

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-06-13** | Period of Report: **1995-04-30**
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FILER

PCA INTERNATIONAL INC

CIK: **76791** | IRS No.: **560888429** | State of Incorporation: **NC** | Fiscal Year End: **0130**
Type: **10-Q** | Act: **34** | File No.: **000-08550** | Film No.: **95546726**
SIC: **7200** Personal services

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
FOR QUARTER ENDED APRIL 30, 1995

() TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission File Number: 0-8550

PCA INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

NORTH CAROLINA
(State or other jurisdiction of
incorporation or organization)

56-0888429
(I.R.S. Employer
Identification No.)

815 MATTHEWS-MINT HILL ROAD
MATTHEWS, NORTH CAROLINA 28105
(Address of principal executive offices)
(Zip Code)

(704) 847-8011
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of
1934 during the preceding 12 months (or for such shorter period that the
registrant was required to file such report), and (2) has been subject to such
filing requirements for the past 90 days. YES X NO _____

Indicate the number of shares outstanding of each of the issuer's classes of
Common Stock, as of the latest practicable date.

COMMON STOCK, \$0.20 PAR VALUE	7,460,771
CLASS	OUTSTANDING AT MAY 31, 1995

PCA INTERNATIONAL, INC., AND SUBSIDIARIES

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PCA INTERNATIONAL, INC., AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(Unaudited)

<TABLE>

<CAPTION>

ASSETS	April 30, 1995	January 29, 1995
<S>	<C>	<C>
Current Assets:		
Cash and cash equivalents	\$ 298,857	\$ 311,759
Accounts receivable (net of allowance for doubtful accounts of \$1,466,526 and \$845,843):		
Due from licensor stores and customers	10,808,563	6,408,629
Other, including employee advances	1,286,699	1,263,681
Inventories	3,200,138	3,243,571
Deferred income taxes	2,255,733	1,952,293
Prepaid expenses	600,712	636,907
Total Current Assets	18,450,702	13,816,840

Property:

Land and improvements	1,169,495	1,169,495
Building and improvements	7,675,221	7,630,427
Photographic and sales equipment	40,989,399	40,884,594
Photographic finishing equipment	12,099,658	12,076,064
Furniture and equipment	9,526,172	9,475,787
Transportation equipment	205,664	205,664
Leasehold improvements	10,398,302	10,408,620
Construction in progress	1,927,225	1,629,026
Total	83,991,136	83,479,677

Less: Accumulated depreciation and amortization	39,558,278	37,752,137
Property, net	44,432,858	45,727,540

Other Assets	12,569	12,569
--------------	--------	--------

Total Assets	\$ 62,896,129	\$ 59,556,949
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LIABILITIES AND SHAREHOLDERS' EQUITY	April 30, 1995	January 29, 1995
--------------------------------------	-------------------	---------------------

Current Liabilities:		
Short-term borrowings	\$ 4,332,490	\$ 974,215
Accounts payable-trade	10,352,618	11,418,568

Accounts payable--share repurchase	6,467,775	--
Accrued and withheld sales and payroll taxes	344,677	332,432
Accrued income taxes	607,669	1,492,427
Accrued compensation	4,048,138	3,015,943
Other accrued liabilities	4,428,101	3,279,824
Total Current Liabilities	30,581,468	20,513,409
Deferred Income Taxes	3,490,693	3,083,062
Other Liabilities	2,978,742	2,928,023

Shareholders' Equity:		
Preferred stock, \$10.00 par value (authorized-2,000,000 shares; outstanding-none)	-	-
Common Stock, \$0.20 par value (authorized-20,000,000 shares; issued-7,447,571 shares and 8,160,171 shares)	1,489,515	1,632,035
Additional paid-in capital	4,797,129	12,204,069
Retained earnings	19,722,432	19,444,035
Cumulative foreign exchange translation adjustments	(150,485)	(215,087)
Total	25,858,591	33,065,052
Less: Unearned compensation	13,365	32,597
Total Shareholders' Equity	25,845,226	33,032,455
Total Liabilities and Shareholders' Equity	\$ 62,896,129	\$ 59,556,949

See Condensed Notes to Consolidated Financial Statement

PCA INTERNATIONAL, INC., AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

<TABLE>
<CAPTION>

	THREE MONTHS ENDED	
	APRIL 30, 1995	May 1, 1994
<S>	<C>	<C>
SALES.....	\$32,608,631	\$29,936,444
COSTS AND EXPENSES:		
Advertising and promotional costs.....	3,631,529	4,047,749
Costs of photographic sales.....	10,765,755	11,437,989
Store commissions and selling costs....	10,375,239	9,273,647
General and administrative expenses....	6,317,963	4,999,830
Total costs and expenses.....	31,090,486	29,759,215
INCOME FROM OPERATIONS.....	1,518,145	177,229
Interest expense, net.....	53,961	70,278
INCOME BEFORE INCOME TAXES.....	1,464,184	106,951
INCOME TAX PROVISION.....	613,183	43,300
NET INCOME.....	\$ 851,001	\$ 63,651

WEIGHTED AVERAGE NUMBER OF COMMON SHARES:			
Primary.....	8,480,862		8,546,334
Fully Diluted.....	8,523,329		8,546,334

PRIMARY AND FULLY DILUTED EARNINGS PER COMMON SHARE:			
Net Income.....	\$ 0.10	\$	0.01
CASH DIVIDENDS PER COMMON SHARE.....	\$ 0.07	\$	0.07

See Condensed Notes to Consolidated Financial Statements.

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PCA INTERNATIONAL, INC., AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED APRIL 30, 1995
(UNAUDITED)

<TABLE>
<CAPTION>

	COMMON STOCK SHARES	COMMON STOCK AMOUNT	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	CUMULATIVE FOREIGN CURRENCY TRANSLATION ADJUSTMENTS	UNEARNED COMPENSATION
<S>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE, JANUARY 29, 1995:.....	8,160,171	\$1,632,035	\$12,204,069	\$19,444,035	\$ (215,087)	\$ (32,597)
Net income.....				851,001		
Exercise of stock options.....	31,700	6,340	164,834			
Dividends.....				(572,604)		
Acquisition of Company stock...	(744,300)	(148,860)	(7,565,092)			
Compensatory stock options.....						12,550
Canceled compensatory stock options.....			(6,682)			6,682
Foreign currency translation adjustment.....					64,602	
BALANCE, APRIL 30, 1995:.....	7,447,571	\$1,489,515	\$ 4,797,129	\$19,722,432	\$ (150,485)	\$ (13,365)

See Condensed Notes to Consolidated Financial Statements.

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PCA INTERNATIONAL, INC., AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

<TABLE>
<CAPTION>

<S>	THREE MONTHS ENDED	
	APRIL 30, 1995	May 1, 1994
<C>	<C>	<C>
OPERATING ACTIVITIES:		
Net income.....	\$ 851,001	\$ 63,651
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation.....	2,041,434	1,695,615
Increase in allowance for doubtful accounts.....	619,173	279,644
Provision for deferred income taxes.....	104,191	251,374
Loss on disposal of property.....	48,012	6,143
Compensatory stock option expense.....	12,550	46,873
Increase in other liabilities.....	50,719	22,905
Increase in other noncurrent assets.....	-	(46,907)
Changes in operating assets and liabilities:		
Increase in accounts receivable.....	(5,040,981)	(4,792,491)
Decrease in inventories.....	45,960	507,132
Increase in deferred costs applicable to unsold portraits.....	-	(197,896)
Decrease in prepaid expenses.....	36,436	111,114
Decrease in accounts payable.....	(1,079,168)	(5,372,136)
Increase (decrease) in accrued expenses.....	1,293,448	(2,180,919)
NET CASH USED IN OPERATING ACTIVITIES.....	(1,017,225)	(9,605,898)
INVESTING ACTIVITIES:		
Purchase of property.....	(740,044)	(6,306,121)
Proceeds from sale of fixed assets.....	7,223	21,068
NET CASH USED IN INVESTING ACTIVITIES.....	(732,821)	(6,285,053)
FINANCING ACTIVITIES:		
Increase in short-term borrowings.....	3,358,275	12,112,657
Exercise of stock options.....	171,174	36,114
Acquisition of company stock.....	(1,246,177)	-
Cash dividends.....	(572,604)	(569,742)
NET CASH PROVIDED FROM FINANCING ACTIVITIES.....	1,710,668	11,579,029
Effect of exchange rate changes on cash.....	26,476	9,048
DECREASE IN CASH AND CASH EQUIVALENTS.....	(12,902)	(4,302,874)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD.....	311,759	5,118,896
CASH AND CASH EQUIVALENTS AT END OF PERIOD.....	\$ 298,857	\$ 816,022
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash Flow Data:		
Interest paid.....	\$ 17,027	\$ 36,432
Income taxes paid.....	\$ 1,342,384	\$ 300,273
Schedule of Non-cash Financial Activities:		
Stock options canceled and unearned compensation credited.....	\$ 6,682	\$ 52,250
Acquisition of Common Stock not paid.....	\$ 6,467,775	\$ -

</TABLE>

See Condensed Notes to Consolidated Financial Statements.

PCA INTERNATIONAL, INC., AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

With respect to the significant accounting policies of PCA International, Inc., and its subsidiaries (the "Company"), which are wholly-owned, reference is made to note 1 of the financial statements in the Company's Form 10-K filed for the fiscal year ended January 29, 1995. The interim financial statements reflect all adjustments (consisting of normal recurring accruals) which are, in

the opinion of management, necessary for a fair statement of the results for the interim periods presented.

2. STOCK OPTIONS:

The Company's 1990 Non-Qualified Stock Option Plan (the "1990 Plan") provides for the grant of up to 1,425,000 non-qualified stock options to key employees and non-employee Directors. As of April 30, 1995, options for approximately 457,950 shares were exercisable and in-the-money; options for 170,500 shares were exercisable and out-of-the-money; and options for 29,850 shares were available for future grant under the 1990 Plan. As of May 1, 1994, options for 331,550 shares were exercisable and in-the-money and options for 132,350 shares were exercisable and out-of-the-money.

The Company's 1992 Non-Qualified Stock Option Plan (the "1992 Plan") provides for the grant of 1,725,000 non-qualified stock options to key employees and non-employee Directors of the Company. As of April 30, 1995, options for 107,300 shares were exercisable and in-the-money, options for 201,500 shares were exercisable and out-of-the-money; and options for 899,500 shares were available for future grant under the 1992 Plan. As of May 1, 1994, options for 221,000 shares were exercisable and out-of-the-money.

The following table summarizes all stock option activity for the three months ended April 30, 1995:

	NUMBER OF SHARES	OPTION PRICE
OPTIONS OUTSTANDING		
JANUARY 29, 1995...	1,880,550	\$ 1.67-\$17.00
Exercised.....	(31,700)	\$ 1.67-\$ 9.67
Canceled.....	(69,700)	\$ 1.67-\$16.33
Granted.....	42,000	\$10.13
OPTIONS OUTSTANDING		
APRIL 30, 1995.....	1,821,150	\$ 1.67-\$17.00

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PCA INTERNATIONAL, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table summarizes all stock option activity for the three months ended May 1, 1994:

	NUMBER OF SHARES	OPTION PRICE
OPTIONS OUTSTANDING		
JANUARY 30, 1994...	1,787,750	\$ 1.67-\$20.25
Exercised.....	(8,600)	\$ 1.67
Canceled.....	(9,900)	\$ 1.67-\$15.59
Granted.....	21,500	\$10.25
OPTIONS OUTSTANDING		
MAY 1, 1994.....	1,790,750	\$ 1.67-\$20.25

3. COMMON STOCK:

On March 8, 1995, the Company's Board of Directors increased the number of shares authorized for repurchase by 754,490, bringing the total number of shares authorized for repurchase to 1,000,000. During the first quarter, the Company purchased, in various transactions, 744,300 shares. The average purchase price per share was \$10.36.

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PCA INTERNATIONAL, INC., AND SUBSIDIARIES

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

The Company provides portrait photography services, primarily in permanent studios operated in Kmart stores, throughout the United States and Canada. In its Institutional Division, the Company also provides portrait services to church congregations through traveling promotions. The Company's Kmart Store Division accounted for approximately 95% of sales during the first quarter of fiscal 1995.

The Company completed the phase-out of its Kmart traveling photography studios in July 1994. Prior to August 1994, the Company operated one-week traveling, or portable, studio promotions in Kmart stores that did not have a permanent studio. Because portrait services from traveling promotions were available, on average, only seven weeks per year in any given Kmart location, the Company has engaged for the past several years in a continuing program of converting its traveling promotion business in Kmart stores to permanent studios. Traveling promotion sales in Kmart stores were \$1.8 million in the first quarter of fiscal 1994.

The Company completed the conversion in all of its Kmart studio locations to its new Digital Imaging System technology in July 1994. The new Digital Imaging System allows customers to approve each portrait during the photography session as each pose is displayed on a video monitor. With this technology, the Company no longer relies on the production of portraits on a speculative basis, but produces only those portraits which the customer purchases. The conversion to digital technology has resulted in very significant changes in the Company's operations, increasing the emphasis on higher quality portraits and service and allowing the Company to improve its per-customer sales average. The Company also has benefited from lower production costs primarily through the elimination of waste from speculative portrait production.

During the last half of fiscal 1994, the Company restructured the management of day-to-day operations. The new management structure has allowed the President more time to explore ways to leverage PCA's technology and expertise through diversification.

SEASONALITY

The Company's portrait photography business is seasonal, with the greatest sales volume occurring in the fourth fiscal quarter during the Thanksgiving and Christmas holiday seasons. The fourth quarters of fiscal 1994 and 1993 contributed approximately 31% and 35%, respectively, of annual sales and 79% and 93%, respectively, of earnings for such years. The Company's operations can also be adversely affected by inclement weather.

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PCA INTERNATIONAL, INC., AND SUBSIDIARIES

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, CONTINUED

RESULTS OF OPERATIONS

The following table presents the percentage of sales represented by the following line items from the Company's statements of income for the periods indicated:

	THREE MONTHS ENDED	
	APRIL 30, 1995	MAY 1, 1994
Sales.....	100.0%	100.0%
Costs and expenses.....	95.3	99.4
Income from operations.....	4.7	0.6
Interest expense.....	0.2	0.2
Income before income taxes...	4.5	0.4

Income tax provision.....	1.9	0.2
Net income.....	2.6%	0.2%

Sales for the Company's 1995 first quarter were \$32.6 million, an increase of 9% over sales of \$29.9 million for the first quarter of 1994. Operating profit for the first quarter of fiscal 1995 was \$1.5 million, an increase of \$1.3 million as compared to the corresponding period in fiscal 1994. The operating profit margin was 4.7% in the first quarter of fiscal 1995 versus 0.6% in the first quarter of 1994. Net income increased to \$0.9 million from \$0.1 million in the first quarter of fiscal 1994.

The sales increase is attributable to significantly higher average sales per customer in Kmart permanent studios. Sales in Kmart permanent studios were \$30.9 million in the first quarter of 1995, an increase of 17%, and the average customer purchase increased by 20% to \$59.46 as compared to the first quarter of fiscal 1994. In the fourth quarter of fiscal 1994, the average customer purchase was \$50.78. The Company attributes the increases in average sales to consumer acceptance of its Digital Imaging System, improved compensation plans which have enabled the Company to retain quality studio managers, and training programs designed to enhance the portrait photography experience. Partially offsetting these sales increases are the loss of \$1.8 million in sales from the Kmart traveling business which the Company phased out during the second quarter of 1994 and a decline in the number of customers photographed in permanent studios. In the first quarter of 1995, the Company photographed 519,022 customers in permanent studios (including 145 new studios opened between May 1, 1994, and April 30, 1995), a decrease of 2.2% from 530,764 in the first quarter of 1994. The Company believes the reduction in customers photographed reflects its emphasis on improved customer service, a decrease in retail customers generally at Kmart stores, and the increased number of permanent portrait studios operated by its competitors. Sales in the Institutional Division decreased by 5% to \$1.7 million in the quarter.

PCA INTERNATIONAL, INC., AND SUBSIDIARIES

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, CONTINUED

The increase in income from operations is attributable to higher average sales per customer and lower production costs, which the Company is able to achieve from its proprietary Digital Imaging System. Partially offsetting these factors are additional incentive compensation costs incurred as the result of higher average sales and increased profitability.

Corporate general and administrative expenses increased by \$0.9 million in the first quarter, from \$1.2 million in fiscal 1994 to \$2.1 million. The increased expense was largely related to employee costs resulting from the Company's higher income.

The income tax provision for the first quarter of fiscal 1995 was \$0.6 million. This resulted in an effective tax rate of 41.9% for fiscal 1995 versus 40.5% in fiscal 1994. The increase in the effective tax rate is generally attributable to higher state tax rates.

LIQUIDITY AND CAPITAL RESOURCES

The Company's principal sources of working capital are cash from operations and the Company's revolving line of credit. On April 30, 1995, the Company had \$4.3 million in short-term debt outstanding and \$0.3 million in cash and cash equivalents. The Company has a \$16.0 million revolving line of credit with NationsBank of North Carolina, N.A., ("NationsBank") to meet seasonal capital requirements.

During February, March and April of 1995 (the first quarter of fiscal 1995), the Company had property additions in excess of \$0.7 million, principally for materials and equipment for the addition of 32 Kmart permanent studios.

After recent discussions with Kmart representatives, the Company expects to open 50 to 100 permanent studios in 1995. Kmart Corporation has stated that they will continue to review their stores' performance and will selectively close underperforming stores. Operating activities used \$1.0 million in cash for the quarter.

Shareholders' equity decreased by \$7.2 million to \$25.8 million, principally due to the repurchase of 744,300 shares of Common Stock, or 9.1% of the shares outstanding at the beginning of the quarter, of the Company's Common Stock for \$7.7 million. Net income for the quarter was \$0.9 million. Dividends paid in the quarter totaled \$0.6 million.

The Company believes, based on its short- and long-term business plans, that it has the ability to adequately fund its operating and capital expenditure needs for fiscal 1995 from operations, augmented by borrowings under its line of credit for seasonal credit needs. Due to the seasonality of the Company's operations, cash is generally consumed during the first fiscal quarter. During the remaining fiscal quarters, operating activities usually generate cash.

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PCA INTERNATIONAL, INC., AND SUBSIDIARIES

PART II - OTHER INFORMATION

ITEM 4. SUBMISSION OF MATTERS TO VOTE OF SECURITY HOLDERS

(a) The Annual Meeting was held on May 24, 1995.

(b) Pursuant to Instruction 3 to Item 4, this paragraph need not be answered.

(c) At the Annual Meeting of Shareholders held on May 24, 1995, the following four matters were voted upon and passed. The tabulation of votes was:

(1) The election of eight Directors to serve until the 1996 Annual Meeting of Shareholders:

<TABLE>
<CAPTION>

	VOTES IN FAVOR		WITHHOLD AUTHORITY	
	IN PERSON	AS PROXY	IN PERSON	AS PROXY
<S>		<C>		<C>
R. Stuart Dickson		7,475,807		93,893
Peter B. Foreman		7,476,607		93,093
George Friedman		7,476,457		93,243
John Grosso		7,476,307		93,393
Charlotte H. Mason		7,476,307		93,393
Joseph H. Reich		7,467,607		93,039
Albert F. Sloan		7,476,307		93,393
Stanley Tulchin		7,476,120		93,580

</TABLE>

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(2) Ratification of the proposal to approve amendments to the Company's 1992 Non-Qualified Stock Option Plan to grant certain stock options to non-employee Directors pursuant to a formula and to allow non-employee Directors to elect to receive their Director's compensation in the form of stock options in lieu of cash:

VOTES IN FAVOR		VOTES AGAINST		ABSTENTIONS	
IN PERSON	AS PROXY	IN PERSON	AS PROXY	IN PERSON	AS PROXY
	6,519,296		261,929		127,831

(3) Ratification of the proposal to approve the amendment to the Company's Articles of Incorporation to eliminate certain potential liability of Directors for monetary damages:

VOTES IN FAVOR		VOTES AGAINST		ABSTENTIONS	
IN PERSON	AS PROXY	IN PERSON	AS PROXY	IN PERSON	AS PROXY
	7,272,296		138,478		121,926

(4) Ratification of the proposal to select KPMG Peat Marwick LLP to continue as Independent Auditors for the 1995 fiscal year:

VOTES IN FAVOR		VOTES AGAINST		ABSTENTIONS	
IN PERSON	AS PROXY	IN PERSON	AS PROXY	IN PERSON	AS PROXY
	7,538,341		26,013		5,346

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

11 Computation of Primary and Fully Diluted Earnings Per Common Share

27 Financial Data Schedule

(b) Reports on Form 8-K

None

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SIGNATURES

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

PCA INTERNATIONAL, INC.

PCA INTERNATIONAL, INC.
(Registrant)

Date: June 8, 1995

/s/ John Grosso
John Grosso
President
(Principal Executive Officer)

Date: June 8, 1995

/s/ Bruce A. Fisher
Bruce A. Fisher
Senior Vice President
(Principal Accounting Officer)

PCA INTERNATIONAL, INC., AND SUBSIDIARIES

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION	PAGE NUMBER
4	Instruments defining the rights of security holders, incorporated by reference to Exhibit 4 to the Company's Quarterly Report on Form 10-Q for the quarter ended May 3, 1992.	
10(a)	Amendment dated as of June 1, 1994, to Loan Agreement between PCA International, Inc., Photo Corporation of America, PCA National, Inc., and PCA Photo Corporation of Canada, Inc., PCA Mexico, S.A. de C.V. and NationsBank of North Carolina, N.A., incorporated by reference to Exhibit 10(a) to the Company's Quarterly Report on Form 10-Q for the quarter ended July 31, 1994.	
10(b)	Revised Exclusive License Agreement dated July 1, 1994, between Kmart Corporation and PCA International, Inc., incorporated by reference to Exhibit 10(b) to the Company's Amendment No. 1 on Form 10-Q/A to its Quarterly Report on Form 10-Q for the quarter ended July 31, 1994.	
10(c)	New Sales Contract dated August 11, 1994, between PCA International, Inc., and Agfa Division of Miles, Inc., incorporated by reference to Exhibit 10(c) to the Company's Amendment No. 1 on Form 10-Q/A to its Quarterly Report on Form 10-Q for the quarter ended July 31, 1994.	
10(d)	The 1990 Non-Qualified Stock Option Plan, incorporated by reference to Exhibit 4 to the Company's Registration Statement on Form S-8 (Registration No. 33-36793).	
10(e)	The 1992 Non-Qualified Stock Option Plan, as amended and restated as of May 24, 1995.	
10(f)	Loan Agreement dated September 8, 1992, between PCA International, Inc., Photo Corporation of America, PCA National, Inc., and PCA Photo Corporation of Canada, Inc., and NationsBank of North Carolina, N.A., incorporated by reference to Exhibit 10(o) to the Company's Quarterly Report on Form 10-Q for the quarter ended August 2, 1992 (Commission File No. 0-8550).	
10(g)	Amendment dated as of September 14, 1993, to Loan Agreement between PCA International, Inc., Photo Corporation of America, PCA National, Inc., PCA Photo Corporation of Canada, Inc., and NationsBank of North Carolina, N.A., incorporated by reference to Exhibit 10(g) to the Company's Quarterly Report on Form 10-Q for the quarter ended July 31, 1994.	

PCA INTERNATIONAL, INC., AND SUBSIDIARIES

10(h)	Amendment dated as of March 31, 1995, to Loan Agreement between PCA International, Inc., Photo Corporation of America, PCA National, Inc., PCA Photo Corporation of Canada, Inc., and PCA Mexico, S.A. de C.V. and NationsBank of North Carolina, N.A., incorporated by reference to Exhibit 10(h) to the Company's Annual Report on Form 10-K for the year ended January 29, 1995	
11	Computation of Primary and Fully Diluted Earnings Per Common Share	
27	Financial Data Schedule	

PCA INTERNATIONAL, INC.

1992 NON-QUALIFIED STOCK OPTION PLAN
AS AMENDED AND RESTATED AS OF MAY 24, 1995

1. PURPOSE.

The purpose of the 1992 Non-Qualified Stock Option plan is to attract and retain outstanding key management persons and to provide an incentive to, and encourage stock ownership in, PCA International, Inc. by those persons active in the management of PCA International, Inc. and its subsidiaries.

2. DEFINITIONS.

(a) The term "Board of Directors" shall mean and refer to the Board of Directors of the Company.

(b) The term "change in control" shall mean and refer to any event, the result of the occurrence of which would be a change in control of the Company of a nature that such event would be required to be reported in response to Item 1(a) of the Current Report on Form 8-K, as in effect on the date hereof, promulgated pursuant to Section 13 of the Securities Exchange Act of 1934 (whether or not the Company is required to file such a report).

(c) The term "Common Stock" shall mean and refer to the shares of the Company's \$0.20 par value common stock.

(d) The term "Company" shall mean and refer to PCA International, Inc.

(e) The term "Disabled" or a "Disability" shall mean and refer to an Optionee becoming permanently and totally disabled within the meaning of Section 22(e)(3) of the Internal Revenue Code of 1986.

(f) The term "employee" or "in the employ" shall mean and refer to persons who are employees as determined in accordance with Section 3401(c) of the

Internal Revenue Code of 1986 and the regulations promulgated thereunder.

(g) The term "management" shall mean and refer to any management capacity in which the Optionee serves with respect to the Company or any of its Subsidiaries including, but not limited to, serving as a director, whether or not such Optionee is an employee of the Company.

(h) The term "Normal Retirement," except with respect to a non-employee director, shall mean and refer to an event of Normal Retirement as defined in the Company's Corporate Human Resources Manual as in effect at the date of such Optionee's Normal Retirement.

(i) The term "Plan" shall mean and refer to this 1992 Non-Qualified Stock Option Plan.

(j) The term "option" or "options" shall mean and refer to any stock option granted pursuant to this Plan. The term "Discretionary Stock Option" or "Discretionary Stock Options" shall mean and refer to any option authorized and granted by the Plan Administration Committee at its discretion pursuant to Paragraph 6(a)(i). The term "Formula Plan Option" or "Formula Plan Options" shall mean and refer to any option issued to a member of the Board of Directors pursuant to Paragraph 6(a)(ii). The term "Deferral Election Stock Option" shall mean and refer to any option issued to a non-employee member of the Board of Directors pursuant to the election of such Director to receive such option in lieu of cash made in accordance with Paragraph 6(a)(iii).

(k) The term "Option Price" shall mean and refer to the price to be paid upon the exercise of all or any part of any option granted under this Plan for each share of Common Stock.

(l) The term "Optionee" shall mean and refer to any person to whom an option is granted pursuant to this Plan.

(m) The term "Plan Administration Committee" shall mean and refer to a committee of the Board of Directors, consisting of three or more disinterested persons within the meaning of Regulation B240.16b-3(c)(2)(i) promulgated under Section 16 of the Securities Exchange Act of 1934.

(n) The term "Subsidiary" and "Subsidiaries" shall mean and refer to any domestic or foreign corporation of which at least fifty percent (50%) of the total combined voting power of all classes of stock is beneficially owned by the Company or by any Subsidiary of the Company.

(o) The term "16(b) Officers" shall mean and refer to those officers of the Company who are deemed to be officers for the purposes of Section 16(b) of the Securities Exchange Act of 1934.

(p) The term "Initial Election Date" shall mean, for each member of the Board of Directors, the later to occur of (i) the date the Third Amendment to the Plan is adopted by the Board of Directors, or (ii) the date of such member's initial election or appointment to the Board of Directors.

3. ADMINISTRATION.

(a) This Plan shall be administered by the Plan Administration Committee of the Board of Directors.

(b) In the case of Discretionary Stock Options issued pursuant to Paragraph 6(a) (i), the Plan Administration Committee shall have the full authority and discretion to determine, consistent with the provisions of this Plan, the persons to be granted options, the times at which options shall be granted, the number of shares of Common Stock covered by each option, the Option Price, the method of payment for each option, the term of each option, and the other conditions thereof.

(c) The Board of Directors shall have full authority to interpret the Plan. The interpretation and construction by the Board of Directors of any provisions of the Plan or any option granted under it shall be final. No member of the Board of Directors or the Plan Administration Committee thereof shall be liable for any actions or determinations

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made in good faith with respect to this Plan or any options granted hereunder.

4. ELIGIBILITY.

(a) Discretionary Stock Options may be granted to key employees of the Company or any of its Subsidiaries, including directors and officers of the Company who are also key employees.

(b) Formula Plan Options and Deferral Election Stock Options may be granted only to members of the Board of Directors who are not also employees.

5. SHARES SUBJECT TO THE PLAN.

(a) The maximum number of shares of the Company's Common Stock which may be issued upon exercise of options granted pursuant to the Plan to any eligible Optionee as determined in accordance with Paragraph 4 of this Plan, shall not exceed 1,725,000 shares. The maximum number of shares stated above is subject to adjustment under the provisions of Paragraph 5(b) below. The shares of Common Stock to be issued upon the exercise of options may be authorized but unissued shares or shares previously issued which have been reacquired by the Company. In the event any option shall, for any reason, terminate or expire or be surrendered without having been exercised in full, the shares subject to such option but not purchased thereunder shall be available for future options to be granted under this Plan.

(b) The maximum number of shares referred to in Paragraph 5(a) above, the Option Price and the number of shares which may be purchased under any outstanding option granted under this Plan shall be proportionately adjusted for any increase or decrease in the number of issued and outstanding shares of the Common Stock of the Company as the result of (i) the declaration and payment of a dividend payable in Common Stock of the Company, or the division of the Common Stock of the Company outstanding at the date hereof (or the date of the grant of any such outstanding option, as applicable) into a greater number of shares without the receipt of consideration therefor by the Company, or any other increase in the number of such shares of the Company outstanding at the date hereof (or the date of the grant of any such outstanding

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option, as applicable) which is effective without the receipt of consideration therefor by the Company, or (ii) the consolidation of the shares of Common Stock of the Company outstanding at the date hereof (or the date of the grant of any such outstanding option, as applicable) into a smaller number of shares without the payment of consideration therefor by the Company, or any other decrease in the number of such shares of Common Stock outstanding at the date hereof (or the date of the grant of any such outstanding option, as applicable) effected without the payment of consideration by the Company; provided, however, the total Option Price for all shares which may be purchased upon the exercise of any option granted pursuant to this Plan (computed by multiplying the number of shares originally purchasable thereunder, reduced by the number of such shares which have theretofore been purchased thereunder, by the original option price per share before any of the adjustments herein above provided for) shall not be changed.

In the event of a change in Common Stock as presently constituted which is limited to a change of the Company's authorized shares with a par value into the same number of shares with a different par value or without par value, the shares resulting from any such change will be deemed to be the Common Stock within the meaning of this Plan.

The foregoing adjustments shall be made by the Plan Administration Committee, whose determination in that respect shall be final, binding and conclusive. Except as hereinabove expressly provided in this Paragraph 5, an Optionee shall have no rights by reason of any subdivision or consolidation of shares of stock of any class or the payment of any stock dividend or any other increase or decrease in the number of shares of stock of any class.

6. TERMS AND CONDITIONS OF OPTION GRANTS.

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(a) (i) Discretionary Stock Options granted pursuant to this Plan shall be authorized by the Plan Administration Committee and shall be evidenced by an Agreement substantially in the form of Exhibit A which is attached hereto and is hereby incorporated by reference, with such changes therein as the Board of Directors shall from time to time approve, all subject to the limitations hereinafter set forth in this Paragraph 6.

(ii) (A) Formula Plan Options granted pursuant to this Plan shall be issued pursuant to the terms and conditions set forth in Paragraphs 6(a)(ii)(B) through 6(a)(ii)(D) hereof and shall be evidenced by an Agreement substantially in the form of Exhibit B which is attached hereto and is hereby incorporated by reference, with such changes therein as the Board of Directors shall from time to time approve, all subject to the limitations hereinafter set forth in this Paragraph 6.

(B) On August 25, 1994, each member of the Board of Directors who is not an employee shall receive, as of such date, subject to subsequent approval by the Company's shareholders required by Rule 16b-3 promulgated under Section 16(b) of the Securities Exchange Act of 1934, an option to purchase 10,000 shares of Common Stock, and thereafter, each new member of the Board of Directors who is not an employee shall receive, upon his or her becoming a director, subject to any subsequent approval by the Company's shareholders required by Rule 16b-3 promulgated under Section 16(b) of the Securities Exchange Act of 1934, an option to purchase 10,000 shares of Common Stock.

(C) On the day following the Company's annual meeting of shareholders each year, every member of the Board of Directors who is not an employee shall receive an option to purchase 2,000 shares of Common Stock.

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(D) The Option Price per share of all Formula Plan Options granted hereunder shall be the per share fair market value of the Common Stock on the date the option is granted, determined in accordance with Paragraph 7(b) of this Plan.

(E) The provisions of the formula contained in Paragraphs 6(a)(ii)(A) - 6(a)(ii)(D) of this Plan shall not be altered or amended more often than once every six (6) months except as necessary to comply with the Internal Revenue Code of 1986, as amended, or the rules thereunder.

(F) The formula contained in Paragraph 6(a)(ii)(A) - 6(a)(ii)(D) of this Plan is intended to comply with Rule 16b-3(c)(2)(ii) promulgated under Section 16(b) of the Securities Exchange Act of 1934.

(iii)(A) Deferral Election Stock Options granted pursuant to this Plan shall be issued pursuant to the terms and conditions set forth in Paragraphs 6(a)(iii)(B) through 6(a)(iii)(E) hereof and shall be evidenced by an Agreement substantially in the form of Exhibit C, which is attached hereto and is hereby incorporated by reference, with such changes therein as the Board of Directors shall from time to time approve, all subject to the limitations hereinafter set forth in this Paragraph 6.

(B) Each year, at least six (6) months prior to the Company's next scheduled annual meeting of shareholders (or, for non-employee members of the Board of Directors whose Initial Election Date shall fall within the period of six months prior to the next scheduled annual meeting, on said Initial Election Date), each non-employee member of the Board of Directors may, subject to any subsequent approval by the shareholders of the Company required by Rule 16b-3 promulgated under Section 16(b) of the Securities Exchange Act of 1934, make an irrevocable election to receive, in lieu of all (but not less than all) cash

compensation to which such member would otherwise be entitled as a member of the Board of Directors and any committee thereof (other than reimbursement for expenses) for the period from the next scheduled annual meeting to the day prior to the following annual meeting, an option granted in accordance with the formula set forth hereinbelow; provided, however, that a non-employee member of the Board of Directors may make his or her first election on, or at any time prior to, his or her Initial Election Date. Subject to adjustment pursuant to Paragraph 5(b) of the Plan, an election made hereunder shall be effective,

beginning on the Initial Election Date or the annual meeting dates following subsequent elections, for the grant of such number of Deferral Election Stock Options as is determined by the Plan Administration Committee to constitute an amount of options equivalent to the cash compensation elected to be foregone. In making such determination of equivalency, the Plan Administration Committee shall rely upon the opinion of an independent valuation expert of recognized standing.

Each such election shall be in writing and shall be delivered to the Secretary of the Company. The date of grant of any such Deferral Election Stock Option shall be such non-employee member's Initial Election Date or the annual meeting date following a subsequent election. Any non-employee member of the Board of Directors who has been granted a Deferral Election Stock Option may be granted additional options under the Plan. The Company shall effect the granting of Deferral Election Stock Options by the execution of an Agreement substantially in the form of Exhibit C, which is attached hereto and hereby incorporated by reference.

(C) The Option Price per share of all Deferral Election Stock Options granted hereunder shall be the per share fair market value of the Common Stock on the date the option is granted, determined in accordance with Paragraph 7(b) of this Plan.

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(D) Subject to acceleration as provided below, after one (1) year, or such greater number of years as the Plan Administration Committee shall determine, from the date of grant, a Deferral Election Stock Option shall become exercisable for all shares of Common Stock covered thereby. If the tenure as a Director of any non-employee member of the Board of Directors ends during the 1-year period for which cash compensation has been waived, however, such non-employee member's rights in such option shall be as follows:

(i) Upon the death or Disability of such non-employee member during such 1-year period, each Deferral Election Stock Option shall become immediately exercisable as to 100% of the shares of Common Stock covered thereby;

(ii) If the tenure as a Director of any non-employee member of the Board of Directors ends during such 1-year period for any reason other than death or Disability, a portion of the shares of Common Stock covered thereby shall become immediately exercisable as follows:

(Y) The shares of Common Stock covered by a Deferral Election Stock Option attributable to the election to forgo cash fees for the 1-year period in which such non-employee member's tenure terminates shall be prorated and such option shall become immediately exercisable to the extent of that portion of the shares of Common Stock attributable

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to the time served as a Director during that 1-year period; and

(Z) As to the balance of the shares of Common Stock covered by such Deferral Election Stock Option for such 1-year period, such option shall lapse immediately.

Notwithstanding the foregoing, upon the occurrence of a change in control, each Deferral Election Stock Option outstanding under this Plan shall become immediately exercisable as to all of the shares of Common Stock covered thereby. Once any portion of a Deferral Election Stock Option becomes exercisable, it shall remain exercisable for the lesser of (1) 10 years after the date of grant (or such lesser number of years as the Plan Administration Committee shall determine) or (2) one year after the tenure of a non-employee member of the Board of Directors terminates for any reason.

(E) The grant of Deferral Election Stock Options is intended to comply in all respects with Rule 16b-3(d)(1) promulgated under Section 16(b) of the Securities Exchange Act of 1934 such that all Deferral Election Stock Options issued under the Plan shall be exempt from Section 16(b) of the Securities Exchange Act of 1934. The provisions of the Plan relating to Deferral Election Stock Options shall not be altered or amended more often than once every six (6) months except as may be allowed by Rule 16b-3.

(b) Any option granted under this Plan shall terminate at such date and time as the Optionee shall cease, for any reason other than death, Disability or the Normal Retirement of such Optionee (including but not limited to termination with or without cause, or resignation by such Optionee), to be continuously in the employ or management of the Company or any of its Subsidiaries.

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(c) Subject to the provisions of Paragraph 11 of this Plan, all options granted pursuant to this Plan shall be limited with respect to the exercise of

such options as provided in Paragraph 4 of the Agreement attached hereto as Exhibit A or Exhibit B or Exhibit C which, by its terms, limits the time at which options may be exercised and provides for the automatic acceleration of permitted date of exercise of such options only in certain prescribed circumstances.

(d) No option may be granted under this Plan after February 27, 2002, which is ten (10) years following the date that this Plan was approved by the Company's Board of Directors.

(e) The grant date for each Discretionary Stock Option shall be the date upon which the grant of the Discretionary Stock Option is approved by the Plan Administration Committee, which shall be the effective date of the Agreement evidencing such options, or such later date as the Plan Administration Committee may specify in the Agreement. The grant date for each Formula Plan Option shall be the date upon which the Formula Plan Option is granted pursuant to Paragraph 6(a)(ii)(B) or Paragraph 6(a)(ii)(C). The grant date for each Deferral Election Stock Option for the non-employee member electing such option shall be the Initial Election Date or the annual meeting date following a subsequent election. Provided, however, that for the purposes of Sections 16(a) and 16(b) of the Securities Exchange Act only, the grant date of any Discretionary Stock Option, Formula Plan Option, or Deferral Election Stock Option subject to subsequent approval by the Company's shareholders of the Plan or any amendment thereto shall be the date upon which such approval is duly obtained. For all other purposes under this Plan, unless otherwise stated, the grant date for any Discretionary Stock Option or any Formula Plan Option subject to subsequent shareholder approval shall be the date upon which the grant of the option is approved by the Plan Administration Committee or

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automatically issued as a Formula Plan Option, and the grant date for any Deferral Election Stock Option shall be the Initial Election Date or the annual meeting date following a subsequent election for the non-employee member electing such option.

7. OPTION PRICE.

(a) Determination of Option Price. Each option granted pursuant to this Plan shall state the Option Price, which shall be determined by the Plan Administration Committee. The Option Price for all Discretionary Stock Options granted under the Plan shall not be less than the per share fair market value of the Common Stock on the date the Option is granted, determined in accordance

with Paragraph 7(b) of the Plan. The Option Price for all Formula Plan Options and all Deferral Election Stock Options granted under the Plan shall be the per share fair market value of the Common Stock as of the close of business on the day preceding the date the option is granted, determined in accordance with Paragraph 7(b) of this Plan.

(b) Determination of Fair Market Value. Fair market value of the Common Stock shall be determined by the Plan Administration Committee on the basis of such factors as it deems appropriate; provided, that such fair market value shall be determined without regard to any restriction other than a restriction which, by its terms, will never lapse. If, at the time a determination of fair market value is made, the Common Stock is admitted to trading on a national securities exchange or is traded in an over-the-counter market, for either of which sales prices are regularly reported, fair market value shall not be less than the quoted sales prices reported for the last trade made in the Common Stock on the most recent trading day preceding the date upon which the option is granted or for which the value of the Common Stock is to be determined for any other provision of this Plan.

8. PERMISSIBLE PROVISIONS REGARDING PAYMENT OF OPTION PRICE.

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In order to enable an Optionee (including but not limited to members of the Board of Directors and 16(b) Officers) to exercise options granted under this Plan, the Board of Directors may determine, in the exercise of its discretion, to (i) lend money or other property to such Optionee upon such terms and conditions and in such amounts as the Board of Directors may determine, (ii) grant such Optionee permission to pay the Option Price in installments, or to accept such Optionee's note as whole or partial payment for the shares of Common Stock to be transferred to such Optionee upon the exercise of an option granted pursuant to this Plan, (iii) permit such Optionee to repay loans made by the Company to such Optionee for the exercise of options with issued and outstanding shares of the Company's Common Stock, (iv) permit such Optionee to use issued and outstanding shares of the Company's Common Stock in payment of part or all of the exercise price of an option, or (v) provide such other financial assistance to such Optionee as the Board of Directors determines to be desirable. With respect to Paragraph 8(iii) and (iv) above, the value of the shares of the Company's Common Stock shall be the fair market value determined in accordance with Paragraph 7(b) of this Plan.

9. NONTRANSFERABILITY. All options granted under this Plan shall not be transferable by the Optionee, other than by will or the laws of descent and distribution or pursuant to a domestic relations order, as defined in Section 414(p) (1) (B) of the Internal Revenue Code of 1986, which satisfies the

conditions of Section 414(p)(1)(A) of the Internal Revenue Code of 1986, and shall be exercisable during the Optionee's lifetime only by such Optionee or by such Optionee's guardian or legal representative.

10. MODIFICATION, EXTENSION AND RENEWAL OF OPTIONS.

(a) Subject to the terms and conditions of the Plan, the Plan Administration Committee may modify, extend or renew outstanding options granted under the Plan, including but not limited to a modification to accelerate the exercise of any such outstanding options, or accept the surrender of outstanding options (to the extent not theretofore exercised) and authorize the granting of new options and substitutions therefor.

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(b) Notwithstanding the foregoing provisions of Paragraph 10(a) of this Plan, no modification of any option shall, without the consent of the Optionee, impair any rights or obligations under any option theretofore granted under the Plan, except for those modifications adopted to maintain compliance with federal or state statutes or regulations.

11. FUNDAMENTAL CORPORATE CHANGES.

In the event of a consolidation or merger of the Company with another corporation, or the sale or exchange of all or substantially all of the assets of the Company, or a reorganization or liquidation of the Company, each Optionee holding any outstanding options shall be entitled to receive, upon exercise of any option and payment in accordance with the terms of such option, the same number of shares of Common Stock, other securities or property as such Optionee would have been entitled to receive upon the occurrence of such event if such Optionee had been, immediately prior to such event, the holder of the number of shares of Common Stock purchasable under such Optionee's option or, if another corporation shall be the surviving corporation, such surviving corporation shall substitute therefor substantially equivalent shares, securities or property of such other corporation. In the event of an acquisition of the Company involving a change in control, whether by merger, consolidation, sale of assets, sale of stock or otherwise, options granted hereunder shall become exercisable immediately, without regard to the deferred exercise period otherwise stated in such options.

12. CLAIM TO STOCK OPTION, OWNERSHIP OR EMPLOYMENT RIGHTS.

No person shall have any claim or right to be granted Discretionary Stock Options under this Plan. No Optionee, prior to issuance of the Common Stock, shall be entitled to voting rights, dividends or other rights of a shareholder. Neither this Plan nor any action taken hereunder shall be construed as giving any employee or member of the Board of Directors any rights to be retained as an employee of the Company or any of its Subsidiaries or as a member of the Board of Directors.

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13. EXPENSES OF PLAN.

The Expenses of administering the Plan shall be borne by the Company and its Subsidiaries.

14. AMENDMENT AND TERMINATION.

The Board of Directors may terminate this Plan or modify or amend this Plan in such respect as the Board of Directors shall deem advisable; provided any such modification or amendment of this Plan shall be made subject to shareholder approval when the Board of Directors deems such shareholder approval necessary and desirable in order to comply with federal or state securities laws, rules or regulations or any other law, rule or regulation.

15. TAX WITHHOLDING.

The exercise of any option granted under this Plan may be made subject to the condition that, if at any time the Board of Directors shall determine, in its discretion, that the satisfaction of withholding tax or other withholding liabilities under any state or federal law is necessary or desirable as a condition of, or in connection with, such exercise or the delivery or purchase of shares pursuant thereto, then in such event, the exercise of the option shall not be effective unless such withholding tax or other withholding liabilities shall have been satisfied in a manner acceptable to the Company.

16. PURCHASE OF PREVIOUSLY ISSUED SHARES.

The Board of Directors may, in the exercise of its discretion, cause the Company to purchase shares of its Common Stock from any shareholder of the Company who received such shares through the exercise of options granted pursuant to this Plan or any other stock option plan adopted by the Company (including but not limited to the Company's 1990 Non-Qualified Stock Option

Plan, 1974 Employee Stock Option Plan and 1984 Employee Stock Option Plan), who desires to sell such shares, and who would otherwise sell such shares in an open market transaction. The foregoing sentence shall not be construed to grant the Company any right or obligation to purchase any of its Common Stock from any

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shareholder who acquired such shares upon the exercise of any option granted under this Plan or any other stock option plan adopted by the Company, except as hereafter mutually agreed upon by such shareholder and the Company. Any such purchase of Common Stock by the Company shall be at a per share price mutually agreed upon; provided, however, such per share price shall not be greater than the fair market value of the Common Stock determined in accordance with Paragraph 7(b) of this Plan.

17. SIX MONTH HOLDING PERIOD.

With respect to options granted to Directors and 16(b) Officers under this Plan, at least six (6) months must elapse from the grant date of the option to the date that any stock acquired pursuant to such option is sold. For the purposes of this Paragraph 17, the grant date of any option which was granted by the Plan Administration Committee subject to subsequent shareholder approval of the Plan or any amendment thereto shall be the date upon which such approval is duly obtained.

18. DATE OF THE PLAN AND APPROVAL OF SHAREHOLDERS.

This Plan is dated February 27, 1992, which is the date upon which the Board of Directors adopted the Plan. This Plan is subject to the approval of the holders of a majority of the shares present either in person or by proxy and entitled to vote at a duly held meeting of the shareholders at which a quorum is present representing a majority of all outstanding voting shares either in person or by proxy. In the event that such shareholder approval is not obtained all options granted pursuant to the Plan shall be null and void.

19. With respect to persons subject to Section 16 of the Securities Exchange Act of 1934, transactions under this Plan are intended to comply with all applicable conditions of Rule 16b-3 or its successors under the Securities Exchange Act of 1934. To the extent any provision of the Plan or this Amendment or any action by the Plan Administration Committee fails to so comply, such provisions, the Plan, this Amendment, or such action shall be deemed null and void, to the extent permitted by law and deemed advisable by the Plan

PCA INTERNATIONAL, INC.
1992 STOCK OPTION PLAN
NON-QUALIFIED STOCK OPTION AGREEMENT

THIS AGREEMENT, effective as of the ___ day of _____, 19__, by and between PCA International, Inc., a North Carolina corporation (hereinafter called the "Company"), and _____ (hereinafter called the "Optionee");

Statement of Purpose

The Company recognizes the valuable services which have been provided and which will continue to be provided by the Optionee to the Company or any of its Subsidiaries as a key employee or director and is desirous of furnishing the Optionee with an added incentive and inducement to remain with the Company or any of its Subsidiaries and contribute to its success. The Board of Directors of the Company has adopted, and the shareholders have approved, the 1992 Non-Qualified Stock Option Plan, which is hereby incorporated by reference. The Plan Administration Committee has, in granting this Option, determined that there is a reasonable relationship between the value of this Option and the resulting benefit to be received by the Company by reason of the grant of this Option.

NOW, THEREFORE, in consideration of the mutual promises and representations herein contained and other good and valuable consideration, the parties hereto hereby agree as follows:

20. Definitions.

(a) The term "Board of Directors" shall mean and refer to the Board of Directors of the Company.

(b) The term "change in control" shall mean and refer to any event, the result of the occurrence of which would be a change in control of the Company of a nature that such event would be required to be reported in response to Item 1(a) of the Current Report on Form 8-K, as in effect on the

date hereof, promulgated pursuant to Section 13 of the Securities Exchange Act of 1934 (whether or not the Company is required to file such a report).

(c) The term "Common Stock" shall mean and refer to shares of the Company's \$0.20 par value common stock.

(d) The term "Company" shall mean and refer to PCA International, Inc.

(e) The term "Disabled" or a "Disability" shall mean and refer to an Optionee becoming permanently and totally disabled within the meaning of Section 22(e) (3) of the Internal Revenue Code of 1986.

(f) The term "employee" or "in the employ" shall mean and refer to persons who are employees as determined in accordance with Section 3401(c) of the Internal Revenue Code of 1986 and the regulations promulgated thereunder.

(g) The term "management" shall mean and refer to any management capacity in which the Optionee serves with respect to the Company or any of its Subsidiaries, including but not limited to serving as a director, whether or not such Optionee is an employee of the Company.

(h) The term "Normal Retirement" shall mean and refer to an event of Normal Retirement as defined in the Company's Corporate Human Resources Manual as in effect on the date of an Optionee's Normal Retirement.

(i) The term "Plan" shall mean and refer to the 1992 Non-Qualified Stock Option Plan adopted by the Board of Directors and shareholders of the Company.

(j) The term "Option" or "Options" shall mean and refer to any stock option granted pursuant to this Agreement.

(k) The term "Option Price" shall mean and refer to the price to be paid upon the exercise of all or any part of this Option for each share of Common Stock.

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(l) The term "Optionee" shall mean and refer to the person to whom Options

are granted pursuant to this Agreement.

(m) The term "Plan Administration Committee" shall mean and refer to a committee of the Board of Directors, made up of three or more disinterested persons within the meaning of Regulation B240.16b-3(c)(2)(i) promulgated under Section 16 of the Securities Exchange Act of 1934.

(n) The term "Subsidiary" or "Subsidiaries" shall mean and refer to each corporation of which at least fifty percent (50%) of the outstanding common stock is owned directly or indirectly by the Company or a Subsidiary of the Company.

21. Grant of Options. The Company hereby grants to Optionee the option and right to purchase from the Company _____ shares of its Common Stock at an Option Price of \$____ per share, subject to the terms and conditions of this Agreement and the Plan.

22. Termination or Expiration of Options. The Option granted hereby shall terminate and expire as to any then unexercised rights hereunder upon the first to occur of:

(a) 5:00 p.m. on _____, _____ (which is at least three (3) months after the exercise date of this Option, as set forth in Paragraph 4); or

(b) Such date and time as the Optionee shall cease, for any reason other than such Optionee's death, Disability or Normal Retirement (including but not limited to termination with or without cause, or resignation of such Optionee), to be continuously in the employ or management of the Company or any of its Subsidiaries; or

(c) Subject to the provisions of Paragraph 3(f) below, such date which is three (3) months from the date that the Optionee shall cease, by reason of such Optionee's Normal

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Retirement, to be continuously in the employ or management of the Company or any of its Subsidiaries; or

(d) Such date which is twelve (12) months from the date that the Optionee

shall cease, by reason of such Optionee's death, to be continuously in the employ or management of the Company or any of its Subsidiaries; or

(e) Subject to the provisions of Paragraph 3(g) below, such date which is twelve (12) months from the date that the Optionee shall cease, by reason of such Optionee's Disability, to be continuously in the employ or management of the Company or any of its Subsidiaries; or

(f) In the event that the Optionee shall cease, by reason of such Optionee's Normal Retirement, to be continuously in the employ or management of the Company or any of its Subsidiaries and, in the further event that the Optionee shall die within three (3) months from the date such Optionee's employment or management relationship with the Company or any of its Subsidiaries shall cease as the result of such Optionee's Normal Retirement, such date which is twelve (12) months from the date of such Optionee's death; or

(g) In the event that the Optionee shall cease, by reason of such Optionee's Disability, to be continuously in the employ or management of the Company or any of its Subsidiaries and, in the further event that the Optionee shall die within twelve (12) months from the date such Optionee's employment or management relationship with the Company or any of its Subsidiaries shall cease as a result of such Optionee's Disability, such date which is twelve (12) months from the date of such Optionee's death.

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23. Exercise of Options. Subject to the provisions of Paragraphs 3 and 11 of this Agreement and further subject to the provisions in this Paragraph 4 for exercise of the Options granted pursuant to this Agreement in the event of the Optionee's death or Disability or in the event of a change in control of the Company, the Options granted pursuant to this Agreement may be exercised in full at any time after the expiration of _____ (___) months following the date of this Agreement (which is at least six (6) months after the effective date of this Agreement).

Notwithstanding the foregoing provisions of this Paragraph 4 and subject to the provisions of Paragraphs 3 and 11 of this Agreement, in the event of the Optionee's death or Disability or a change in control of the Company as provided in Paragraph 9 of this Agreement, the Options granted pursuant to this Agreement may be exercised in full by such Optionee or such Optionee's guardian, legal representative, executor, administrator or legatee, following such Optionee's

death or Disability or a change in control of the Company.

Not less than 100 shares of Common Stock may be purchased upon the exercise of any part of the Option at any one time unless the number of shares of Common Stock purchased is the total number at the time purchasable under this Option. No Option may be exercised for any fraction of a share of Common Stock.

24. Nontransferability of Option. This Option may not be sold, pledged, assigned or transferred in any manner otherwise than by will or the laws of descent and distribution and is exercisable during the lifetime of the Optionee only by such Optionee or such Optionee's guardian or legal representative.

In the event of the Optionee's death, and during the periods permitted by Paragraph 3 of this Agreement, this Option may be exercised by the executors or administrators of the estate of the Optionee or by any person who shall have acquired the Option directly from the Optionee by bequest or inheritance.

25. Written Notice of Exercise and Payment of Option Price.

(a) This Option may be exercised according to the terms hereof by written notice to the Company by the Optionee

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or by the Optionee's guardian, legal representative, executor, administrator or legatee stating such person's intention to exercise this Option and specifying the number of shares of Common Stock with respect to which the Option is being exercised and the date on which the Optionee (or such Optionee's guardian, legal representative, executor, administrator or legatee) will pay for such shares of Common Stock, which date shall not be later than fifteen (15) business days after the date of delivery of such notice to the Company.

(b) The Optionee (or such Optionee's guardian, legal representative, executor, administrator or legatee) shall pay the full price of the shares of Common Stock elected to be purchased hereunder in cash or by certified or bank check, unless the Optionee and the Board of Directors shall agree to payment for the shares of Common Stock in whole or in part by note or otherwise. The Company shall not issue any such shares of Common Stock until they have been paid in full or the Board of Directors shall determine that the issue of partly paid shares does not violate any applicable state or federal law.

(c) The exercise of this Option is conditioned upon the satisfaction by the Optionee of withholding tax or other withholding liabilities of the Company under any state or federal law resulting from or in connection with the exercise of this Option or the delivery or purchase of share pursuant hereto, in a manner acceptable to the Company.

(d) The Optionee or the Optionee's guardian, legal representative, executor, administrator or legatee shall have no rights as a shareholder with respect to any shares of Common Stock covered by this Option until the date of the issuance of the shares of Common Stock to such Optionee. No adjustment shall be made for dividends (ordinary or extraordinary, whether in cash, securities or other property) or distributions or other rights for which the record date is prior to the date such Common Stock is issued, except as provided in Paragraph 8 of this Agreement.

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26. Non-Qualified Stock Options. This Option is a non-qualified stock option and shall not be treated as an incentive stock option within the meaning of Section 422 of the Internal Revenue Code of 1986.

27. Capital Adjustments. Without any change in the total purchase price (computed by multiplying the number of shares of Common Stock originally purchasable hereunder, reduced by the number of any such shares which have been purchased hereunder, by the original Option Price before any of the adjustments hereinafter provided for), the Option Price and the number of shares which may be purchased hereunder shall be proportionately adjusted for any increase or decrease in the number of issued and outstanding shares of the Common Stock of the Company as a result of (a) the declaration and payment of a dividend payable in Common Stock of the Company, or the division of the Common Stock of the Company outstanding at the date hereof into a greater number of shares without the receipt of consideration therefor by the Company, or any other increase in the number of such shares of Common Stock of the Company outstanding at the date hereof which is effected without the receipt of consideration therefor by the Company; or (b) the consolidation of the Common Stock of the Company outstanding at the date hereof into a smaller number of shares without the payment of consideration therefor by the Company, or any other decrease in the number of such shares of Common Stock outstanding at the date hereof effected without the payment of consideration by the Company.

In the event of a change in the Common Stock as presently constituted, which is limited to a change of its authorized shares with a par value into the same number of shares with a different par value or without par value, the shares resulting from any such change shall be deemed to be the Common Stock within the meaning of this Agreement.

The foregoing adjustments shall be made by the Plan Administration Committee, whose determination in that respect shall be final, binding and conclusive. Except as hereinabove expressly provided in this Paragraph 8, the Optionee shall have no rights by reason of any subdivision or consolidation of shares of stock of any class or the payment of any stock dividend or any

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other increase or decrease in the number of shares of stock of any class.

28. Fundamental Corporate Changes. In the event of a consolidation or merger of the Company with another corporation, or the sale or exchange of all or substantially all of the assets of the Company, or a reorganization or liquidation of the Company, the Optionee shall be entitled to receive, upon exercise of the Option and payment in accordance with the terms of this Option, the same number of shares of Common Stock, other securities or property as such Optionee would have been entitled to receive upon the occurrence of such event if such Optionee had been, immediately prior to such event, the holder of the number of shares of Common Stock purchasable under this Option or, if another corporation shall be the surviving corporation, such surviving corporation shall substitute therefor substantially equivalent shares, securities or property of such other corporation. In the event of an acquisition of the Company involving a change in control, whether by merger, consolidation, sale of assets, sale of stock or otherwise, this Option shall become exercisable immediately, without regard to the deferred exercise period otherwise stated in Paragraph 4 of this Agreement.

29. Six Month Holding Period. With respect to options granted to Directors and 16(b) Officers under this Plan, at least six (6) months must elapse from the grant date of the option to the date that any stock acquired pursuant to such option is sold. For the purposes of this Paragraph 10, the grant date of any option which was granted by the Plan Administration Committee subject to subsequent shareholder approval of the Plan or any amendment thereto shall be the date upon which such approval is duly obtained.

30. Required Registration Statement. This Option is exercisable in accordance with the terms and provisions of this Agreement; provided, however, that in the event that a registration statement filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, with respect to the shares of Common Stock subject to this Option is not current and effective on the date of this Agreement, this

Option shall not be exercisable until the date such registration statement is made current and effective.

31. Notice. Any notice to be given to the Company as required by this Agreement shall be deemed to have been given upon receipt by the Company's secretary at 815 Matthews-Mint Hill Road, Matthews, North Carolina 28105.

32. Option is Subject to Plan. The Option granted herein is pursuant to the Company's 1992 Non-Qualified Stock Option Plan, as in effect on the date hereof and as hereafter amended, and is expressly granted and made subject to the terms and conditions of such Plan.

IN TESTIMONY WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

PCA INTERNATIONAL, INC.

[CORPORATE SEAL]

By:

John Grosso, President

ATTEST:

Bruce A. Fisher, Secretary

, Optionee

EXHIBIT B

PCA INTERNATIONAL, INC.
1992 STOCK OPTION PLAN
NON-QUALIFIED STOCK OPTION AGREEMENT

THIS AGREEMENT, effective as of the ____ day of _____, 19__, by and between PCA International, Inc., a North Carolina corporation (hereinafter called the "Company"), and _____ (hereinafter called the "Optionee");

STATEMENT OF PURPOSE

The Company recognizes the valuable services which have been provided and which will continue to be provided by the Optionee to the Company as a member of the Company's Board of Directors and is desirous of furnishing the Optionee with an added incentive and inducement to remain as a director of the Company and contribute to its success. The Board of Directors of the Company has adopted, and the shareholders have approved, the 1992 Non-Qualified Stock Option Plan, as amended, which is hereby incorporated by reference and which provides for an automatic grant of an Option to the Optionee.

NOW, THEREFORE, in consideration of the mutual promises and representations herein contained and other good and valuable consideration, the parties hereto hereby agree as follows:

1. DEFINITIONS.

(a) The term "Board of Directors" shall mean and refer to the Board of Directors of the Company.

(b) The term "change in control" shall mean and refer to any event, the result of the occurrence of which would be a change in control of the Company of a nature that such event would be required to be reported in response to Item 1(a) of the Current Report on Form 8-K, as in effect on the date hereof, promulgated pursuant to Section 13 of the Securities Exchange Act of 1934 (whether or not the Company is required to file such a report).

(c) The term "Common Stock" shall mean and refer to shares of the Company's \$0.20 par value common stock.

(d) The term "Company" shall mean and refer to PCA International, Inc.

(e) The term "employee" or "in the employ" shall mean and refer to persons who are employees as determined in accordance with

Section 3401(c) of the Internal Revenue Code of 1986 and the regulations promulgated thereunder.

(f) The term "management" shall mean and refer to the management capacity in which the Optionee serves with respect to the Company by serving as a member

of the Board of Directors who is not an employee.

(g) The term "Plan" shall mean and refer to the 1992 Non-Qualified Stock Option Plan adopted by the Board of Directors and shareholders of the Company.

(h) The term "Option" or "Options" shall mean and refer to any stock option granted pursuant to this Agreement.

(i) The term "Option Price" shall mean and refer to the price to be paid upon the exercise of all or any part of this Option for each share of Common Stock.

(j) The term "Optionee" shall mean and refer to the person to whom Options are granted pursuant to this Agreement.

(k) The term "Plan Administration Committee" shall mean and refer to a committee of the Board of Directors, made up of three or more disinterested persons within the meaning of Regulation B 240.16b-3(c)(2)(i) promulgated under Section 16 of the Securities Exchange Act of 1934.

2. GRANT OF OPTIONS. The Company hereby grants to Optionee the option and right to purchase from the Company 10,000 shares of its Common Stock at an Option Price of _____ per share, subject to the terms and conditions of this Agreement and the Plan.

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3. TERMINATION OR EXPIRATION OF OPTIONS. The Option granted hereby shall terminate and expire as to any then unexercised rights hereunder upon the first to occur of:

(a) At 12:00 midnight on August 26, 2004; or

(b) Subject to the provisions of Paragraph 3(d) below, such date which is three (3) months from the date that the Optionee shall cease, for any reason other than such Optionee's death, to be in the management of the Company; or

(c) Such date which is twelve (12) months from the date that the Optionee

shall cease, by reason of such Optionee's death, to be in the management of the Company; or

(d) If the Optionee shall cease to be in the management of the Company and if the Optionee shall then die within three (3) months from the date such Optionee ceases to be in such management, such date which is twelve (12) months from the date of such Optionee's death.

4. EXERCISE OF OPTIONS. Subject to the provisions of Paragraphs 3 and 11 of this Agreement and further subject to the provisions in this Paragraph 4 for exercise of the Options granted pursuant to this Agreement in the event of the Optionee's death or a change in control of the Company, the Options granted pursuant to this Agreement may be exercised over a five (5) year period as follows:

(a) At any time after the expiration of one (1) year following the date of this Agreement, as to 2,000 shares of Common Stock (which is equal to 20% of the original total grant);

(b) At any time after the expiration of two (2) years following the date of this Agreement, as to 2,000 additional shares of Common Stock (which is equal to 20% of the original total grant);

(c) At any time after the expiration of three (3) years following the date of this Agreement, as to 2,000 additional shares of Common Stock (which is equal to 20% of the original total grant);

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(d) At any time after the expiration of four (4) years following the date of this Agreement, as to 2,000 additional shares of Common Stock (which is equal to 20% of the original total grant); and

(e) In full after the expiration of five (5) years following the date of this Agreement.

Notwithstanding the foregoing provisions of this Paragraph 4 and subject to the provisions of Paragraphs 3 and 11 of this Agreement, in the event of the Optionee's death or a change in control of the Company as provided in Paragraph 9 of this Agreement, the Options granted pursuant to this Agreement may be exercised in full by such Optionee or such Optionee's guardian, legal representative, executor, administrator or legatee following such Optionee's death or a change in control of the Company.

The right to exercise any Option granted hereunder is cumulative during the term of the Option as provided in this Paragraph 4. Not less than 100 shares of Common Stock may be purchased upon the exercise of any part of this Option at any one time unless the number of shares of Common Stock purchased is the total number at the time purchasable under this Option. No Option may be exercised for any fraction of a share of Common Stock.

5. NONTRANSFERABILITY OF OPTION. This Option may not be sold, pledged, assigned or transferred in any manner otherwise than by will or the laws of descent and distribution, or pursuant to a domestic relations order, as defined in Section 414(p)(1)(B) of the Internal Revenue Code of 1986, which satisfies the conditions of Section 414(p)(1)(A) of the Internal Revenue Code of 1986, and this Option is exercisable during the lifetime of the Optionee only by such Optionee or such Optionee's guardian or legal representative.

If the Optionee dies, and during the periods permitted by Paragraph 3 of this Agreement, this Option may be exercised by the executors or administrators of the estate of the Optionee or by any person who shall have acquired the Option directly from the Optionee by bequest or inheritance.

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6. WRITTEN NOTICE OF EXERCISE AND PAYMENT OF OPTION PRICE.

(a) This Option may be exercised according to the terms hereof by written notice to the Company by the Optionee or by the Optionee's guardian, legal representative, executor, administrator or legatee stating such person's intention to exercise this Option and specifying the number of shares of Common Stock with respect to which the Option is being exercised and the date on which the Optionee (or such Optionee's guardian, legal representative, executor, administrator or legatee) will pay for such shares of Common Stock, which date shall not be later than fifteen (15) business days after the date of delivery of such notice to the Company.

(b) The Optionee (or such Optionee's guardian, legal representative, executor, administrator or legatee) shall pay the full price of the shares of Common Stock elected to be purchased hereunder in cash or by certified or bank check, unless the Optionee and the Board of Directors shall agree to payment for the shares of Common Stock in whole or in part by note or otherwise. The Company shall not issue any such shares of Common Stock until they have been paid in full or the Board of Directors determines that the issue of partly paid shares

does not violate any applicable state or federal law.

(c) The exercise of this Option is conditioned upon the satisfaction by the Optionee of withholding tax or other withholding liabilities of the Company under any state or federal law resulting from or in connection with the exercise of this Option or the delivery or purchase of shares pursuant hereto in a manner acceptable to the Company.

(d) The Optionee or the Optionee's guardian, legal representative, executor, administrator or legatee shall have no rights as a shareholder with respect to any shares of Common Stock covered by this Option until the date of the issuance of the shares of Common Stock to such Optionee. No adjustment shall be made for dividends (ordinary or extraordinary, whether in cash, securities or other property) or distributions or other rights for which the record date is prior to the date such Common Stock is issued, except as provided in Paragraph 8 of this Agreement.

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7. NON-QUALIFIED STOCK OPTIONS. This Option is a non-qualified stock option and shall not be treated as an incentive stock option within the meaning of Section 422 of the Internal Revenue Code of 1986.

8. CAPITAL ADJUSTMENTS. Without any change in the total purchase price (computed by multiplying the number of shares of Common Stock originally purchasable hereunder, reduced by the number of any such shares which have been purchased hereunder, by the original Option Price before any of the adjustments hereinafter provided for), the Option Price and the number of shares which may be purchased hereunder shall be proportionately adjusted for any increase or decrease in the number of issued and outstanding shares of the Common Stock of the Company as a result of (a) the declaration and payment of a dividend payable in Common Stock of the Company, or the division of the Common Stock of the Company outstanding at the date hereof into a greater number of shares without the receipt of consideration therefor by the Company, or any other increase in the number of such shares of Common Stock of the Company outstanding at the date hereof which is effected without the receipt of consideration therefore by the Company; or (b) the consolidation of the Common Stock of the Company outstanding at the date hereof into a smaller number of shares without the payment of consideration therefor by the Company, or any other decrease in the number of such shares of Common Stock outstanding at the date hereof effected without the payment of consideration by the Company.

In the event of a change in the Common Stock as presently constituted, which is limited to a change of its authorized shares with a par value into the

same number of shares with a different par value or without par value, the shares resulting from any such change shall be deemed to be the Common Stock within the meaning of this Agreement.

The foregoing adjustments shall be made by the Plan Administration Committee, whose determination in that respect shall be final, binding and conclusive. Except as hereinabove expressly provided in this Paragraph 8, the Optionee shall have no rights by reason of any subdivision or consolidation of shares of stock of any class or the payment of any stock dividend or any

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other increase or decrease in the number of shares of stock of any class.

9. FUNDAMENTAL CORPORATE CHANGES. In the event of a consolidation or merger of the Company with another corporation, or the sale or exchange of all or substantially all of the assets of the Company, or a reorganization or liquidation of the Company, the Optionee shall be entitled to receive, upon exercise of the Option and payment in accordance with the terms of this Option, the same number of shares of Common Stock, other securities or property as such Optionee would have been entitled to receive upon the occurrence of such event if such Optionee had been, immediately prior to such event, the holder of the number of shares of Common Stock purchasable under this Option or, if another corporation shall be the surviving corporation, such surviving corporation shall substitute therefor substantially equivalent shares, securities or property of such other corporation. In the event of an acquisition of the Company involving a change in control, whether by merger, consolidation, sale of assets, sale of stock or otherwise, this Option shall become exercisable immediately, without regard to the deferred exercise period otherwise stated in Paragraph 4 of this Agreement.

10. SIX-MONTH HOLDING PERIOD. With respect to options granted to Directors and 16(b) Officers under this Plan, at least six (6) months must elapse from the grant date of the option to the date that any stock acquired pursuant to such option is sold. For the purposes of this Paragraph 10, the grant date of any option automatically issued pursuant to the provisions of the Plan subject to subsequent shareholder approval of the Plan or any amendment thereto shall be the date upon which such approval is duly obtained.

11. REQUIRED REGISTRATION STATEMENT. This Option is exercisable in accordance with the terms and provisions of this Agreement; provided, however, that if a registration statement filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, with respect to the shares of Common Stock subject to this Option is not current and effective on

the date of this Agreement, this Option shall not be exercisable until the date such registration statement is made current and effective.

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12. NOTICE. Any notice to be given to the Company as required by this Agreement shall be deemed to have been given upon receipt by the Company's secretary at 815 Matthews-Mint Hill Road, Matthews, North Carolina 28105.

13. OPTION IS SUBJECT TO PLAN. The Option granted herein is granted pursuant to the Company's 1992 Non-Qualified Stock Option Plan, as in effect on the date hereof and as hereafter amended, and is expressly granted and made subject to the terms and conditions of such Plan.

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IN TESTIMONY WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

PCA INTERNATIONAL, INC.

[CORPORATE SEAL]

By:

John Grosso, President

ATTEST:

Bruce A. Fisher, Secretary

, Optionee

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EXHIBIT C

PCA INTERNATIONAL, INC.
1992 STOCK OPTION PLAN
NON-QUALIFIED STOCK OPTION AGREEMENT

THIS AGREEMENT, effective as of the ____ day of _____, 19__, by and between PCA International, Inc., a North Carolina corporation (hereinafter

called the "Company"), and _____ (hereinafter called the "Optionee");

STATEMENT OF PURPOSE

The Company recognizes the valuable services that have been provided and that will continue to be provided by the Optionee to the Company as a member of the Company's Board of Directors and is desirous of encouraging all members of its Board of Directors to increase their stock ownership in the Company. The Board of Directors of the Company has adopted, and the shareholders have approved, the 1992 Non-Qualified Stock Option Plan, as amended, which is hereby incorporated by reference and which provides for the grant of Deferral Election Stock Options upon the election of non-employee members of the Board of Directors to receive such Options in lieu of cash compensation as a director. The Optionee has elected to receive Deferral Election Stock Options in accordance with the terms of the 1992 Non-Qualified Stock Option Plan.

NOW, THEREFORE, in consideration of the mutual promises and representations herein contained and other good and valuable consideration, the parties hereto hereby agree as follows:

1. DEFINITIONS.

(a) The term "Board of Directors" shall mean and refer to the Board of Directors of the Company.

(b) The term "change in control" shall mean and refer to any event, the result of the occurrence of which would be a change in control of the Company of a nature that such event would be required to be reported in response to Item 1(a) of the Current

Report on Form 8-K, as in effect on the date hereof, promulgated pursuant to Section 13 of the Securities Exchange Act of 1934 (whether or not the Company is required to file such a report).

(c) The term "Common Stock" shall mean and refer to shares of the Company's \$0.20 par value common stock.

(d) The term "Company" shall mean and refer to PCA International, Inc.

(e) The term "employee" shall mean and refer to persons who are employees of the Company as determined in accordance with Section 3401(c) of the Internal Revenue Code of 1986 and the regulations promulgated thereunder, and the term

"non-employee" shall mean and refer to persons who are not employees of the Company as so determined.

(f) The term "Initial Election Date" shall mean and refer to, for each member of the Board of Directors, the later to occur of (i) May 24, 1995 (the date the Third Amendment to the Plan was adopted by the shareholders of the Company), or (ii) the date of such member's initial election or appointment to the Board of Directors.

(g) The term "Plan" shall mean and refer to the 1992 Non-Qualified Stock Option Plan adopted by the Board of Directors and shareholders of the Company, as amended from time to time.

(h) The term "Option" or "Options" shall mean and refer to any stock option granted pursuant to this Agreement.

(i) The term "Option Price" shall mean and refer to the price to be paid upon the exercise of all or any part of this Option for each share of Common Stock.

(j) The term "Optionee" shall mean and refer to the non-employee member of the Board of Directors to whom Options are granted pursuant to this Agreement.

(k) The term "Plan Administration Committee" shall mean and refer to a committee of the Board of Directors, made up of three or more disinterested persons within the meaning of Regulation

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B 240.16b-3(c) (2) (i) promulgated under Section 16 of the Securities Exchange Act of 1934.

2. GRANT OF OPTIONS. The Optionee has irrevocably elected, in accordance with the Plan, to receive the Options granted herein in lieu of all cash compensation to which the Optionee would be entitled as a member of the Board of Directors during the period commencing ____, and ending on the date preceding the annual meeting of shareholders of the Company for ____. The Company hereby grants to the Optionee the option and right to purchase from the Company ____ shares of its Common Stock at an Option Price of \$____ per share, subject to the terms and conditions of this Agreement and the Plan.

3. TERMINATION OR EXPIRATION OF OPTIONS. The Option granted hereby shall terminate and expire as to any then unexercised rights hereunder at the earlier of (i) 12:00 midnight on the date ten years after the date of grant, (ii) 12:00 midnight on such other date less than ten years from the date of grant as the Plan Administration Committee shall determine, or (iii) 12:00 midnight on the date one year after the tenure of the Optionee as a non-employee member of the Board of Directors terminates for any reason.

4. EXERCISE OF OPTIONS. Subject to the provisions of Paragraphs 3 and 11 of this Agreement and further subject to the provisions in this Paragraph 4 for acceleration of the exercisability of the Options granted pursuant to this Agreement in certain events, the Options granted pursuant to this Agreement may be exercised at any time after the date one year after the date of this Agreement.

(a) Upon the death or Disability of the Optionee, the Options granted hereunder shall become immediately exercisable as to 100% of the shares of Common Stock covered by the Options granted hereunder;

(b) If the Optionee's tenure as a Director ends on or prior to 12:00 midnight on the night prior to the _____ annual meeting of shareholders of the Company, for any reason other than death or Disability, a portion of the shares of Common Stock covered by the Options granted hereunder shall become immediately exercisable as follows:

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(i) That portion of the shares of Common Stock covered by the Options granted hereunder that are attributable to the election to forgo cash fees for the 1-year period in which the Optionee's tenure as a Director terminates shall be prorated and such Option shall become immediately exercisable to the additional extent of that portion of the shares of Common Stock attributable to the time served as a Director during that 1-year period; and

(iii) As to the balance of the shares of Common Stock covered by the Options granted hereunder, the Options granted hereunder shall lapse immediately.

(c) Upon the occurrence of a change in control, each Option granted hereunder shall become immediately exercisable as to all of the shares of Common Stock covered thereby.

Once the Options, or any portion thereof, become exercisable as set forth in this Paragraph 4, they shall remain exercisable until terminated pursuant to Paragraph 3 above.

The Options granted pursuant to this Agreement may be exercised by the Optionee or the Optionee's guardian, legal representative, executor, administrator or legatee. The right to exercise any Option granted hereunder is cumulative during the term of the Option as provided in this Paragraph 4. Not less than 100 shares of Common Stock may be purchased upon the exercise of any part of this Option at any one time unless the number of shares of Common Stock purchased is the total number at the time purchasable under this Option. No Option may be exercised for any fraction of a share of Common Stock.

5. NONTRANSFERABILITY OF OPTION. The Options granted pursuant to this Agreement may not be sold, pledged, assigned or transferred in any manner otherwise than by will or the laws of descent and distribution, or pursuant to a domestic relations order, as defined in Section 414(p)(1)(B) of the Internal Revenue Code of 1986, which satisfies the conditions of Section 414(p)(1)(A) of the Internal Revenue Code of 1986, and this Option is exercisable

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during the lifetime of the Optionee only by such Optionee or such Optionee's guardian or legal representative.

6. WRITTEN NOTICE OF EXERCISE AND PAYMENT OF OPTION PRICE.

(a) This Option may be exercised according to the terms hereof by written notice to the Company by the Optionee or by the Optionee's guardian, legal representative, executor, administrator or legatee stating such person's intention to exercise this Option and specifying the number of shares of Common Stock with respect to which the Option is being exercised and the date on which the Optionee (or such Optionee's guardian, legal representative, executor, administrator or legatee) will pay for such shares of Common Stock, which date shall not be later than fifteen (15) business days after the date of delivery of such notice to the Company.

(b) The Optionee (or such Optionee's guardian, legal representative, executor, administrator or legatee) shall pay the full Option Price for the shares of Common Stock elected to be purchased hereunder in cash or by certified or bank check, unless the Optionee and the Board of Directors shall agree to payment for the shares of Common Stock in whole or in part by note or otherwise. The Company shall not issue any such shares of Common Stock until they have been paid in full or the Board of Directors determines that the issue of partly paid shares does not violate any applicable state or federal law.

(c) The exercise of this Option is conditioned upon the satisfaction by the Optionee of withholding tax or other withholding liabilities of the Company under any state or federal law resulting from or in connection with the exercise of this Option or the delivery or purchase of shares pursuant hereto in a manner acceptable to the Company.

(d) The Optionee or the Optionee's guardian, legal representative, executor, administrator or legatee shall have no rights as a shareholder with respect to any shares of Common Stock covered by this Option until the date of the issuance of the shares of Common Stock to such Optionee. No adjustment shall be made for dividends (ordinary or extraordinary, whether in cash, securities or other property) or distributions or other rights for

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which the record date is prior to the date such Common Stock is issued, except as provided in Paragraph 8 of this Agreement.

7. NON-QUALIFIED STOCK OPTIONS. This Option is a non-qualified stock option and shall not be treated as an incentive stock option within the meaning of Section 422 of the Internal Revenue Code of 1986.

8. CAPITAL ADJUSTMENTS. Without any change in the total purchase price (computed by multiplying the number of shares of Common Stock originally purchasable hereunder, reduced by the number of any such shares that have been purchased hereunder, by the original Option Price before any of the adjustments hereinafter provided for), the Option Price and the number of shares which may be purchased hereunder shall be proportionately adjusted for any increase or decrease in the number of issued and outstanding shares of the Common Stock of the Company as a result of (a) the declaration and payment of a dividend payable in Common Stock of the Company, or the division of the Common Stock of the Company outstanding at the date hereof into a greater number of shares without the receipt of consideration therefor by the Company, or any other increase in the number of such shares of Common Stock of the Company outstanding at the date hereof that is effected without the receipt of consideration therefor by the Company; or (b) the consolidation of the Common Stock of the Company outstanding at the date hereof into a smaller number of shares without the payment of consideration therefor by the Company, or any other decrease in the number of such shares of Common Stock outstanding at the date hereof effected without the payment of consideration by the Company.

In the event of a change in the Common Stock as presently constituted, which change effects no modification of the Common Stock other than to change

authorized shares with a par value into the same number of shares with a different par value or without par value, the shares resulting from any such change shall be deemed to be the Common Stock within the meaning of this Agreement.

The foregoing adjustments shall be made by the Plan Administration Committee, whose determination in that respect shall be final, binding and conclusive. Except as hereinabove

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expressly provided in this Paragraph 8, the Optionee shall have no rights by reason of any subdivision or consolidation of shares of stock of any class or the payment of any stock dividend or any other increase or decrease in the number of shares of stock of any class.

9. FUNDAMENTAL CORPORATE CHANGES. In the event of a consolidation or merger of the Company with another corporation, or the sale or exchange of all or substantially all of the assets of the Company, or a reorganization or liquidation of the Company, the Optionee shall be entitled to receive, upon exercise of the Option and payment in accordance with the terms of this Option, the same number of shares of Common Stock, other securities or property as such Optionee would have been entitled to receive upon the occurrence of such event if such Optionee had been, immediately prior to such event, the holder of the number of shares of Common Stock purchasable under this Option or, if another corporation shall be the surviving corporation, such surviving corporation shall substitute therefor substantially equivalent shares, securities or property of such other corporation. In the event of an acquisition of the Company involving a change in control, whether by merger, consolidation, sale of assets, sale of stock or otherwise, this Option shall become exercisable immediately, without regard to the deferred exercise period otherwise stated in Paragraph 4 of this Agreement.

10. SIX-MONTH HOLDING PERIOD. Any other term or provision of this Agreement notwithstanding, at least six (6) months must elapse from the grant date of the Option to the date that any stock acquired pursuant to such Option is sold. For the purposes of this Paragraph 10, the grant date of any Option issued pursuant to the provisions of the Plan subject to subsequent shareholder approval of the Plan or any amendment thereto shall be the date upon which such approval is duly obtained.

11. REQUIRED REGISTRATION STATEMENT. This Option is exercisable in accordance with the terms and provisions of this Agreement; provided, however, that if a registration statement filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, with respect to the shares of Common Stock subject to this Option is not current and effective on

the date of

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this Agreement, this Option shall not be exercisable until the date such registration statement is made current and effective.

12. NOTICE. Any notice to be given to the Company as required by this Agreement shall be deemed to have been given upon receipt by the Company's secretary at 815 Matthews-Mint Hill Road, Matthews, North Carolina 28105.

13. OPTION IS SUBJECT TO PLAN. The Option granted herein is granted pursuant to the Company's 1992 Non-Qualified Stock Option Plan, as in effect on the date hereof and as hereafter amended, and is expressly granted and made subject to the terms and conditions of such Plan.

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IN TESTIMONY WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

PCA INTERNATIONAL, INC.

[CORPORATE SEAL]

By:

John Grosso, President

ATTEST:

Bruce A. Fisher, Secretary

, Optionee

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PCA INTERNATIONAL, INC., AND SUBSIDIARIES
COMPUTATION OF PRIMARY AND FULLY DILUTED
EARNINGS PER COMMON SHARE

<TABLE>
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	THREE MONTHS ENDED APRIL 30, 1995 <C>	May 1, 1994 <C>
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PRIMARY EARNINGS PER COMMON SHARE:		
EARNINGS APPLICABLE TO COMMON STOCK:		
Net income.....	\$851,001	\$63,651
COMPUTATION OF COMMON SHARES AND COMMON EQUIVALENT SHARES:		
Weighted average number of common shares.....	8,109,410	8,141,205
Dilutive effect of stock options.....	371,452	405,129
Weighted average number of common shares after dilutive effect.....	8,480,862	8,546,334
EARNINGS PER COMMON SHARE AND COMMON EQUIVALENT SHARE:		
Net income.....	\$0.10	\$0.01
FULLY DILUTED EARNINGS PER COMMON SHARE:		
EARNINGS APPLICABLE TO COMMON STOCK:		
Net income.....	\$851,001	\$63,651
COMPUTATION OF COMMON SHARES AND COMMON EQUIVALENT SHARES:		
Weighted average number of common shares outstanding.....	8,109,410	8,141,205
Dilutive effect of stock options.....	413,919	405,129
Weighted average number of common shares outstanding as adjusted.....	8,523,329	8,546,334
EARNINGS PER COMMON SHARE AND COMMON EQUIVALENT SHARE ASSUMING FULL DILUTION:		
Net income.....	\$0.10	\$0.01

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