent

amendments to Section 422A of the Code.

**Ten Percent (10%) Shareholder.** If any employee to whom an Incentive Option is to be granted pursuant to the provisions of 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 JHA or any one of its Parent or Subsidiary Corporations, then the following special provisions shall be applicable to the Incentive Option granted to such individual:

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

No such Incentive Option shall have a term in excess of five (5) years from the date of grant.

**Assignability.** During the lifetime of the optionee, the Incentive Option shall be exercisable only by the optionee and shall not be assignable or transferable by the optionee otherwise than by will or by the laws of descent and distribution.

Except as modified by the preceding provisions of this Section 6, all the provisions of the Plan shall be applicable to Incentive Options granted hereunder.

#### SURRENDER AND TERMINATION OF OPTIONS.

If either JHA or its stockholders enter into an agreement to dispose of all or substantially all of the assets of JHA or fifty percent (50%) or more of the outstanding voting stock of JHA by means of a sale, merger, reorganization or liquidation, then the Board shall have the discretionary authority, exercisable upon such terms and conditions as it deems appropriate, to authorize the surrender of all unexercised options in exchange for a cash distribution equal in amount to the difference between i) the fair market value at the authorized surrender date of the shares for which the surrendered option or portion thereof is at the time exercisable, and ii) the aggregate option price payable for such shares.

If, in connection with any such sale, merger, reorganization or liquidation, provision is made for each outstanding option to either be assumed by the successor corporation (or parent thereof) or be replaced with a comparable option to purchase shares of the capital stock of the successor corporation (or parent thereof), each person holding unexercised options shall be entitled to have such options assumed by the successor corporation (or parent thereof) or replaced with a comparable option, as the case may be. The determination of option comparability will be made by the Board, and its determination shall be final, binding and conclusive.

Upon consummation of such sale, merger, reorganization or liquidation, all outstanding options under the Plan shall terminate and cease to be exercisable, unless assumed by the successor corporation (or parent thereof).

The grant of options under the Plan shall in no way restrict or affect the right of JHA or its stockholders to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

#### CANCELLATION AND NEW GRANT OF OPTIONS.

The Board shall have the authority to effect, at any time and from time to time, with the consent of the affected option holders, the cancellation of any or all outstanding options under the Plan and to grant in substitution therefor new options under the Plan covering the same or different numbers of shares of Common Stock but having an option price per share not less than one hundred percent (100%) of fair market value on the new grant date.

#### AMENDMENT OF THE PLAN.

The Board shall have the exclusive power and authority to amend or modify the Plan in any or all respects whatsoever; provided, however, that no such amendment or modification shall, without the consent of the option holders, adversely affect rights and obligations with respect to options at the time outstanding under the Plan; and provided, further, that the Board shall not, without the approval of the stockholders of JHA, i) increase the maximum number of shares issuable under the Plan, except for permissible adjustments under Section 4(c); ii) materially modify the eligibility requirements for the grant of options under the Plan; or iii) make any other changes in the Plan which require stockholder approval pursuant to Section 422A of the Internal Revenue Code.

#### EFFECTIVE DATE AND TERM OF PLAN.

The Plan shall become effective upon the later of i) November 1, 1996 or ii) the date the Plan shall have been approved by the JHA stockholders. The Board or Committee may grant options under the Plan at any time after the effective date and before the date fixed herein for termination of the Plan. The JHA 1987 Stock Option Plan shall terminate upon the effective date of this Plan, provided that all options then outstanding under the 1987 Stock Option Plan shall thereafter continue to have force and effect in accordance with the provisions of the instruments evidencing such options.

Unless sooner terminated by the Board or otherwise, the Plan shall terminate upon the earlier of i) the tenth (10th) anniversary of the effective date of the Plan, or ii) the date on which all shares available for issuance under the Plan shall have been issued pursuant to the exercise or surrender of options granted hereunder. If the date of termination is determined under clause (i) above, then options outstanding on such date shall thereafter continue to have force and effect in accordance with the provisions of the instruments evidencing such options.

Options may be granted under this Plan to purchase shares of Common Stock in excess of the number of shares then available for issuance under the Plan, provided i) an amendment to increase the maximum number of shares issuable under the Plan is adopted by the Board prior to the initial grant of any such option and is thereafter approved by the stockholders of JHA, and ii) each option so granted is not to become exercisable, in whole or in part, at any time prior to the obtaining of such stockholder approval.

#### USE OF PROCEEDS.

The proceeds received by JHA from the sale of shares pursuant to options granted under the Plan shall be used for general corporate purposes.

#### STOCK RESERVE.

JHA shall, at all times during the term of this Plan, reserve and keep available such number of shares of stock as will be sufficient to satisfy the requirements of this Plan. Such obligation to reserve shares of stock shall apply only with respect to options actually outstanding under this Plan and not with respect to the total number of shares available under this Plan for which options have not been granted.

#### LISTING, REGISTRATION AND COMPLIANCE WITH LAWS AND REGULATIONS.

Each option shall be subject to the requirement that if at any time the Board shall determine, in its discretion, that the listing of the shares subject to the option upon any securities exchange or the registration or qualification of such shares under any state or federal securities or other law or regulation, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition of, or in connection with, the granting of such option or the issue or purchase of the shares thereunder, no such option may be exercised in whole or in part unless such listing, registration, qualification,

consent or approval shall have been effected or obtained free of any conditions not acceptable to the Board, and the option holder will supply JHA with such certificates, representations and information as JHA shall request and shall otherwise cooperate with JHA in obtaining such listing, registration, qualification, consent or approval. In the case of officers and other persons subject to Section 16(b) of the Securities Exchange Act of 1934, the Board may at any time impose any limitations upon the exercise of an option which, in the Board's discretion, are necessary or desirable to permit transactions hereunder by such persons to comply with Section 16(b) and the rules and regulations thereunder. If JHA, as part of an offering of securities or otherwise, finds it desirable because of federal or state regulatory requirements to reduce the period during which any options may be exercised, the Board may, in its discretion and without the option holders consent, so reduce such period on not less than fifteen (15) days written notice to the option holders.



6. IN THEIR DISCRETION THE PROXIES ARE AUTHORIZED TO VOTE UPON SUCH OTHER BUSINESS AS MAY PROPERLY COME BEFORE THE MEETING.

This proxy when properly executed will be voted in the manner directed herein by the undersigned stockholder. If no direction is made, this proxy will be voted FOR Proposals 1, 2, 3, 4 and 5.

Please sign exactly as name appears below. When shares are held by joint tenants, both should sign. When signing as attorney, as executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign in full corporate name by President or other authorized officer. If a partnership please sign in partnership name by authorized person.

DATED 1996

Signature

Signature if held jointly

PLEASE MARK SIGN DATE AND RETURN THE PROXY  
CARD PROMPTLY USING THE ENCLOSED ENVELOPE

JACK HENRY & ASSOCIATES, INC. FISCAL 1996 ANNUAL REPORT (YEAR ENDED 6/30/96)

On the cover and inside the front cover: Bank Interiors - Early 1900's.  
Technology provided by Jack Henry & Associates. Original Photos property of Bettmann Archive.

#### JACK HENRY MISSION

Our mission, briefly, is to protect and to increase the value of our stockholders' investment by providing quality products and services to our customers. To accomplish this, we intend to:

- \* Concentrate on what we know and do best information systems and services for banks and financial institutions.
- \* Provide outstanding commitment and service to our customers, so that the perceived value of our products and services is always consistent with their real value.
- \* Maintain a work environment that is personally and financially rewarding to our employees.

Jack Henry & Associates, Inc., was No. 46 on "Forbes" magazine's 1995 list of "The World's Best Small Companies." It rose from No. 58 in 1994 and No. 109 in 1993.

Picture of CRT.

CORPORATE PROFILE

Jack Henry & Associates, Inc. (JHA), is a leading provider of integrated computer systems and services for banks and other financial institutions. It provides data processing solutions through proprietary applications software, which operates on IBM computers. JHA offers two core systems: CIF 20/20 , typically for customers with less than \$300 million in assets, and the Silverlake System , for customers with assets up to \$10 billion. JHA also frequently sells the hardware with its software products, and it also provides customer support and related services. Banks can purchase JHA systems for in-house data processing or they can use the company's resources through service bureau and facilities management operations. JHA also sells automatic teller machine (ATM) software and processes ATM network transactions through its CommLink Corp. subsidiary. JHA serves more than 1,240 customers in the United States and several foreign countries.

(Sidebars for letter to our shareholders):

Page 2 - Photograph of Jack Henry & Associates, Inc. corporate headquarter sign.

Photograph of Jack Henry & Associates, Inc. grounds around the corporate offices.

Pie Chart depicting Revenue Sources for FY '92:

Maintenance/Support	20%
Software & Installation	32%
Hardware	48%

Pie Chart depicting Revenue Sources for FY '96:

Maintenance/Support	33%
Software & Installation	27%
Hardware	40%

Bar Graph depicting "REVENUES" from continuing operations:

For FYE 96 -	67,558,000
For FYE 95 -	46,124,000
For FYE 94 -	38,390,000
For FYE 93 -	32,589,000

For FYE 92 - 23,896,000

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Bar Graph depicting "GROSS PROFIT" from continuing operations:

For FYE 96 -	33,965,000
For FYE 95 -	23,178,000
For FYE 94 -	17,877,000
For FYE 93 -	14,009,000
For FYE 92 -	11,129,000

Bar Graph depicting "GROSS MARGIN" percentages:

For FYE 96 -	50.30%
For FYE 95 -	50.30%
For FYE 94 -	46.60%
For FYE 93 -	43.30%
For FYE 92 -	46.60%

Bar Graph depicting "INCOME FROM CONTINUING OPERATIONS":

For FYE 96 -	12,268,000
For FYE 95 -	7,978,000
For FYE 94 -	6,259,000
For FYE 93 -	5,272,000
For FYE 92 -	3,892,000

Photograph of Jack Henry & Associates, Inc. corporate headquarters.

Bar Graph depicting "EARNINGS PER SHARE" from continuing operations:

For FYE 96 - \$.98

For FYE 95 - \$ .66  
For FYE 94 - \$ .52  
For FYE 93 - \$ .46  
For FYE 92 - \$ .35

Photograph of Jack Henry & Associates, Inc. corporate offices during the winter.

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Photograph of keyboard.

JHA check imaging systems should make significant contributions to revenue growth in upcoming years.

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Photograph of new construction at JHA Headquarters providing facilities for expanded growth.

Photograph of Jack Henry & Associates, Inc. corporate office.

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Bar Graph depicting "NUMBER OF ASSOCIATES":

For FYE 96 - 330  
For FYE 95 - 215  
For FYE 94 - 164  
For FYE 93 - 154  
For FYE 92 - 117

Photograph of Michael E. Henry, Chairman and Chief Executive Officer.

Photograph of Michael R. Wallace, President and Chief Operating Officer.

#### TO OUR SHAREHOLDERS

In fiscal 1996, Jack Henry's revenues and earnings again reached record levels. We integrated our two recently acquired bank software companies, Liberty and SECTOR, into the JHA organization. Multiple benefits resulted: additional revenue and earnings streams, new products and services, and increased people resources. We were also able to establish some efficiencies by eliminating duplications.

Both of our core systems - the CIF 20/20 and Silverlake System, showed excellent growth. We began generating revenue from the alliance with Integrated Systems Solutions Corporation (ISSC), a wholly owned International Business Machines Corporation (IBM) subsidiary. We introduced our check imaging and platform products, and we recently began aggressively selling these products in the marketplace. We also entered into an agreement with Block Financial (Block) to develop a home banking product. Our ATM business grew steadily, bolstered by two acquisitions. Finally, we reduced the operating loss in our BankVision Software, Ltd., international unit.

Today, JHA is a much different company than it was just a few years ago. Our revenues at the end of fiscal 1996 were almost triple the level of fiscal 1992. Additionally, our maintenance/support and service component - which provides a predictive base of continuing income - accounted for 33% of total revenues in fiscal 1996, versus 20% in fiscal 1992. The growth in this area reflects both increases in recurring maintenance fees and important additions in complementary services, such as ATM networking, service bureau and disaster recovery areas. We believe these revenue sources will continue to be important contributors as we move forward.

#### RESULTS

Fiscal 1996 was JHA's sixth consecutive year of record revenues and profitability from continuing operations. Since fiscal 1990 we have seen compounded annual growth rates of 28% in revenues and 52% in net earnings per share from continuing operations. The fourth quarter of fiscal 1996 marked the 26th consecutive period that year-to-year quarterly comparisons have shown increased earnings results.

Total revenues for fiscal 1996 increased to \$67.6 million, compared with \$46.1 million in fiscal 1995 - a gain of 46%. The Liberty and Sector bank software acquisitions in June 1995 were an important part of this growth.

Records were set in all three of our revenue areas: software, hardware, and maintenance/support and service. Software and installation revenue increased by 20% over the previous year's software results. We continued to add new accounts, converted a significant number of acquired customers to our CIF 20/20 and Silverlake systems, upgraded systems for many of our existing customers, and expanded our ATM business. Hardware sales increased by 30%. This area benefited from substantial upgrades by many of our newly acquired customers. Our forms and supplies business, most of which was acquired in the Liberty transaction, is considered part of the hardware category. Maintenance/support and service had an exceptionally strong year: revenue increased by 116%. The Liberty and Sector acquisitions account for a significant portion of this increase. Acquired revenue sources in this area include maintenance and support, service bureau, and disaster recovery services.

Our gross profit increased by 47% in fiscal 1996. Our gross profit margin equaled last year's 50.3% level. By exercising strict control over operating expenses, we were able to increase our operating margin from 25.6% to 28.4%.

Net income from continuing operations totaled \$12.3 million, or \$.98 per share, an increase of 54% from the \$8.0 million, or \$.66 per share, earned in fiscal 1995. The per-share results increased by 48%, reflecting an additional 4% shares outstanding. At fiscal year-end 1996, JHA made the decision to record its BankVision unit at its net realizable value. The resultant loss of \$2.62 million, or \$.21 per share, from discontinued operations primarily consisted of goodwill, and capitalized software write-down.

Our record revenues and earnings reflect the excellent demand for both our Silverlake and CIF 20/20 systems. We completed fiscal 1996 with a record order backlog - \$21.0 million. This figure, 28% above the \$16.4 million backlog on June 30, 1995, reflects strong orders in our core systems, new ISSC contracts, service bureau contracts, and an initial demand for our recently introduced check imaging and platform products. We expect orders for new products to become an increasing portion of our backlog.

#### AGREEMENT WITH BLOCK FINANCIAL FOR HOME BANKING PRODUCT

In May 1996, JHA signed an agreement with Block Financial, a wholly owned subsidiary of H&R Block, Inc., to offer a home banking product to JHA's customers. This state-of-the-art online service gives a bank's customers access to a wide range of products and services on the Internet, through Block Financial's site on the World Wide Web (<http://www.conductor.com>). The customer can request account information, bill payment, credit cards, and discount brokerage as well as nonbank services such as news, weather forecasts, stock quotes, and Block's TaxCut, Small Business Attorney and Home Legal Advisor software. The Web site is accessible through CompuServe, Prodigy, America Online and any other secure Internet connection. This home banking solution is tightly coupled with JHA's core application software to provide accurate, up-to-the-minute information.

We expect to complete the testing phase and to begin marketing this solution during the second half of fiscal 1997. Thomas J. Walsh, who joined JHA through the ATM acquisition of Central Interchange, Inc., is responsible for our home banking project and related Internet services, which are based in the Kansas City area.

#### Recently Introduced Products and Services/Progress with ISSC

In fiscal 1996, we installed our check imaging system at customer sites and began offering the product for general availability. We expect our check imaging product to be a significant contributor to revenue and profitability growth over the next several years. We ended the year with a solid imaging backlog.

We also introduced our new platform product last year and had a greater-than-expected demand from our customers. We will continue to add resources to meet increasing demand. We expect that many of our clients will buy this product over the next few years.

Under the ISSC agreement, we have signed three contracts: two facilities management contracts and one service bureau contract. We built many new relationships during the year with larger banks. We expect to be awarded an increasing number of contracts under the ISSC agreement in the future.

#### MANAGEMENT

In May 1996, JHA mourned the loss of William W. Caraway. Bill, a JHA senior vice president and director, and the president of our BankVision unit, died as a result of injuries sustained in a fall at his home. He will be sadly missed. Bill joined Jack Henry in 1990. He provided us with outstanding sales and

marketing leadership, thus helping to fuel our growth and profitability during a crucial period. His valuable contributions included building a strong and well-structured sales organization.

Edward W. Rhea assumed the role of JHA national sales manager on July 1, 1996. He has been a member of the JHA team for eight years. Most recently, he served as our manager of installation services. He has a good understanding of our products and services, our customers' needs, and our corporate goals. His excellent management skills, strong motivation, and work ethic will be important factors in continuing our aggressive revenue growth.

#### FINANCIAL

JHA acquisitions over the past several years have all been financed from internally generated funds. In addition to last year's cash outlays we paid another \$6.8 million relating to acquisitions this year. On June 30, 1996, JHA's cash and short-term investments totaled \$8.1 million, basically unchanged from last year. We continue to be debt-free. Our strong financial base allows us to make timely acquisitions, to spend appropriately on development, to maintain superior customer service, and to attract the quality personnel we need to expand our industry leadership.

## OUTLOOK

We believe that our prospects for achieving consistent and aggressive growth in earnings are excellent. We have a broad range of offerings and an increasingly diversified earnings base. We are one of the few companies in the bank technology industry with multiple product lines and multiple distribution capabilities.

The growth potential for our core software and related support and service is also excellent. New business prospects from the acquired operations and new-product introductions have given us many more avenues of growth. Income from the ISSC alliance is already making a significant contribution, and we believe that it will soon become a larger and more consistent source of income. Forms and supplies, service bureau operations and bank recovery services will be important elements of our growing revenue and profit stream over the next several years. We expect that the higher-margin software and services components will provide an increasingly larger percentage of total revenues in future years.

We continue to look for ways to increase our market share further, both internally and through acquisitions. With the advanced-series IBM AS/400, the ISSC alliance, and our service bureau offering, we are now selling our products and services to a much broader spectrum of banks than in the past years. We will continue to consider acquisitions that will increase our customer base, expand our marketplace, and add needed products.

We appreciate the valuable contributions of our more than 330 employee associates - the Jack Henry team - over the past year. Their talent, creativity, dedication and enthusiasm are the driving forces behind our success.

August 23, 1996

/s/ Michael E. Henry

Michael E. Henry  
Chairman and  
Chief Executive Officer

/s/ Michael R. Wallace

Michael R. Wallace  
President and  
Chief Operating Officer

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Photograph of IBM AS/400 computer.

## WHERE TRADITION MEETS TECHNOLOGY

The banking industry has been criticized for not being more aggressive in implementing technology. Bank managements tend to be conservative. Additionally, meaningful wealth is typically not accumulated by individuals until they reach middle age, so a substantial portion of bank assets is owned by an older population. These customers are usually not as receptive to high-tech tools as younger account holders.

Banks provide a safe haven for people's money. Their profitability is derived from making loans and gathering deposits. Although banks typically do not rush to embrace new technology, bankers know that they must offer competitive services. Once they see that a technology is proven and there is a business reason to have it, they become interested in newly introduced products.

Jack Henry brings technology to the banking industry. It provides an array of reliable products and services to assist this traditional industry as it moves towards the 21st century. JHA waits until a technology is proven and stable before committing to a new product. Even then, we introduce a product only after we have concluded that many of our customers are interested in it. We want to be the full-service technology partner for an increasing number of banks.

Bank deregulation, mergers and acquisitions, and new technology are forcing rapid changes in the industry, which results in greater competition. Studies indicate that there will be an increasing shift to electronic delivery of services. To increase efficiency, banks are encouraging their customers to use ATMs and other electronic banking services that are more economical than large branch bank systems. Bank technology budgets, which are dedicated to reduce operating costs and improved customer service, have been growing faster than inflation. These trends are all positive for JHA.

## JHA'S COMPETITIVE POSITION

JHA's software programs can accommodate all but about the hundred largest U.S. banks. There are more than 12,000 commercial banks and thrift institutions in the United States. An estimated 55% have in-house data processing systems; about 45% use service bureaus. These figures have changed little in the past few years. JHA offers both options.

Through the successful AS/400, JHA is the largest provider of IBM mid-range computers to the banking industry. We have been awarded the designation of "Premier Business Partner" by IBM for the past four years. In the financial marketplace, IBM holds the largest share of the hardware business.



JHA has an established position in its market, high-quality integrated software, and excellent service and support. JHA's core software provides a strong foundation: it is feature-rich and flexible and among the most popular in the industry. It performs consistently and accurately. We provide regular software upgrades, national user meetings, and timely response to customer calls - all of which give JHA a reputation for superior customer service.

Our market share is up significantly over the past three years, both through acquisitions and through internal growth. Additionally, we expanded our market, primarily through our service bureau entry (from the Liberty acquisition and the ISSC alliance), the advanced capability of the AS/400, and new-product

introductions.

The integration of JHA's systems is a major competitive advantage. New complementary products enhance our integration and give us greater opportunity to increase our market share. Banks typically prefer to deal with a limited number of technology vendors.

JHA built its success by staying focused on the banking industry and finding the best technology solutions for its customers. We have earned our customers' respect by paying close attention to their business.

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Photograph of service bureau computer room. The flexibility of JHA's CIF 20/20 software efficiently suits the needs of service bureau systems.

Photographs of JHA operations in Angola, IN; Charlotte, NC; Danbury, CT; St. Paul, MN; and Houston, TX.

#### COMMUNICATIONS WITHIN JHA

In a rapidly expanding organization, good communication is critical. Our growth has brought us more employees, more locations, and more complexity. With the 1995 acquisitions, we have become increasingly decentralized. We now have operations in Angola, Indiana; Charlotte, North Carolina; Danbury, Connecticut; St. Paul, Minnesota; Kansas City, Kansas; and Houston, Texas. These are in addition to our headquarters in Monett, Missouri. The multiple locations gives us broader geographic coverage. We are working to improve communication among these locations to operate more effectively as a cohesive company with centralized goals. To that end, we have installed a network that links all JHA locations via voice and data communications systems.

In May, our management team gathered for a meeting that focused on JHA's overall corporate objectives -the strategies, the goals, and the needs of the company. This group communicated about resources and the areas of responsibility within JHA. While the managers stay focused on their own jobs, they also must understand how they relate to the whole organization. We believe that this understanding and approach will bring even greater success to JHA.

#### SERVICE BUREAU

Selling in-house data processing systems has always been the heart of JHA's activities, but the Liberty acquisition and the ISSC alliance now allows us to offer a service bureau alternative. Customers who choose the service bureau option pay monthly usage fees on a multi-year service contract. An in-house systems requires a relatively high capital outlay and other up-front costs, so some banks prefer the service bureau alternative. In the past, it was difficult for JHA to compete for this business. But, our new service bureau capability has opened this market to us. There are approximately 5,500 banks that use service bureaus rather than in-house systems. JHA can now deliver its services through either means. Our service bureau offering certainly makes JHA more competitive in the small-bank market.

The majority of the service bureau revenue is not recognized up front, as occurs with JHA's sales of in-house systems. Rather, service bureau customers are charged monthly usage fees, generating a steady stream of income over the life of the multi-year contract. With service bureaus, no revenue is booked until the system is installed.

Thirty-eight of our bank customers currently use our service bureau solution. We have successfully implemented our first service bureau system with our CIF 20/20 software. We also converted two existing service bureau customers from the Liberty software to the JHA package. All new service bureau customers will use the CIF 20/20 software.

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Photographs of JHA's user meetings. JHA customers attend user's meeting providing input needed to begin the process of designing products which meet their needs.

#### FORMS AND SUPPLIES

Although the Liberty acquisition brought us most of this unit's revenue, this business area is not new to JHA. We acquired a smaller forms and supplies operation with the 1992 Fremont acquisition. Our knowledge, capability, handling, and customer service in this area has been enhanced by Liberty's experience. The Liberty acquisition added more than \$2 million in annualized

revenue in forms and supplies.

JHA supplies all the processing forms that a bank needs. Our increased volumes from the Liberty acquisition translated to substantially greater purchasing power, so we now receive larger discounts from manufacturers. This gives us the ability to provide better prices to customers and also to improve our profit margins in this area.

Forms and supplies is one more service that our customers need and that JHA can provide, so it reinforces our relationship with them. Because this is a relatively new business for JHA, a large portion of our customers have not had access to this JHA offering until recently. This business provides a significant growth opportunity for us as we work aggressively to penetrate the JHA customer base with additional products and services.

#### Bank Business Recovery Services

With the Liberty transaction, we increased our bank recovery sites to a total of six. This has given us a much broader geographic coverage to service our bank customers. Our bank recovery facilities and services help our customers survive emergencies by giving them access to multiple JHA sites offering a wide range of peripheral equipment. We also offer recovery planning services to help banks rehearse the actions they must take both offsite and at the local facility in the event of a disaster. We help them to identify the key crisis personnel and also to test disaster plans.

#### NEW-PRODUCT DEVELOPMENT

Our sizable customer base provides a receptive market for any new product we introduce. In fact, our customers play an important role in determining what those products will be. Customers actually help JHA manage its development activity by attending users' meetings, at which they make suggestions for improved products and services. We design products that meet their needs from the outset. We introduce a solution only when our customers indicate a high level of interest. This tends to make our research and development efforts much more efficient. Our customers' success with our products is the key to JHA's success.

#### CHECK IMAGING

Check imaging is a complex solution, and we have been careful to ensure dependable performance before moving forward aggressively. Check imaging permits banks to use images of checks - photocopies stored in the computer - rather than the checks themselves for customer statements, for research payment verification, and ultimately for the clearing of payments between banks. JHA's imaging system is integrated into our core application on the IBM AS/400. This product eliminates repetitious paper handling and provides other operational efficiencies and advanced capabilities. Imaged checks can be routed electronically. JHA's imaging solution gives bank employees the convenience of

being able to access check images easily on their desktop computers in all applications, rather than having to sort through check files.

Recent advances of imaging cameras and related devices have made check imaging technology affordable for almost all banks. Our imaging solution typically cost \$300,000 to \$600,000.

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Photograph of CommLink Corp. office building located in Houston, TX CommLink Corp. adds ATM services to JHA's product mix.

#### PLATFORM

JHA's platform product is a sophisticated front-end application that is integrated into JHA's core applications. It allows bank employees to enter customer data directly into the bank's host computer so that the information can be used for all applications. As each new account is set up, it automatically ties into all existing database information. The platform module also produces information required for financial disclosure documents. Most of our competitors' platform systems require a transfer of data from personal computers to the main computer.

Demand for this platform product has been exceptionally strong. Our platform system typically costs \$30,000 to \$50,000.

#### HOME BANKING

JHA provides its banking customers with Internet access through a home banking alliance with Block Financial. Block has extensive knowledge, experience and talent with the Internet. (H&R lock, the parent of Block Financial, owns 80% of CompuServe.) The alliance between JHA and Block brought together two complementary skill sets. Jha was familiar with the internal operations of banks. Conversely, Block had the capability to develop this type of product quickly and efficiently.

The home banking product is quite flexible. Each bank can customize the systems in multiple ways. The product can be set up by the bank to identify the specific services it wishes to offer its customers. It can further customize

how account information is presented to the customer.

Our customers have expressed a high level of interest for a home banking product. The home use of personal computers will undoubtedly continue to expand. The JHA home banking product is attractively priced, and it provides the services that a bank's customers need. The cost to our customers is expected to range from \$30,000 to \$50,000. We expect to begin selling this product by the second half of fiscal 1997.

#### THE ISSC AGREEMENT

In 1995, JHA formed a technical services and marketing alliance with ISSC, an IBM subsidiary that is a leading provider of information technology services. ISSC uses JHA's Silverlake System, taking full advantage of the IBM AS/400 mid-range computer to provide improved, cost-effective outsourcing of systems integration services. Contracts typically include JHA software, as well as extensive custom programming and training. ISSC can provide both service bureau and facilities management capabilities.

The average contract negotiated under the ISSC arrangement is expected to have a significantly higher dollar value than our average Silverlake contract. We are pleased with the early success of the ISSC arrangement. We believe that this will be a growing part of our business.

#### ATM SERVICES

Our ATM service is an important part of our comprehensive offering. JHA markets this service through its CommLink Corp. unit, which provides ATM switching services for 206 customers. CommLink offers cost-effective ATM service with national network transaction capability to JHA banks, to banks not served by JHA, and to non-financial operations (such as retail locations). In addition to installation income, CommLink receives a continuing revenue stream from customers who use its transaction switching services.

CommLink has a strong presence in Texas. Central Interchange, inc. (CII), which proceeded ATM transactions in the Midwest, recently merged into CommLink. CII was bought by JHA in September, 1995. During fiscal 1996, CommLink also acquired the contracts of a small ATM company in Texas.

The ATM marketplace is substantial, and it is expected to continue to show excellent growth. We are working to increase our market share further and to expand our geographical reach.

#### Selected Financial Information (In Thousands, Except Per Share Information)

INCOME STATEMENT DATA	1996	Year Ended June 30,			1993	1992
	1996	1995	1994	1993	1992	
Gross revenue (1)	\$67,558	\$46,124	\$38,390	\$32,589	\$23,896	
Income from continuing operations	\$12,268	\$ 7,978	\$ 6,259	\$ 5,272	\$ 3,892	
Income(loss) from discontinued operations (net of applicable income taxes)(2)	\$(2,620)	\$ -	\$ -	\$ 101	\$ 67	
Extraordinary income from Unisys settlement	-	-	-	886	-	
NET INCOME	\$ 9,648	\$ 7,978	\$ 6,259	\$ 6,259	\$ 3,959	
INCOME(LOSS) PER SHARE(3):						
CONTINUING OPERATIONS	\$ .98	\$ .66	\$ .52	\$ .45	\$ .35	
DISCONTINUED OPERATIONS	\$ (.21)	-	-	\$ .01	\$ .01	
EXTRAORDINARY INCOME	-	-	-	.08	-	
NET INCOME	\$ .77	\$ .66	\$ .52	\$ .54	\$ .36	
DIVIDENDS DECLARED PER SHARE	\$ .26	\$ .22	\$ .19	\$ .17	\$ .14	
			JUNE 30,			
BALANCE SHEET DATA	1996	1995	1994	1993	1992	
Working capital	\$ 6,895	\$ (666)	\$11,181	\$ 7,394	\$ 6,236	
Total assets	\$60,401	\$58,721	\$38,347	\$29,908	\$22,078	
Long-term debt	-	-	-	-	-	
Stockholders' equity	\$37,418	\$29,484	\$23,650	\$17,639	\$12,393	

Notes:

(1) Gross revenue includes software licensing and installation revenues; support revenues; and hardware sales and commissions; less all sales returns and allowances.

(2) Income and losses from any discontinued operations is reported as such from the appropriate date in each respective case.

(3) Prior year numbers have been adjusted to reflect the 50% stock dividend paid March 8, 1993 and the 33 1/3% stock dividend paid March 10, 1994.

#### INDEPENDENT ACCOUNTANTS' REPORT

Board of Directors  
Jack Henry & Associates, Inc.  
Monett, Missouri

We have audited in accordance with generally accepted auditing standards, the consolidated balance sheets of JACK HENRY & ASSOCIATES, INC. AND SUBSIDIARIES as of June 30, 1996 and 1995, and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the three years ending June 30, 1996, referred to in the proxy statement for the 1996 annual meeting of the stockholders of JACK HENRY & ASSOCIATES, INC. (not presented herein). In our report dated August 22, 1996, also referred to therein, we expressed unqualified opinions on the aforementioned consolidated financial statements.

In our opinion, the information set forth in the accompanying condensed consolidated financial statements is fairly presented, in all material respects, in relation to the consolidated financial statements from which it has been derived.

BAIRD, KURTZ & DOBSON

August 22, 1996  
Joplin, Missouri

Jack Henry & Associates, Inc. and Subsidiaries  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
(In Thousands, Except Per Share Data)

	Year Ended June 30,		
	1996	1995	1994
Revenues	\$67,558	\$46,124	\$38,390
Cost of sales	33,593	22,946	20,513
GROSS PROFIT	\$33,965	\$23,178	\$17,877
OPERATING EXPENSES	14,759	11,375	9,035
OPERATING INCOME FROM CONTINUING OPERATIONS	\$19,206	\$11,803	\$ 8,842
OTHER INCOME, NET	667	839	962
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	\$19,873	\$12,642	\$ 9,804
PROVISION FOR INCOME TAXES	7,605	4,664	3,545
INCOME FROM CONTINUING OPERATIONS	\$12,268	\$ 7,978	\$ 6,259
LOSS FROM DISCONTINUED OPERATIONS	2,620	-	-
NET INCOME	\$ 9,648	\$ 7,978	\$ 6,259
INCOME FROM CONTINUING OPERATIONS PER SHARE	\$ .98	\$ .66	\$ .52
LOSS FROM DISCONTINUED OPERATIONS PER SHARE	\$ 21	\$ -	\$ -
NET INCOME PER SHARE	\$ .77	\$ .66	\$ .52
WEIGHTED AVERAGE SHARES OUTSTANDING	12,484	12,049	12,007

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

JACK HENRY & ASSOCIATES, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(In Thousands)

	JUNE 30,	
	1996	1995
ASSETS		
Current assets:		
CASH AND CASH EQUIVALENTS	\$ 4,952	\$ 3,423
HELD-TO-MATURITY SECURITIES	3,128	4,650

RECEIVABLES	15,990	16,740
INCOME TAXES RECEIVABLE	889	-
PREPAID EXPENSES AND OTHER	3,187	2,661
TOTAL CURRENT ASSETS	\$28,146	\$27,474
PROPERTY AND EQUIPMENT, NET	13,612	10,302
OTHER ASSETS	18,643	20,945
TOTAL ASSETS	\$60,401	\$58,721
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	\$ 5,183	\$ 7,592
ACCRUED ACQUISITION COSTS	-	5,398
DEFERRED REVENUE	16,068	15,150
TOTAL CURRENT LIABILITIES	\$21,251	\$28,140
DEFERRED INCOME TAXES	1,732	1,097
TOTAL LIABILITIES	\$22,983	\$29,237
STOCKHOLDER'S EQUITY:		
COMMON STOCK	119	117
ADDITIONAL PAID-IN CAPITAL	10,711	9,425
RETAINED EARNINGS	26,588	19,942
TOTAL STOCKHOLDER'S EQUITY	\$37,418	\$29,484
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$60,401	\$58,721

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

Jack Henry & Associates, Inc. and Subsidiaries  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(In Thousands)

Year Ended June 30,

	1996	1995	1994
Cash flows from continuing operating activities	\$14,671	\$9,657	\$6,841
Cash flows to discontinued operations	151	-	-
Cash flows to investing activities	9,767	5,906	7,410
Cash flows to financing activities	3,224	2,270	2,332
Net increase (decrease) in cash	\$ 1,529	\$ 1,481	\$(2,901)
Cash and cash equivalents at beginning of year	3,423	1,942	4,843
Cash and cash equivalents at end of year	\$ 4,952	\$3,423	\$1,942

The accompanying notes are an integral part of these condensed consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

These financial statements have been condensed from the audited consolidated financial statements of Jack Henry & Associates, Inc. The footnotes to the audited financial statements, and the Statement of Changes in Stockholders' Equity, are not included in this presentation.

Management's Discussion and Analysis of the Financial Statements, which is included in this summary annual report, describes the impact on these condensed consolidated financial statements of the significant events and activities of the Company. The discussion provides additional information to assist in understanding the Company's results of operations and financial position, although it is not a part of the condensed consolidated financial statements.

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Bar Graph depicting "TOTAL ASSETS":

For FYE 96 - 60,841,000  
For FYE 95 - 58,721,000  
For FYE 94 - 38,347,000  
For FYE 93 - 29,908,000  
For FYE 92 - 22,078,000

Jack Henry & Associates, Inc. and Subsidiary  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF  
OPERATION AND FINANCIAL CONDITION

FOR THE YEARS ENDED JUNE 30, 1996 AND 1995

RESULTS OF OPERATIONS

Introduction - All of the revenues (and costs and expenses) in the statement of operations relate to JHA's continuing operations, i.e., the installation and support of banking software systems that JHA developed and the marketing of the JHA software along with computer hardware manufactured by others to provide a complete data processing system for in-house operation in financial institutions. The Company also provides its products and services to these same financial institutions on an outsourced basis.

Total revenues, presented in the statement of operations, include software licensing and installation revenues; maintenance/support and services revenues; hardware sales and maintenance revenues; and revenues from the sale of forms and supplies.

Business operations for FY '96 and '95 reflect the continued focus on JHA's IBM-based software systems. Results of operations for JHA's banking system business in each of the last two fiscal years are discussed separately below.

FY '96

REVENUE:

Total revenues which set another new record were \$67,558,000, up 46% over last year. Each major component of revenue increased significantly above the previous year's mark. The Company has had six consecutive years of each revenue component increasing and establishing new record levels.

Increased demand for the Company's application software was the driving force for software and installation revenues. Acquisitions provided \$10,900,000 of the increase with additional demand and increased electronic transaction fees the next most significant contributors to the maintenance/support and service increase. Hardware revenues experienced increases primarily as a result of increased forms and supply sales through acquisitions.

Each major component of revenue is expected to increase, but not necessarily at the same rate as the past year. Also, over the longer term, the hardware component of revenue could become a smaller and smaller portion.

COST OF SALES:

Cost of sales increased 46%, consistent with the revenue increase. Each major component had an increase with the most significant increase occurring in cost of services. Acquisitions during the last 13 months contributed \$6,800,000 to the cost of services increase.

GROSS PROFIT:

Overall gross profit increased 47%, in line with the increase in total revenues. Further, the gross margin percentage was at 50%, unchanged from last year's rate.

OPERATING EXPENSES:

The 30% increase in operating expenses was quite low compared to the 47% increase in gross profit. This strongly supports the Company's ability to leverage more profit to the bottom line as it continues growing. Selling and marketing costs experienced the largest increase. This increase in spending is directly related to the increase in revenues and the resulting gross profit.

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Bar Graph depicting "AFTER TAX MARGIN" from continuing operations percentage:

For FYE 96 -	18.20%
For FYE 95 -	17.30%
For FYE 94 -	16.30%
For FYE 93 -	16.20%
For FYE 92 -	16.30%

Bar Graph depicting "RETURN ON BEGINNING EQUITY" percentages:

For FYE 96 -	34.20%
For FYE 95 -	33.70%
For FYE 94 -	35.50%
For FYE 93 -	50.50%
For FYE 92 -	43.20%

OTHER INCOME:

The overall level of other income is down from last year due primarily to lower levels of invested funds during the current year caused by more cash outlays for acquisitions.

The Financial Accounting Standards Board has recently adopted Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation, which prescribes alternative acceptable methods for measuring and disclosing compensation cost arising from employee stock compensation plans. As permitted by the new Statement, which will be applied initially during the year ending

June 30, 1997, the Company will continue to measure the cost of stock-based compensation using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25 and will disclose certain required pro-forma amounts. Accordingly, the effects of applying the new Statement are not expected to be material.

FY '95

REVENUE:

Revenues increased 20% to \$46,124,000, establishing a new record for the fifth straight year. Each of the major revenue components were higher than the previous year's mark. JHA's domestic products and services continued their strong growth fueled by continued strong demand for the Company's quality offerings. The Company's size and reputation for quality products and services continues to enhance its position in the marketplace.

All major revenue categories experienced gains as a result of growth in both the Company's domestic products - CIF 20/20 and Silverlake System. CommLink's revenues from its ATM transaction switching contributed significantly to the growth in maintenance/support and service revenues.

Growth is expected in each category of revenues. The Company's new check imaging product and the recent Sector and Liberty acquisitions plus continued growth in domestic product sales are expected to enhance all categories. CommLink is expected to enhance the software and installation and the maintenance/support and service categories.

COST OF SALES:

The 12% increase in cost of sales was quite favorable relative to the 20% increase in sales. Hardware costs increased approximately one and one-half percent more than the related revenue increase. This was consistent with expectations. The cost of services increase of 15% was significantly better than the 28% increase in non-hardware revenues.

GROSS PROFIT:

Gross profit increased 30% above last year's level. The gross margin percentage increased to 50%, up from 47% last year. This result is very consistent with expectations considering the sales mix.

OPERATING EXPENSES:

Operating expenses increased 26% over last year's total. All the Company's operating units contributed to this increase.

OTHER INCOME (EXPENSE):

The decrease was due to the Company returning to a more normal level of Other, net because of a significant one-time gain last year as a result of collecting amounts previously deemed uncollectible.

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Bar Graph depicting "SHAREHOLDERS' EQUITY" in millions:

For FYE 96 -	37,858,000
For FYE 95 -	29,484,000
For FYE 94 -	23,650,000
For FYE 93 -	17,639,000
For FYE 92 -	12,393,000

Bar Graph depicting "DIVIDENDS DECLARED PER SHARE":

For FYE 96 -	\$.26
For FYE 95 -	\$.22
For FYE 94 -	\$.19
For FYE 93 -	\$.17
For FYE 92 -	\$.14

FINANCIAL CONDITION

Liquidity - JHA's liquidity position (cash plus short-term investments minus working capital borrowings) at June 30, 1996, at \$8,080,000 is basically unchanged from last year. The Company generated significantly higher cash flows from operations, but the additional outlays for acquisitions, capital expenditures (some of which resulted from the acquisitions) and dividends caused liquidity to remain static. Working capital, as expected, made a quick recovery to \$6,895,000 from last year's slight negative level.

The Company believes its liquid assets on hand and those generated from operations are sufficient to meet its cash requirements for FY '97. Cash and investments are expected to increase during the first quarter of FY '97 as the annual software maintenance billings in trade receivables at June 30, 1996 are collected. The Company expects to utilize its \$2,215,000 credit lines minimally, if at all, during the next fiscal year.

Capital Requirements and Resources - JHA generally uses existing resources and funds generated from operations to meet its capital requirements. Capital expenditures of \$5,017,000 were made for expansion of facilities and additional equipment to provide for the Company's current and future growth. The most significant individual outlays were for upgrades and additions to the corporate aircraft. Some of the additional purchases were to buy equipment which had been leased by predecessor organizations. The Company has no long-term debt and

anticipates capital expenditures could approach \$4,000,000 during the next fiscal year. These will be funded from funds generated by operations.

Subsequent to June 30, 1996, the Company's Board of Directors declared a cash dividend of \$.07 per share on its common stock payable on September 24, 1996, to stockholders of record as of September 9, 1996. Current funds from operations should be adequate for this purpose. The Board has indicated that it plans to continue paying dividends so long as the Company's financial picture continues to be favorable.

#### CORPORATE DIRECTORY

##### BOARD OF DIRECTORS:

MICHAEL E. HENRY, Chairman and Chief Executive Officer

MICHAEL R. WALLACE, President and Chief Operating Officer

JOHN W. "JACK" HENRY, Vice Chairman and Senior Vice President

JERRY D. HALL, Executive Vice President

\*JAMES J. ELLIS, Managing Partner Ellis/Rosier Financial Services  
Dallas, TX

\*BURTON O. GEORGE, Former Chairman  
First National Bank of Berryville  
Berryville, AR

\*GEORGE R. CURRY, Chairman  
Central Bank  
Lebanon, MO

\*Member of Audit & Compensation Committees

##### OTHER INFORMATION:

##### TRANSFER AGENT & REGISTRAR:

UMB Bank, N.A.  
P.O. Box 419226  
Kansas City, MO 64141-6226  
816-860-7761

##### EXECUTIVE OFFICERS:

MICHAEL E. HENRY, Chairman and Chief Executive Officer

MICHAEL R. WALLACE, President and Chief Operating Officer

JOHN W. "JACK" HENRY, Senior Vice President

JERRY D. HALL, Executive Vice President

TERRY W. THOMPSON, Chief Financial Officer, Vice President and Treasurer

MARGUERITE P. BUTTERWORTH,  
Vice President

##### COMPANIES:

##### PARENT COMPANY:

JACK HENRY & ASSOCIATES, INC.  
663 Highway 60  
P.O. Box 807  
Monett, MO 65708  
417-235-6652 (FAX) 417-235-8406

##### SUBSIDIARIES:

JACK HENRY INTERNATIONAL, LTD.

Monett, MO

BANKVISION SOFTWARE, LTD.  
Monett, MO

COMMLINK CORP.  
Houston, TX



FORM 10K

A copy of the Company's 10-K is available upon request to the Chief Financial Officer at the address above.