

MBIA INC
Form SC 13G/A
September 12, 2011

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

SCHEDULE 13G

Under the Securities Exchange Act of 1934
(Amendment No. 3)*

MBIA Inc.
(Name of Issuer)

Common Stock, \$1.00 par value per share
(Title of Class of Securities)

55262C100
(CUSIP Number)

August 31, 2011
(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

☒ Rule 13d-1(b)

☐ Rule 13d-1(c)

☐ Rule 13d-1(d)

*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be “filed” for the purpose of Section 18 of the Securities Exchange Act of 1934 (“Act”) or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

CUSIP No 55262C100

1. NAME OF REPORTING PERSONS
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

Fairholme Capital Management, L.L.C.
 2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)
(a) ☐
(b) ☒
 3. SEC USE ONLY
 4. CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware
- NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH
5. SOLE VOTING POWER

0
 6. SHARED VOTING POWER

37,505,800
 7. SOLE DISPOSITIVE POWER

0
 8. SHARED DISPOSITIVE POWER

48,879,744
 9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

48,879,744
 10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES
CERTAIN SHARES (SEE INSTRUCTIONS)

☐
 11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

24.8%

12. TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)
IA
-

CUSIP No 55262C100

1. NAME OF REPORTING PERSONS
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

Bruce R. Berkowitz.

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

(a) ☐

(b) ☒

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

United States

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH

5. SOLE VOTING POWER

0

6. SHARED VOTING POWER

37,505,800

7. SOLE DISPOSITIVE POWER

0

8. SHARED DISPOSITIVE POWER

48,879,744

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

48,879,744

10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES
CERTAIN SHARES (SEE INSTRUCTIONS)

☐

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

24.8%

12. TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)
IN, HC
-

CUSIP No 026874784

1. NAME OF REPORTING PERSONS
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

Fairholme Funds, Inc.

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

(a) ☐

(b) ☒

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

Maryland

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH

5. SOLE VOTING POWER

0

6. SHARED VOTING POWER

28,483,500

7. SOLE DISPOSITIVE POWER

0

8. SHARED DISPOSITIVE POWER

28,483,500

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

28,483,500

10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

14.5%

12. TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)
IV
-

Item 1. (a). Name of Issuer:

MBIA Inc.

(b). Address of issuer's principal executive offices:

113 King Street, Armonk, New York 10504

Item 2. (a). Name of person filing:

Fairholme Capital Management, L.L.C.

Bruce R. Berkowitz

Fairholme Funds, Inc.

(b). Address or principal business office or, if none, residence:

Fairholme Capital Management, L.L.C.

4400 Biscayne Boulevard, 9th Floor

Miami, FL 33137

United States of America

Bruce R. Berkowitz

c/o Fairholme Capital Management, L.L.C.

4400 Biscayne Boulevard, 9th Floor

Miami, FL 33137

United States of America

Fairholme Funds, Inc.

c/o Fairholme Capital Management, L.L.C.

4400 Biscayne Boulevard, 9th Floor

Miami, FL 33137

United States of America

(c). Citizenship:

Fairholme Capital Management, L.L.C. - Delaware

Bruce R. Berkowitz – United States of America

Fairholme Funds, Inc. - Maryland

(d). Title of class of securities:

Common Stock, \$1.00 par value per share

(e). CUSIP No.:

55262C100

Item 3. If This Statement is filed pursuant to §§.240.13d-1(b) or 240.13d-2(b), or (c), check whether the person filing is a

- (a) ☐ Broker or dealer registered under section 15 of the Act (15 U.S.C. 78o).
- (b) ☐ Bank as defined in section 3(a)(6) of the Act (15 U.S.C. 78c).
- (c) ☐ Insurance company as defined in section 3(a)(19) of the Act (15 U.S.C. 78c).
- (d) ☒ Investment company registered under section 8 of the Investment Company Act of 1940 (15 U.S.C. 80a-8).
- (e) ☒ An investment adviser in accordance with § 240.13d-1(b)(1)(ii)(E);
- (f) ☐ An employee benefit plan or endowment fund in accordance with § 240.13d-1(b)(1)(ii)(F);
- (g) ☒ A parent holding company or control person in accordance with §240.13d-1(b)(1)(ii)(G);
- (h) ☐ A savings association as defined in Section 3(b) of the Federal Deposit Insurance Act (12 U.S.C.1813);
- (i) ☐ A church plan that is excluded from the definition of an investment company under section 3(c)(14) of the Investment Company Act of 1940 (15 U.S.C. 80a-3);
- (j) ☐ A non-U.S. institution in accordance with §240.13d-1(b)(1)(ii)(J);
- (k) ☐ Group, in accordance with §240.13d-1(b)(1)(ii)(K). If filing as a non-U.S. institution in accordance with §240.13d-1(b)(1)(ii)(J), please specify the type of institution:

Item 4. Ownership.

Provide the following information regarding the aggregate number and percentage of the class of securities of the issuer identified in Item 1.

48,879,744 shares of Common Stock of MBIA Inc. are owned, in the aggregate, by Bruce R. Berkowitz ("Mr. Berkowitz") and various investment vehicles and accounts managed by Fairholme Capital Management, L.L.C. ("FCM") of which 20,501,100 shares of Common Stock are owned by The Fairholme Fund and 7,982,400 shares of Common Stock are owned by Fairholme Allocation Fund, each a series of Fairholme Funds, Inc. Because Mr. Berkowitz, in his capacity as the Managing Member of FCM or as President of Fairholme Funds, Inc., has voting or dispositive power over all shares beneficially owned by FCM, he is deemed to have beneficial ownership of all such shares so reported herein.

While the advisory relationship causes attribution to Mr. Berkowitz, Fairholme Funds, Inc. or FCM of certain indicia of beneficial ownership for the limited purpose of this Schedule 13G, Mr. Berkowitz, Fairholme Funds, Inc. and FCM hereby disclaim ownership of these shares for purposes of interpretations under the Internal Revenue Code of 1986, as amended, or for any other purpose, except to the extent of their pecuniary interest.

(a) Amount beneficially owned:

Fairholme Capital Management, L.L.C.-48,879,744
 Bruce R. Berkowitz – 48,879,744
 Fairholme Funds, Inc.- 28,483,500

(b) Percent of class:

Fairholme Capital Management, L.L.C.-24.8%
 Bruce R. Berkowitz – 24.8%
 Fairholme Funds, Inc.- 14.5%

(c) Number of shares as to which Fairholme Capital Management, L.L.C. has:

(i)	Sole power to vote or to direct the vote	0
(ii)	Shared power to vote or to direct the vote	37,505,800,
(iii)	Sole power to dispose or to direct the disposition of	0,
(iv)	Shared power to dispose or to direct the disposition of	48,879,744

Number of shares as to which Bruce R. Berkowitz:

(i)	Sole power to vote or to direct the vote	0
(ii)	Shared power to vote or to direct the vote	37,505,800,
(iii)	Sole power to dispose or to direct the disposition of	0,
(iv)	Shared power to dispose or to direct the disposition of	48,879,744

Number of shares as to which Fairholme Funds, Inc.:

(i)	Sole power to vote or to direct the vote	0
(ii)	Shared power to vote or to direct the vote	28,483,500,
(iii)	Sole power to dispose or to direct the disposition of	0,
(iv)	Shared power to dispose or to direct the disposition of	28,483,500

Instruction: For computations regarding securities which represent a right to acquire an underlying security see §240.13d-3(d)(1).

Item 5. Ownership of Five Percent or Less of a Class.

If this statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than five percent of the class of securities, check the following [].

N/A

Item 6. Ownership of More Than Five Percent on Behalf of Another Person.

If any other person is known to have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, such securities, a statement to that effect should be included in response to this item and, if such interest relates to more than 5 percent of the class, such person should be identified. A listing of the shareholders of an investment company registered under the Investment Company Act of 1940 or the beneficiaries of employee benefit plan, pension fund or endowment fund is not required.

N/A

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on by the Parent Holding Company or Control Person.

If a parent holding company or control person has filed this schedule, pursuant to Rule 13d-1(b)(1)(ii)(G), so indicate under Item 3(g) and attach an exhibit stating the identity and the Item 3 classification of the relevant subsidiary. If a parent holding company or control person has filed this schedule pursuant to Rule 13d-1(c) or Rule 13d-1(d), attach an exhibit stating the identification of the relevant subsidiary.

N/A

Item 8. Identification and Classification of Members of the Group.

If a group has filed this schedule pursuant to §240.13d-1(b)(1)(ii)(J), so indicate under Item 3(j) and attach an exhibit stating the identity and Item 3 classification of each member of the group. If a group has filed this schedule pursuant to Rule 13d-1(c) or Rule 13d-1(d), attach an exhibit stating the identity of each member of the group.

N/A

Item 9. Notice of Dissolution of Group.

Notice of dissolution of a group may be furnished as an exhibit stating the date of the dissolution and that all further filings with respect to transactions in the security reported on will be filed, if required, by members of the group, in their individual capacity. See Item 5.

N/A

Item 10. Certification.

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Bruce R. Berkowitz
By: /s/ Paul Thomson
(Attorney-in-fact)

Fairholme Capital Management, L.L.C.
By: /s/ Paul Thomson
(Attorney-in-fact)

Fairholme Funds, Inc.

By: /s/ Paul Thomson
(Attorney-in-Fact)

Date: September 12, 2011

* The Reporting Persons disclaim beneficial ownership in the common stock reported herein except to the extent of their pecuniary interest therein.

The original statement shall be signed by each person on whose behalf the statement is filed or his authorized representative. If the statement is signed on behalf of a person by his authorized representative other than an executive officer or general partner of the filing person, evidence of the representative's authority to sign on behalf of such person shall be filed with the statement, provided, however, that a power of attorney for this purpose which is already on file with the Commission may be incorporated by reference. The name and any title of each person who signs the statement shall be typed or printed beneath his signature.

Note. Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See s.240.13d-7 for other parties for whom copies are to be sent.

Attention. Intentional misstatements or omissions of fact constitute Federal criminal violations (see 18 U.S.C. 1001).

EXHIBIT A

AGREEMENT

The undersigned agree that this Schedule 13G dated September 12, 2011 relating to the Common Stock, \$1.00 par value per share of MBIA Inc. shall be filed on behalf of the undersigned.

Bruce R. Berkowitz
By: /s/ Paul Thomson
(Attorney-in-fact)

Fairholme Capital Management, L.L.C.
By: /s/ Paul Thomson
(Attorney-in-fact)

Fairholme Funds, Inc.

By: /s/ Paul Thomson
(Attorney-in-Fact)

SK 22146 0001 1225981

ONT SIZE="1"> \$145,110 \$144,189 \$106,114

Pro forma adjustment to depreciation and amortization

\$921 \$2,719

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(g) Reflects pro forma interest expense adjustment for the year ended December 31, 2002 and for the nine months ended September 30, 2003, calculated as follows to reflect Moore Wallace's current debt structure as adjusted for the effects of the transaction:

	2002	2003
	(in thousands)	
B Term Loan (1)	\$ 15,761	\$ 11,821
Senior Notes (2)	26,435	19,826
Fixed rate swaps (3)	4,520	3,390
Floating rate swaps (4)	(6,263)	(4,698)
Commitment fees (5)	1,750	1,313
Other interest	2,654	2,103
Pro forma total interest expense	44,857	33,755
Less: historical interest expense Moore Wallace	(12,145)	(41,023)
Less: historical interest expense WCS	(19,334)	(9,053)
Pro forma adjustment	\$ 13,378	\$ (16,321)

- (1) Reflects pro forma interest expense on the Moore Wallace B Term Loan using an outstanding balance of \$498.8 million and an interest rate of three-month LIBOR (1.16% as of September 30, 2003) plus 2.0%.
- (2) Reflects pro forma interest expense on the Moore Wallace Senior Notes at an effective interest rate of approximately 5.87% as of September 30, 2003 (see note (k) under Notes to the Unaudited Condensed Combined Pro Forma Balance Sheet).
- (3) Reflects pro forma interest expense on the Moore Wallace \$400.0 million notional amount fixed rate swaps at a weighted average interest rate of 1.13% as of September 30, 2003.
- (4) Reflects pro forma interest received on the Moore Wallace \$250.0 million notional amount floating rate swaps at a weighted average interest rate of 2.51% as of September 30, 2003.
- (5) Reflects commitment fees of 0.50% on estimated undrawn funds under the Moore Wallace revolving credit facility of \$350.0 million.

(h) For the year ended December 31, 2002, reflects the elimination of Moore Wallace's non-recurring \$16.7 million of debt settlement costs related to refinanced debt. For the nine months ended September 30, 2003, reflects the elimination of the write-off of non-recurring \$7.5 million of debt issuance costs resulting from financing related to Moore Wallace's merger with WCS on May 15, 2003.

(i) Reflects the pro forma adjustment to eliminate the \$4.4 million non-recurring charge incurred for the fair market value adjustment for Moore Wallace's interest rate swaps directly attributable to the financing of Moore Wallace's merger with WCS.

(j) Reflects the pro forma tax effect of the above adjustments at an estimated combined statutory tax rate of 39.5%.

(k) The pro forma basic weighted average number of shares is calculated by adding RR Donnelley's weighted average number of basic shares of common stock outstanding as of December 31, 2002 or September 30, 2003, as applicable, and the number of Moore Wallace common shares outstanding as of the date the transaction was announced multiplied by the exchange ratio of 0.63. The pro forma diluted weighted average number of shares is calculated by adding RR Donnelley's weighted average diluted shares of common stock outstanding as of December 31, 2002 or September 30, 2003, as applicable, and the number of Moore Wallace common shares outstanding as well as the dilutive impact of outstanding options as of the date the transaction was announced multiplied by the exchange ratio of 0.63.

(l) Reflects recognition of unearned compensation costs of \$4.1 million and \$3.0 million for the year ended December 31, 2002 and nine months ended September 30, 2003, respectively, related to the exchange of unvested restricted stock and stock options and the issuance of restricted stock units.

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DIFFERENCES BETWEEN CANADIAN GAAP AND U.S. GAAP

The following describes the material adjustments to the unaudited pro forma condensed combined financial statements to reconcile Canadian GAAP and U.S. GAAP and should be read in conjunction with Note 25 to Moore Wallace's December 31, 2002 consolidated financial statements which are included in or incorporated by reference into this document.

Moore Wallace's Canadian GAAP accounting is consistent in all material aspects with U.S. GAAP with the following exceptions.

Pensions and Postretirement Benefits

With the adoption of Canadian Institute of Chartered Accountants (CICA) Handbook Section 3461, Employee Future Benefits, effective January 1, 2000, there is no longer any difference in the method of accounting for these costs. However, the transitional rules for implementing the new Canadian standard continue to result in U.S. GAAP reporting differences. Under CICA Handbook Section 3461, all past net gains (losses), net assets and prior service costs were recognized as of the date of adoption. In contrast, under U.S. GAAP, net gains (losses), net assets and prior service costs that occurred before January 1, 2000 are recognized over the appropriate amortization period.

Income Taxes

The liability method of accounting for income taxes is used for both Canadian GAAP and U.S. GAAP. However, under U.S. GAAP, temporary differences are tax effected at enacted rates, whereas under Canadian GAAP, temporary differences are tax effected using substantively enacted rates and laws that will be in effect when the differences are expected to reverse.

Stock Compensation

The adoption of CICA Handbook, Section 3870 Stock-Based Compensation and Other Stock-Based Payments reduced most prospective differences in accounting for these costs between Canadian GAAP and U.S. GAAP. For both Canadian and U.S. GAAP, Moore Wallace uses the intrinsic value method for accounting for stock options. Prior to CICA Handbook Section 3870, recognition of compensation expense was not required for Moore Wallace's Series 1 Preference Share options (which we refer to in this document as preference share options), whereas under U.S. GAAP, the expense is measured at the fair value of the preference share options, less the amount the employee is required to pay, and is accrued over the vesting period.

In April 2002, the Moore Wallace shareholders approved the amendment of the options to purchase Series 1 Preference Shares (which we refer to in this document as preference shares) to eliminate the cash-out provision and to make them exercisable for one common share per preference share option. The exercise price and the number of preference share options remained unchanged. This amendment effectively made these options common share equivalents for diluted earnings per share computations. The transition rules for CICA Handbook Section 3870 required that these common share equivalents be considered outstanding as of the beginning of the year, whereas for U.S. GAAP purposes, these preference share options were not considered common share equivalents until amended. The difference in the weighted average common shares

between Canadian GAAP and U.S. GAAP relates solely to the amendment of the preference share options.

Additionally, no compensation expense is required to be recognized in the current and future periods under Canadian GAAP pursuant to CICA Handbook Section 3870, whereas under U.S. GAAP, unearned compensation cost will be recognized over the remaining vesting period (through December 11, 2004) based on the intrinsic value of the option on the date of approval.

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Comprehensive Income

U.S. GAAP requires disclosure of comprehensive income and its components. Comprehensive income is the change in equity of Moore Wallace from transactions and other events other than those resulting from transactions with owners and is comprised of net income and other comprehensive income. The components of other comprehensive income for Moore Wallace are unrealized foreign currency translation adjustments, the change in fair value of derivatives and unrealized gains (losses) on available-for-sale securities. Under Canadian GAAP, there is no standard for reporting comprehensive income.

Accounting for Derivative Instruments and Hedging Activities

For U.S. GAAP purposes, Moore Wallace's interest rate swaps are designated as cash flow hedges, and changes in their fair value are recorded in other comprehensive income. Under Canadian GAAP, there is no standard requiring the recognition of the fair value of derivatives through comprehensive income.

Foreign Currency Translation

Under U.S. GAAP, foreign currency translation gains or losses are only recognized on the sale or substantial liquidation of a foreign subsidiary. Under Canadian GAAP, a foreign currency gain or loss due to a partial liquidation is recognized in income.

Business Process Reengineering

Under U.S. GAAP, business process reengineering costs are expensed as incurred. Prior to October 28, 1998, Canadian GAAP permitted these costs to be capitalized or expensed. Subsequent to October 28, 1998, Canadian GAAP requires expensing these costs. Prior to October 28, 1998, Moore Wallace capitalized business process reengineering costs and classified them as computer software. In 2002, the U.S. GAAP reconciling item for computer software relates solely to the amortization differential of the capitalized amounts.

Convertible Debentures

The debt issue costs disclosed on the U.S. GAAP reconciliation represents the change in the fair value of contingent consideration granted in connection with the December 2001 induced conversion of the Moore Wallace subordinated convertible debenture. The contingent consideration is the right granted with the inducement shares for the holder to potentially receive additional consideration in the future based on the 20-day weighted average Moore Wallace share price at December 31, 2003 and 2002. For Canadian GAAP purposes, to the extent that any stock or cash is paid, it will be recorded as a charge to retained earnings. For U.S. GAAP purposes, the fair value of this contingent consideration is recognized in earnings and recorded at fair market value in subsequent reporting periods. The fair value of the consideration was based upon an independent third-party valuation using an option pricing valuation model that includes Moore Wallace's share price volatility, cost of borrowings and certain equity valuation multiples.

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The following tables provide a reconciliation of Moore Wallace net earnings as reported under Canadian GAAP to net earnings under U.S. GAAP.

	Year Ended	Nine Months Ended
	December 31, 2002	September 30, 2003
	(in thousands)	
Net earnings as reported	\$ 73,258	\$ 74,047
U.S. GAAP ADJUSTMENTS:		
Pension expense	4,199	3,038
Postretirement benefits	17,290	12,992
Computer software	6,764	5,091
Debt conversion costs	832	1,162
Stock-based compensation	(11,839)	(523)
Income taxes	(6,726)	(8,486)
Net earnings under U.S. GAAP.	\$ 83,778	\$ 87,321

The following table lists the Moore Wallace balance sheet items that would have been materially different had they been presented under U.S. GAAP:

	As of September 30, 2003	
	Canadian GAAP	U.S. GAAP
	(in thousands)	
Net pension asset	\$ (183,208)	\$ (122,089)
Computer software, net	(117,739)	(97,294)
Fair value derivatives liability	4,440	16,918
Postretirement benefits	261,481	373,222
Deferred income taxes, net	21,160	(51,962)
Accounts payable and accrued liabilities	604,926	598,933
Long-term debt	920,872	909,773
Accumulated other comprehensive loss	(121,847)	(87,504)
Share capital	886,741	888,801
Retained earnings	188,648	36,676

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THE PERFORMANCE INCENTIVE PLAN PROPOSAL

The RR Donnelley board of directors is proposing for adoption by the shareholders of RR Donnelley, the RR Donnelley 2004 Performance Incentive Plan (which we refer to in this section of this document as the Plan). The RR Donnelley board of directors recommends the adoption of the Plan to replace RR Donnelley's 2000 Stock Incentive Plan and all other existing RR Donnelley equity plans. The purposes of the Plan are to provide incentives to (i) officers, other employees and other persons who provide services to RR Donnelley through rewards based upon the ownership or performance of RR Donnelley common stock as well as other performance based compensation and (ii) non-employee directors of RR Donnelley through the grant of equity-based awards. Under the Plan, RR Donnelley may grant stock options, including incentive stock options, stock appreciation rights (which we refer to in this document as SARs), restricted stock, stock units and cash awards, as discussed in greater detail below.

Fourteen non-employee directors and approximately 50,000 employees will be eligible to participate in the Plan, assuming that the transaction is completed. Because this is a summary of the Plan, it does not contain all the information that may be important to RR Donnelley shareholders. RR Donnelley shareholders should carefully read the actual plan document, which is attached as Annex H to this document, before deciding how to vote.

Plan Highlights

Some of the key features of the Plan include:

the Plan will be administered by a committee of the RR Donnelley board of directors that is comprised entirely of independent directors;

awards granted under the Plan may not be repriced without shareholder approval;

the number of shares authorized for grants under the Plan is limited to 7,000,000 (subject to adjustment);

the purchase price of options and the base price for SARs granted under the Plan may not be less than the fair market value of a share of RR Donnelley common stock on the date of grant; and

all equity-based awards under the Plan will, subject to certain exceptions, have a minimum three-year vesting period.

Description of the Plan

Administration

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The Plan will be administered by a committee designated by the RR Donnelley board of directors (which we refer to in this document as the Plan Committee). Each member of the Plan Committee will be a director that the RR Donnelley board of directors has determined to be an outside director under Section 162(m) of the Internal Revenue Code and a non-employee director under Section 16 of the Exchange Act. The sections of the Plan relating to awards to non-employee directors may be administered by a separate committee of the board (which we refer to in this document as the Director Award Committee). The members of the Director Award Committee must also satisfy the standards described in the second sentence of this paragraph. The Director Award Committee will have, with respect to awards to directors under the Plan, all of the authority, and be subject to the same limitations, as is described below with respect to the Plan Committee.

Subject to the express provisions of the Plan, the Plan Committee has the authority to select eligible officers and other employees of, and other persons who provide services to, RR Donnelley and its affiliates for participation in the Plan and to determine all terms and conditions of each grant and award. All stock option awards, SARs, restricted stock awards and stock unit awards will have a minimum vesting period of at least three

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years from the date of grant (such vesting may, in the discretion of the Plan Committee, occur in full at the end of, or may occur in installments over, such three-year period as is specified in the Plan). The Plan Committee may provide for early vesting upon the death, permanent or total disability, retirement or termination of service of the award recipient. The Plan Committee also has the authority to waive the three-year minimum vesting period in the circumstances described in the Plan.

Each grant and award will be evidenced by a written agreement containing such provisions not inconsistent with the Plan as the Plan Committee approves. The Plan Committee also has authority to establish rules and regulations for administering the Plan and to decide questions of interpretation of any provision of the Plan. The Plan Committee does not have authority to reprice any stock option or other award granted under the Plan. Except with respect to grants to (i) officers of RR Donnelley who are subject to Section 16 of the Exchange Act, (ii) a person whose compensation is likely to be subject to the \$1 million deduction limit under Section 162(m) of the Internal Revenue Code (described below under "U.S. Federal Income Tax Consequences") or (iii) persons who are not employees of RR Donnelley, the Plan Committee may delegate some or all of its power and authority to administer the Plan to the chief executive officer or other executive officer of RR Donnelley.

Available Shares

Under the Plan, 7,000,000 shares of RR Donnelley common stock will be available for grants and awards to officers and other employees of, and other persons who provide services to, RR Donnelley and its affiliates and non-employee directors, subject to adjustment in the event of a stock split, stock dividend, recapitalization, reorganization, merger or other similar event or change in capitalization. The maximum number of shares of RR Donnelley common stock with respect to which bonus awards, including performance awards or fixed awards in the form of restricted stock or other form, may be granted under the Plan is 3,000,000 in the aggregate, subject to adjustment in the event of a stock split, stock dividend, recapitalization, reorganization, merger or other similar event or change in capitalization and excluding any such awards made pursuant to an employment agreement with a newly-hired chief executive officer. In general, shares subject to a grant or award under the Plan which are not issued or delivered by reason of the expiration, termination, cancellation or forfeiture of all or a portion of a grant or award or by reason of the withholding of shares to pay all or a portion of the exercise price of an option or to satisfy tax withholding obligations, would again be available for grant under the Plan. The maximum number of shares of common stock with respect to which options and SARs or a combination thereof may be granted during any calendar year to any person is 1,000,000, subject to adjustment in the event of a stock split, stock dividend, recapitalization, reorganization, merger or other similar event or change in capitalization. With respect to performance awards that the Plan Committee desires to be eligible for deduction in excess of the \$1,000,000 limit imposed by Section 162(m) of the Internal Revenue Code, (i) the maximum compensation payable pursuant to any such performance awards granted during any calendar year, to the extent payment thereunder is determined by reference to shares of RR Donnelley common stock (or the fair market value thereof), cannot exceed 900,000 shares of RR Donnelley common stock (or the fair market value thereof), subject to adjustment in the event of a stock split, stock dividend, recapitalization, reorganization, merger or other similar event or change in capitalization, and (ii) the maximum compensation payable pursuant to any such performance awards granted during any calendar year, to the extent payment is not determined by reference to shares of RR Donnelley common stock, cannot exceed \$5,000,000.

Change in Control

In the event (i) a person (subject to certain exceptions) becomes the beneficial owner of 50% or more of the voting power of RR Donnelley's outstanding securities, (ii) during any period of two consecutive years beginning on the date RR Donnelley shareholders approve the Plan, individuals who at the beginning of such period constitute the RR Donnelley board and any new director whose election was approved by at least two-thirds of the directors still in office who either were directors at the beginning of the period or whose election was previously so approved, cease to constitute a majority of the board or (iii) the shareholders approve a merger or consolidation with any other corporation (unless RR Donnelley shareholders and any employee benefit plan of

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RR Donnelley receive 50% or more of the voting stock of the surviving company or unless the merger or consolidation implements a recapitalization in which no person acquires more than 50% of the combined voting power of RR Donnelley's outstanding securities) or the shareholders approve a complete liquidation of RR Donnelley or sale of all or substantially all of RR Donnelley's assets, all options and SARs will be fully and immediately exercisable, the highest level of achievement will be deemed to be met with respect to performance awards of restricted stock, stock units or cash and such performance awards will be fully and immediately vested, the period of continued employment for all fixed awards of restricted stock, stock units or cash will be deemed completed and such fixed awards will be fully and immediately vested.

Termination and Amendment

The Plan will terminate on the date on which no shares remain available for grants or awards under the Plan, unless terminated earlier by the RR Donnelley board of directors, provided that, assuming that the Plan itself has not previously terminated, the provision of the Plan relating to awards to non-employee directors will terminate on the date that is ten years from the date of shareholder approval of the Plan. The RR Donnelley board of directors may amend the Plan at any time except that no amendment may be made without shareholder approval if shareholder approval is required by applicable law, rule or regulation, including Section 162(m) of the Internal Revenue Code (described below), or such amendment would increase the number of shares of RR Donnelley common stock available under the Plan or permit repricing of awards made under the Plan.

Stock Options and Stock Appreciation Rights

The period for the exercise of a non-qualified stock option (other than options granted to non-employee directors) or SAR and the option exercise price and base price of an SAR will be determined by the Plan Committee, provided that the option exercise price and the base price of an SAR will not be less than the fair market value of a share of RR Donnelley common stock on the date of grant and provided further that the minimum vesting period for such awards must be at least three years. SARs may be granted in tandem with a related stock option, in which event the grantee may elect to exercise either the SARs or the option, but not both, or SARs may be granted independently of a stock option. The exercise of an SAR entitles the holder to receive (subject to withholding taxes) shares of RR Donnelley common stock, cash or both with a value equal to the excess of the fair market value of a stated number of shares of RR Donnelley common stock over the SAR base price. The fair market value of a share of RR Donnelley common stock as of January 15, 2004 was \$31.64.

No stock option or SAR can be exercisable more than ten years after its date of grant, except that, if the recipient of the incentive stock option owns greater than 10 percent of the voting power of all shares of capital stock of RR Donnelley (whom we refer to in this document as a ten percent holder), the option can be exercisable for no more than five years after its date of grant. If the recipient of an incentive stock option is a ten percent holder, the option exercise price will be not less than the price required by the Internal Revenue Code, currently 110% of fair market value.

Upon exercise, the option exercise price may be paid in cash, by the delivery of previously owned shares of RR Donnelley common stock or, to the extent expressly authorized by the Plan Committee, via a cashless exercise arrangement with RR Donnelley.

The Plan includes a provision allowing the Plan Committee to make awards to participants outside the United States on terms and conditions different from those specified in the Plan in order to accommodate any non-U.S. tax, legal or stock exchange requirements applicable to grants of awards to such participants.

Performance Awards and Fixed Awards

Under the Plan, bonus awards, whether performance awards or fixed awards, can be made in (i) cash, whether in an absolute amount or as a percentage of compensation, (ii) stock units, each of which is substantially

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the equivalent of a share of RR Donnelley common stock but for the power to vote and, subject to the Plan Committee's discretion, the entitlement to an amount equal to dividends or other distributions otherwise payable on a like number of shares of RR Donnelley common stock, (iii) restricted shares of RR Donnelley common stock issued to the participant that are forfeitable and have restrictions on transfer or (iv) any combination of the foregoing.

Performance awards can be made in terms of a stated potential maximum dollar amount, percentage of compensation or number of units or shares, with such actual amount, percentage or number to be determined by reference to the level of achievement of corporate, sector, business unit, division, individual or other performance goals over a performance period of not less than one nor more than ten years, as determined by the Plan Committee. The performance goals must be tied to one or more of the following: net sales, cost of sales, gross profit, earnings from operations, earnings before interest, taxes, depreciation and amortization, earnings before income taxes, earnings before interest and taxes, cash flow measures, return on equity, return on assets, return on net assets employed, net income per common share (basic or diluted), EVA (economic value added), cost reduction goals or any other similar criteria established by the Plan Committee. The Plan Committee may provide in any award agreement that the Plan Committee has (i) the discretion to amend or adjust the performance goals or other terms or conditions of an outstanding award in recognition of unusual or nonrecurring events and (ii) the right to reduce the amount payable pursuant to any performance award. Fixed awards are not contingent on the achievement of specific objectives, but are contingent on the participant's continuing in RR Donnelley's employ for a period specified in the award.

If shares of restricted stock are subject to a bonus award, the participant will have the right, unless and until such award is forfeited or unless otherwise determined by the Plan Committee at the time of grant, to vote the shares subject to such award and to receive dividends thereon from the date of grant and the right to participate in any capital adjustment applicable to all holders of RR Donnelley common stock, provided that a distribution with respect to shares of RR Donnelley common stock, other than a regular quarterly cash dividend, must be deposited with RR Donnelley and will be subject to the same restrictions as the shares of RR Donnelley common stock with respect to which such distribution was made. Upon termination of any applicable restriction period, including, if applicable, the satisfaction or achievement of required performance objectives, a certificate evidencing ownership of the shares of the common stock will be delivered to the holder of such award, subject to RR Donnelley's right to require payment of any taxes.

If stock units are credited to a participant pursuant to a bonus award, then, subject to the Plan Committee's discretion, amounts equal to dividends and other distributions otherwise payable on a like number of shares of RR Donnelley common stock after the crediting of the units will be credited to an account for the participant and held until the award is forfeited or paid out. Interest will be credited on the account at a rate determined by the Plan Committee.

At the time of vesting of a bonus award, (i) the award, if in units, will be paid to the participant either in shares of RR Donnelley common stock equal to the number of units, in cash equal to the fair market value of such shares or in such combination thereof as the Plan Committee determines, (ii) the award, if a cash bonus award, will be paid to the participant either in cash, in shares of RR Donnelley common stock with a then fair market value equal to the amount of such award or in such combination thereof as the Plan Committee determines and (iii) shares of restricted common stock issued pursuant to an award will be released from the restrictions.

Awards to Non-Employee Directors

On the date of the 2004 annual meeting of RR Donnelley shareholders, and on the date of each subsequent annual meeting prior to the termination of the section of the Plan providing for director awards, RR Donnelley will make an award under the Plan to each individual who is, immediately following such annual meeting, a non-employee director of RR Donnelley. Any such awards granted to non-employee directors will be in the form of

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stock options, restricted stock, stock units or SARs. The form of such awards, and the number of shares subject to each award, will be determined by the Director Awards Committee in the exercise of its sole discretion, provided that (i) the dollar value to the recipient of any award may not exceed three times the then current annual base cash retainer fee payable to non-employee directors of RR Donnelley and (ii) in determining the dollar value of any such award, the Director Awards Committee will utilize the fair market value of a share of RR Donnelley common stock on the date of grant.

In addition, each non-employee director of RR Donnelley may from time to time elect, in accordance with procedures to be specified by the Director Awards Committee, to receive in lieu of (i) all or part of such director's retainer or meeting fees or (ii) any annual phantom stock award granted to such non-employee director, an option to purchase shares of RR Donnelley common stock, which option will have a value as of the date of grant of such option equal to the amount of such fees or such phantom stock award. An option granted to a non-employee director in lieu of fees or a phantom stock award will become exercisable in full on the first anniversary of the date of grant.

New Plan Benefits

Except as described below, the number of stock options and other forms of awards that will be granted under the Plan is not currently determinable. If the transaction is completed, Mark A. Angelson will receive, pursuant to his employment agreement with RR Donnelley, (i) an option to purchase 1,000,000 shares of RR Donnelley common stock, (ii) 310,000 stock units in respect of RR Donnelley common stock and (iii) 300,000 performance units in respect of RR Donnelley common stock.

U.S. Federal Income Tax Consequences

The following is a brief summary of some of the U.S. federal income tax consequences generally arising with respect to grants and awards under the Plan. This discussion does not address all aspects of the U.S. federal income tax consequences of participating in the Plan that may be relevant to participants in light of their personal investment or tax circumstances and does not discuss any state, local or non-U.S. tax consequences of participating in the Plan. This section is based on the Internal Revenue Code, its legislative history, existing and proposed regulations under the Internal Revenue Code and published rulings and court decisions, all as in effect as of the date of this document. These laws are subject to change, possibly on a retroactive basis. Each participant is advised to consult such participant's own tax advisor concerning the application of the U.S. federal income tax laws to such participant's particular situation, as well as the applicability and effect of any state, local or non-U.S. tax laws before taking any actions with respect to any of the following awards.

Stock Options

A participant will not recognize any income upon the grant of a non-qualified or incentive stock option. A participant will recognize compensation taxable as ordinary income upon exercise of a non-qualified stock option equal to the excess of the fair market value of the shares purchased on the date of exercise over their exercise price, and RR Donnelley (or one of its subsidiaries) generally will be entitled to a corresponding deduction, except to the extent the limit of Section 162(m) of the Internal Revenue Code applies. A participant will not recognize any income (except for purposes of the alternative minimum tax) upon exercise of an incentive stock option. If the shares acquired by exercise of an incentive stock option are held for the longer of two years from the date the option was granted and one year from the date it was exercised, any gain or loss arising from a subsequent disposition of such shares will be treated as long-term capital gain or loss, and neither RR Donnelley nor its subsidiaries will be entitled to any deduction. If, however, such shares are disposed of within such one or two year periods, then in the year of such disposition the participant will recognize compensation taxable as ordinary income equal to the excess of (A) the lesser of either (i) the amount realized upon such disposition or (ii) the fair market value of such shares on the date of exercise, over (B) the exercise price, and RR

Donnelley or one of its subsidiaries will be entitled to a corresponding deduction, except to the extent the limit of Section

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162(m) of the Internal Revenue Code applies. The participant will also be subject to capital gain tax on the excess, if any, of the amount realized on such disposition over the fair market value of the shares on the date of exercise.

SARs

A participant will not recognize any income upon the grant of SARs. A participant will recognize compensation taxable as ordinary income upon exercise of an SAR equal to the fair market value of any shares delivered and the amount of cash paid by RR Donnelley upon such exercise, and RR Donnelley or one of its subsidiaries generally will be entitled to a corresponding deduction, except to the extent the limit of Section 162(m) of the Internal Revenue Code applies.

Restricted Stock

A participant will not recognize any income at the time of the grant of shares of restricted stock (unless the participant makes an election to be taxed at the time the restricted stock is granted), and neither RR Donnelley nor its subsidiaries will be entitled to a tax deduction at such time. If the participant elects to be taxed at the time the restricted stock is granted, the participant will recognize compensation taxable as ordinary income at the time of the grant equal to the excess of the fair market value of the shares at such time over the amount, if any, paid for such shares. Otherwise, a participant will recognize compensation taxable as ordinary income at the time the forfeiture conditions on the restricted stock lapse (if such election was not made) in an amount equal to the excess of the fair market value of the shares at such time over the amount, if any, paid for such shares. RR Donnelley or one of its subsidiaries generally will be entitled to a corresponding deduction at the time the ordinary income is recognized by a participant, except to the extent the limit of Section 162(m) of the Internal Revenue Code applies. In addition, a participant receiving dividends with respect to restricted stock for which the above-described election has not been made and prior to the time the forfeiture conditions lapse will recognize compensation taxable as ordinary income, rather than dividend income, in an amount equal to the dividends paid, and RR Donnelley or one of its subsidiaries generally will be entitled to a corresponding deduction, except to the extent the limit of Section 162(m) of the Internal Revenue Code applies.

Stock Units

A participant will not recognize any income at the time of the grant of stock units, and neither RR Donnelley nor its subsidiaries will be entitled to a tax deduction at such time. A participant will recognize compensation taxable as ordinary income at the time RR Donnelley common stock is delivered under the stock units in an amount equal to the fair market value of such shares. RR Donnelley or one of its subsidiaries generally will be entitled to a corresponding deduction at the time the ordinary income is recognized by a participant, except to the extent the limit of Section 162(m) of the Internal Revenue Code applies. A participant will recognize compensation taxable as ordinary income when amounts equal to dividend equivalents and any other distributions attributable to stock units are paid, and RR Donnelley or one of its subsidiaries generally will be entitled to a corresponding deduction, except to the extent the limit of Section 162(m) of the Internal Revenue Code applies.

Cash Bonus Awards

A participant will not recognize any income upon the grant of a bonus award payable in cash, and neither RR Donnelley nor its subsidiaries will be entitled to a tax deduction at such time. At the time such award is paid, the participant will recognize compensation taxable as ordinary income in an amount equal to any cash paid by RR Donnelley, and RR Donnelley or one of its subsidiaries generally will be entitled to a

corresponding deduction, except to the extent the limit of Section 162(m) of the Internal Revenue Code applies.

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Section 162(m) of the Internal Revenue Code

Section 162(m) of the Internal Revenue Code generally limits to \$1 million the amount that a publicly held corporation can deduct each year for the compensation paid to each of the corporation's chief executive officer and the corporation's four most highly compensated executive officers other than the chief executive officer. However, performance-based compensation is not subject to the \$1 million deduction limit. To qualify as performance-based compensation, the following requirements must be satisfied: (i) the compensation must be subject to achievement of performance goals established by a committee consisting solely of two or more outside directors, (ii) the material terms under which the compensation is to be paid, including the performance goals, are approved by a majority of the corporation's shareholders and (iii) the committee certifies that the applicable performance goals were satisfied before payment of any performance-based compensation is made. It is intended that the Plan Committee will consist solely of outside directors as defined for purposes of Section 162(m) of the Internal Revenue Code. As a result, and based on certain proposed regulations issued by the U.S. Department of the Treasury, certain compensation under the Plan, such as that payable with respect to options and SARs and other performance-based awards, is not expected to be subject to the \$1 million deduction limit, but other compensation payable under the Plan, such as any restricted stock award which is not subject to a performance condition to vesting, would be subject to such limit.

Required Vote

The approval of the performance incentive plan proposal requires the affirmative vote of a majority of the shares of RR Donnelley common stock that are voted on the proposal, and the total vote cast on the proposal must represent over 50% of the shares of RR Donnelley common stock entitled to vote on the proposal.

The RR Donnelley board of directors unanimously recommends a vote FOR approval of the performance incentive plan proposal.

Table of Contents**RR DONNELLEY COMPENSATION INFORMATION****Executive and Director Compensation***Executive Compensation*

The summary compensation table summarizes the compensation of the RR Donnelley's chief executive officer and the other persons required to be disclosed for up to three calendar years in which they served as executive officers.

Summary Compensation Table

Name and Principal Position	ANNUAL COMPENSATION				LONG-TERM COMPENSATION			
	Year	Salary (\$)	Bonus (\$)	Other (\$)	Restricted Stock Awards (\$)	Options	LTIP Payouts (\$)	All Other Compensation (\$)
William L. Davis Chairman, President and Chief Executive Officer	2003		(2)	\$ 114,468(3)	0			\$ 53,361(7)
		\$ 900,000				393,750	(6)	
	2002	900,000	0	114,017(3)	0	236,000		442,654
	2001	900,000	63,180	114,331(3)	3,380,781(4)	210,000	0	442,204
Michael B. Allen(1) Former Executive Vice President, Print Solutions	2003	343,750		0	188,000(5)	30,000(5)	(6)	9,054(7)
			(2)					
	2002	340,000		0	0	0	0	98,625
	2001	321,250	29,801	0	0	0	0	95,247
John C. Campanelli President, Print Solutions	2003	381,246	(2)	0	0	62,000	(6)	6,551(7)
Monica M. Fohrman Senior Vice President, General Counsel and Secretary	2003		(2)	0	188,000	43,000	(6)	3,000(7)
	2002	314,750	0	0	0	0	0	23,482
		294,999						
	2001	265,000	12,588	0	0	0	0	23,032
	2003		(2)	0	0	43,000	(6)	16,520(7)
		411,250						
	2002	392,500	157,523	0	1,088,500	0	0	85,895
Joseph C. Lawler Executive Vice President	2001	370,000	23,058	0	0	0	0	85,545
Robert S. Pyzdrowski(1) Former President-Solutions	2003	338,875	(2)	0	319,600	31,000	(6)	6,677(7)
	2002	322,374	53,729	0	0	0	0	66,178

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Gregory A. Stoklosa	2003	380,000	(2)	0	282,000	60,000	(6)	9,937(7)
Executive Vice President	2002	350,000	0	0	0	0	0	62,998
and Chief Financial Officer	2001	350,000	17,652	0	0	0	0	62,549

-
- (1) Was not serving as an executive officer at December 31, 2003.
- (2) Bonus awards are based on preestablished performance objectives for earnings per share for RR Donnelley, Economic Value Added (EVA) improvement for RR Donnelley as a whole and, where relevant, for individual business units, as well as achievement of objectives established annually under RR Donnelley's Strategic Inclusion Plans (which set measurable goals in recruitment and retention of a diverse workforce), achievement of individual objectives and the participant's overall performance rating. The actual award earned may range from zero to more than two times the targeted award. Awards are made at the discretion of RR Donnelley's human resources committee, and the committee may adjust awards if it believes the circumstances justify either an increase or a decrease. As of January 15, 2004, the committee has not

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- determined the amount of any bonus awards for 2003. The committee is scheduled to meet on January 22, 2004.
- (3) Includes \$40,684, \$39,299 and \$49,869 for use of the RR Donnelley-owned airplane and automobiles in 2003, 2002 and 2001 respectively.
- (4) Reflects stock units granted pursuant to Mr. Davis' 2001 employment agreement (see page 182).
- (5) In connection with the termination of Mr. Allen's employment, 10,000 of the shares of restricted common stock granted to Mr. Allen in 2003, the 30,000 options granted to Mr. Allen in 2003 and the LTIP award granted to Mr. Allen in 2003 were cancelled as of December 31, 2003.
- (6) Long-term incentive plan awards (which we refer to in this document as LTIP awards) are based on RR Donnelley's performance as measured by relative total shareholder return (which we refer to in this document as RTSR) over a three-year period. RTSR objectives measure stock price appreciation plus dividend yield relative to the performance of the S&P 500. LTIP awards to be paid for the period 2001-2003 will be calculated based upon changes in RTSR as measured on the average closing price of RR Donnelley's stock on the New York Stock Exchange over the last 40 trading days in 2000, against the same measurement period in 2003. The awards are designated in stock units and may be paid, at the discretion of RR Donnelley's human resources committee, in stock, cash or a combination of stock and cash. The value of any units paid in cash will be determined based upon the average closing price of shares of RR Donnelley common stock over the last 40 trading days in 2003. The committee has the discretion to decrease any award if it believes the circumstances justify a decrease. As of January 15, 2003, the committee has not determined the amount of any LTIP award payout, but if LTIP awards are paid based upon the calculation, the individuals named in the summary compensation table would receive the following numbers of stock units with the following dollar values as of January 15, 2004: Mr. Davis 111,801 (\$3,537,384); Mr. Allen 21,485 (\$679,785); Mr. Campanelli 15,541 (\$491,717); Ms. Fohrman 21,485 (\$679,785); Mr. Lawler 21,485 (\$679,785); Mr. Pyzdrowski 15,541 (\$491,717); and Mr. Stoklosa 29,167 (\$922,844). The committee is scheduled to meet on January 22, 2004.
- (7) Includes premiums paid by RR Donnelley in connection with whole life and disability insurance policies owned by the named executive officers in the following amounts: Mr. Davis, \$50,361; Mr. Allen, \$6,579; Mr. Campanelli, \$3,551; Mr. Lawler, \$13,520; Mr. Pyzdrowski, \$3,677; and Mr. Stoklosa, \$7,347. Also includes an RR Donnelley contribution to each named executive officer's retirement savings plan account as follows: Mr. Davis \$3,000; Mr. Allen \$2,475; Mr. Campanelli \$3,000; Ms. Fohrman \$3,000; Mr. Lawler \$3,000; Mr. Pyzdrowski \$3,000; and Mr. Stoklosa \$2,590.

As of December 31, 2003, the named executives' holdings of shares of RR Donnelley restricted common stock were valued as follows:

Restricted Common Stock

Name	Shares of Restricted Common Stock	Value (\$)
William L. Davis	188,101(1)	5,646,792
Michael B. Allen	0(2)	0
John C. Campanelli	22,300	669,446
Monica M. Fohrman	10,000	300,200
Joseph C. Lawler	35,000	1,050,700
Robert S. Pyzdrowski	25,700	771,514
Gregory A. Stoklosa	15,000	450,300

- (1) Includes 115,385 stock units awarded pursuant to Mr. Davis' 2001 employment agreement and an additional 9,781 stock units added to his account as payment of dividends pursuant to the terms of his 2001 employment agreement.
- (2) In connection with the termination of Mr. Allen's employment, 17,800 shares of his RR Donnelley restricted common stock, having a value of \$534,356, were cancelled as of December 31, 2003.

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Both the shares of restricted common stock and the stock units pay dividends at the same rate and time as RR Donnelley common stock. Dividends payable on stock units are converted into additional stock units. Restricted stock granted prior to 2000 generally vests on the fifth anniversary of the date it was granted, although restricted stock granted prior to 2000 held by Mr. Davis vests as provided in his 1997 employment agreement (see page 182). Restricted stock granted since 2000 generally vests in equal proportions over three years. Stock units vest and are payable as provided in Mr. Davis' 2001 employment agreement.

The following table details options to purchase common stock that were granted in 2003 to the individuals named in the summary compensation table:

Option Grants in 2003

Name	Number of Securities Underlying Options Granted(1)	% of Total Options Granted to Employees in 2003	Exercise Price (\$/share)	Expiration Date	Grant Date Present Value (\$)(2)
William L. Davis	393,750	12.06	18.8000	3/25/2013	2,331,000
Michael B. Allen	30,000(3)	0.92	18.8000	3/25/2013	177,600
John C. Campanelli	34,000	1.04	18.8000	3/25/2013	201,280
	28,000	0.86	26.7000	7/6/2013	161,560
Monica M. Fohrman	43,000	1.32	18.8000	3/25/2013	254,560
Joseph C. Lawler	43,000	1.32	18.8000	3/25/2013	254,560
Robert S. Pyzdrowski	31,000	0.95	18.8000	3/25/2013	183,520
Gregory A. Stoklosa	60,000	1.84	18.8000	3/25/2013	355,200

- (1) Options become exercisable over a four-year period starting on the grant date, at the rate of 20% a year, with the final 40% exercisable at the end of the fourth year. This schedule may be accelerated upon death, disability or a change in control.
- (2) Grant date present value reflects a reduced value attributable to potential forfeiture due to vesting requirements or shortened exercise period following employment termination.
- (3) In connection with the termination of Mr. Allen's employment, the 30,000 options granted to Mr. Allen in 2003 were cancelled as of December 31, 2003.

RR Donnelley uses the Black-Scholes option pricing method to calculate the value of stock options as of the date of grant. The accuracy of this model depends on key assumptions about future interest rates, stock price volatility and dividend yields, among other factors. The grant date present value of these options was calculated using the figures below:

Estimated Grant Date Present Value of Options

Name	Grant Date	Date of Exercise	Volatility Factor	Yield	Annual Dividend Rate	Risk-Free Rate of Return
Options expiring 3/25/2013	3/26/2003	3/25/2013	28.53%	5.32%	\$ 1.00	3.96%
Options expiring 7/6/2013	7/7/2003	7/6/2013	27.82%	3.75%	\$ 1.00	3.74%

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The following table reflects options exercised in 2003 and the value of options at December 31, 2003 held by the individuals named in the summary compensation table.

Options Exercised During 2003 and Year-End Option Values

Name	Number of Shares Acquired on Exercise	Value Realized(1)	Number of Securities Underlying Unexercised Options at 12/31/03	Value of Unexercised In- the-Money Options at 12/31/03(2)
			Exercisable / Unexercisable	Exercisable / Unexercisable
William L. Davis	0	\$ 0	1,257,200/797,750	\$ 1,511,948/\$5,802,098
Michael B. Allen	25,800	544,220	87,800/ 81,600	22,155/ 0(3)
John C. Campanelli	0	0	127,500/ 99,200	509,972/ 806,495
Monica M. Fohrman	0	0	129,100/ 94,600	698,485/ 943,053
Joseph C. Lawler	0	0	169,400/106,600	690,892/ 943,055
Robert S. Pyzdrowski	0	0	156,800/ 68,200	521,031/ 332,057
Gregory A. Stoklosa	0	0	158,600/132,000	832,694/ 550,065

- (1) Value realized is determined by subtracting the exercise price from the fair market value on the date of exercise. Fair market value is the average of the high and the low prices reported in the New York Stock Exchange Composite Transactions report.
- (2) Value of unexercised options is determined by subtracting the exercise price from the fair market value on December 31, 2003. Fair market value is the average of the high and low prices reported in the New York Stock Exchange Composite Transactions report.
- (3) In connection with the termination of Mr. Allen's employment, all of his options that were not exercisable were cancelled as of December 31, 2003.

The following table reflects the units of RR Donnelley stock granted to Mr. Davis and the other individuals named in the summary compensation table in 2003:

Long-Term Incentive Plan Awards in 2003

Name	Number of Units	Performance or Other Period until Maturation or Payout	Estimated Future Payouts under Non-Stock Price-Based Plans		
			Threshold (Units)(1)		
			Target (Units)	Maximum (Units)	
William L. Davis	75,540	3 years	75,540	151,080	302,160
Michael B. Allen(2)	13,678	3 years	13,678	27,356	54,712
John C. Campanelli	19,649	3 years	19,649	39,298	78,596
Monica M. Fohrman	13,221	3 years	13,221	26,442	52,884
Joseph C. Lawler	13,221	3 years	13,221	26,442	52,884
Robert S. Pyzdrowski	9,649	3 years	9,649	19,298	38,596
Gregory A. Stoklosa	17,746	3 years	17,746	35,492	70,984

-
- (1) Threshold amounts will be paid provided that RR Donnelley's RTSR at the end of the performance period equals the 50th percentile of the S&P 500.
 - (2) In connection with the termination of Mr. Allen's employment, the entire long-term incentive award made to Mr. Allen in 2003 has been cancelled.

Unless otherwise determined by the RR Donnelley human resources committee, upon death, disability or retirement, RR Donnelley will distribute an amount equal to the LTIP award which would have been earned during the performance period in which the death, disability or retirement occurred, pro rated through the date of death, disability or retirement. The award will be forfeited in the event of any termination of employment other than due to death, disability or retirement. In the event of a change in control of RR Donnelley, the highest level of achievement will be deemed to be met and the award will be fully and immediately vested.

Table of Contents*Retirement Benefits*

Under RR Donnelley's Retirement Benefit Plan and Unfunded Supplemental Benefit Plan (which we collectively refer to in this document as the Retirement Plans), each year employees accrue retirement benefits equal to 1.5% of compensation up to the social security wage base average for the preceding 35-year period, plus 2% of remaining compensation. Compensation covered by the Retirement Plans generally includes salary and annual cash bonus awards.

The U.S. government places limitations on pensions that can be paid under federal income tax qualified plans. Pension amounts that exceed such limitations as well as benefits accrued under the executive arrangement discussed in the section entitled "Executive Agreements" beginning on page 182 are paid under the Unfunded Supplemental Benefit Plan.

New participants in the Retirement Plans will participate in a cash balance plan. Under the traditional plan, benefits are paid monthly after retirement for the life of the participant or, if the participant is married or chooses an optional benefit form, in an actuarially reduced amount for the life of the participant and surviving spouse or other named survivor. Under the cash balance plan, a participant may elect to receive a lump sum amount.

Except as otherwise noted, the following table shows estimates of the annual benefits payable to the individuals named in the summary compensation table upon retirement at age 65. These estimates include the annual benefits computed on service through December 31, 2003 and additional annual benefits they may earn in the future, assuming they continue in RR Donnelley's employ to age 65 at current base pay plus incentives.

Retirement Benefits

Name	Benefits Accrued	Estimated Benefits	Estimated
	through 12/31/03 (\$)	1/1/2004 through Age 65 (\$)	Total Benefits (\$)
William L. Davis	1,161,838	34,286	1,196,124(1)
Michael B. Allen	103,023	0	103,023(2)
John C. Campanelli	97,275	224,325	321,600
Monica M. Fohrman	97,736	101,806	199,592
Joseph C. Lawler	83,716	142,410	226,126
Robert S. Pyzdrowski	136,045	151,626	287,671
Gregory A. Stoklosa	59,165	192,535	251,700

- (1) Mr. Davis' pension benefits are governed by his 2001 employment agreement discussed in the section entitled "Executive Agreements" beginning on page 182.
- (2) Mr. Allen terminated his employment with RR Donnelley on December 31, 2003. Under the terms of RR Donnelley's Retirement Benefit Plan, the actual benefits Mr. Allen will receive depend upon the date on which he elects to begin to receive benefits. However, no additional benefits accrue to Mr. Allen after December 31, 2003.

Director Compensation

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Directors who are not officers of RR Donnelley receive the following annual cash fees for their services to the RR Donnelley board of directors:

\$32,000 base cash retainer for serving as a director;

\$1,000 for each committee of which they are a member;

an additional \$4,500 for each committee chairmanship they hold;

\$1,000 for each board or committee meeting they attend; and

\$1,000 for each non-meeting day RR Donnelley requests them to spend on committee work.

Non-employee directors may elect to have some or all of their cash fees applied toward the purchase of shares of RR Donnelley common stock at fair market value, issued in the form of 10-year options to purchase shares of RR Donnelley common stock at an exercise price equal to the fair market value of the shares of RR Donnelley common stock on the date granted or deferred. Any deferred amounts will, at the director's

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election, either earn the same rate of interest as five-year U.S. government bonds or be converted into shares of phantom stock. A director may receive deferred fees, along with the interest or gains earned, in a lump sum or in as many as 10 equal annual installments. In either case, payments are made after the director reaches age 65 or leaves the board, whichever comes later.

In addition to the annual cash fees, non-employee directors receive an annual award of phantom stock. The phantom stock is credited as of January 2 each year, with the number of shares determined by dividing 65% of the director's annual retainer by the fair market value of a share of RR Donnelley common stock on the date of award. Each non-employee director may elect to receive options in lieu of all or part of such phantom stock award.

The RR Donnelley 2000 Stock Incentive Plan provides for grants of stock options to each non-employee director every year immediately after the RR Donnelley annual meeting of shareholders to purchase a number of shares of RR Donnelley common stock equal to 2.5 times the director's base cash retainer divided by the fair market value of a share of RR Donnelley common stock on the date of grant. The exercise price is the fair market value of a share of RR Donnelley common stock on the date granted. The options may be exercised beginning one year after the date granted or the day immediately preceding the next RR Donnelley annual meeting of shareholders (whichever is sooner) and ending 10 years after the date granted.

If RR Donnelley shareholders approve the performance incentive plan proposal, discussed beginning on page 169, in lieu of the automatic grant of stock options contained in the RR Donnelley 2000 Stock Incentive Plan, on the dates of each RR Donnelley annual meeting of shareholders beginning in 2004, the RR Donnelley board of directors will make an equity award to each non-employee director. The award may be in the form of stock options, restricted stock, stock units or stock appreciations rights, provided that the dollar value to a director of any award may not exceed three times the then current annual base cash retainer fee payable to non-employee directors. In determining the dollar value of an award, the RR Donnelley board will use the fair market value of a share of RR Donnelley common stock on the date of grant.

Upon the completion of the transaction, two non-employee directors will resign from the RR Donnelley board of directors. They will continue to receive the base cash retainer paid to continuing directors of RR Donnelley for a period of one year.

To emphasize the importance of stock ownership by RR Donnelley directors, the RR Donnelley board of directors has established stock ownership guidelines that require directors to acquire and hold over time shares of RR Donnelley common stock having a market value of five times the annual base cash retainer paid a director.

Under the retirement plan for directors, which plan does not apply to directors first elected on or after January 1, 2000, each of the current directors who was active as of January 1, 1997 elected either:

to receive a credit for the present value of such director's earned annual retirement benefit as of December 31, 1996 (based on a deferred compensation agreement); or

to convert the present value of such director's earned annual retirement benefit into shares of phantom stock.

In addition, non-employee directors serving on the RR Donnelley board of directors between January 1, 1997 and January 1, 2000 who had less than 10 years of service on the board received an annual award of phantom stock. The phantom stock was credited as of January 1 each year,

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with the number of shares of RR Donnelley common stock determined by dividing 35% of the director's annual base cash retainer by the fair market value of a share of RR Donnelley common stock on the date of award. Each non-employee director of RR Donnelley could elect to receive options in lieu of all or part of such phantom stock award.

As of January 2, 2000, RR Donnelley ceased to have a retirement program for directors, although benefits previously accrued continue to be paid.

Severance Pay

RR Donnelley has adopted a severance pay program consisting of severance agreements between RR Donnelley and RR Donnelley's executive officers named in the summary compensation table on page 176, certain other officers and key employees.

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Under the severance agreements, an executive is entitled to specified payments and benefits if, after a change in control of RR Donnelley, the executive is terminated by RR Donnelley for reasons other than cause or if the executive leaves RR Donnelley after a change in control because of any of the following conditions:

a decrease in responsibilities or compensation,

a job relocation that requires a change in residence or

a significant increase in travel.

These agreements do not apply to executives who are terminated for cause, retire, become disabled or die.

Severance benefits generally include:

a lump-sum payment of three times current salary and bonus,

cash payment in lieu of outstanding stock bonus awards under RR Donnelley's stock-based plans,

cash payment equal to the value of outstanding stock options,

cash payment equal to three years' additional accrued benefits under RR Donnelley's Retirement Benefit Plan and

life, disability, accident and health insurance benefits for 24 months after termination.

If any of this compensation is subject to the federal excise tax on excess parachute payments, RR Donnelley has also agreed to pay an additional amount to cover these taxes.

Executive Agreements

The Davis Agreement. On March 18, 1997, William L. Davis joined RR Donnelley as chief executive officer and entered into an employment agreement with RR Donnelley with an initial term ending on March 31, 2002. On November 30, 2001, RR Donnelley and Mr. Davis entered into a new employment agreement, replacing the 1997 agreement. The initial term of the 2001 agreement ends on March 31, 2004. Beginning April 1, 2003, the initial term automatically extends daily by one additional day unless the provision for extension is terminated by RR Donnelley or Mr. Davis. In March 2003, RR Donnelley gave such a termination notice.

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Under the 2001 agreement, Mr. Davis receives a base annual salary of not less than \$900,000 and participates in annual and long-term performance incentive plans adopted by the human resources committee of the RR Donnelley board of directors.

In the 2001 agreement, Mr. Davis was awarded 115,385 stock units vesting in three installments in March 2002 through March 2004, payable in common stock of RR Donnelley following Mr. Davis' retirement, death or permanent and total disability. Unvested stock units are forfeited upon termination of Mr. Davis' employment for any other reason. The 2001 agreement also required RR Donnelley to make a long-term performance award of 14,480 stock units to Mr. Davis in January 2002, which award is payable as described in note (6) to the summary compensation table.

The 2001 agreement requires RR Donnelley to grant annually to Mr. Davis a non-qualified stock option to purchase shares of common stock of RR Donnelley determined as a percentage of his base salary. In future years, the grant will be for 236,000 shares of common stock, vesting over a four-year period. In 2003, the grant was for that number of shares of RR Donnelley common stock having a value equal to 2.625 times Mr. Davis' base salary on the date of the grant, vesting over a four year period. Further, the 2001 agreement requires RR Donnelley to provide Mr. Davis with yearly retirement payments upon his reaching the age of 65, which together with payments received through social security benefits, benefits payable from retirement plans of his former employers and the benefits otherwise payable under RR Donnelley's Retirement Benefit Plan and

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Unfunded Supplemental Benefit Plan, equal \$1,228,000 or 50% of his final average compensation (as defined in the 2001 agreement), whichever is greater. These payments are subject to reduction if Mr. Davis employment terminates prior to March 31, 2004.

If Mr. Davis dies before the employment term expires, his estate will receive a termination bonus in addition to all equity awards described above. The termination bonus will equal his previous year's bonus, prorated for the portion of the year worked prior to his death. If he becomes disabled, RR Donnelley or Mr. Davis may terminate the 2001 agreement. In addition to the equity awards and termination bonus described above, Mr. Davis would receive 60% of his last base salary plus full benefit and pension accrual until he reaches age 65. Mr. Davis will be entitled to certain benefits if his employment is terminated by RR Donnelley without cause or by him for good reason (as each term is defined in the 2001 agreement), including:

a lump sum severance payment of 250% of his base salary and target annual bonus (300% if termination results from a change in control),

the termination bonus and

continued benefit coverage and pension accrual for 30 months.

If Mr. Davis is terminated by RR Donnelley without cause, if Mr. Davis terminates his employment for good reason or if there is a change in control of RR Donnelley (as defined in the 2001 agreement), all stock options, restricted stock awards and long-term incentive awards not yet vested will become fully vested.

Mr. Davis has agreed to specified limitations on his ability to compete with, or solicit employees from, RR Donnelley for two years after the termination of the 2001 agreement.

Mr. Davis continues to hold awards originally made under the terms of the 1997 agreement. Under the terms of a restricted stock award granted pursuant to that agreement, Mr. Davis vested in a restricted stock grant during 2001 and will vest in a restricted stock grant of 62,935 shares on October 1, 2004. He also received options to purchase 500,000 shares of RR Donnelley common stock at \$45.1875 (150% of the price of RR Donnelley common stock upon his start of employment) vesting on or after March 18, 2000 if the fair market value of RR Donnelley common stock exceeds that price for 10 consecutive trading days (which occurred in June and July, 1998) and 500,000 shares at \$30.125, which fully vested as of March 2001.

The Allen Agreement. In connection with the termination of his employment, Michael B. Allen was entitled to receive the standard payments and benefits provided to officers who are workforce reduced from RR Donnelley. In addition, RR Donnelley agreed to reimburse Mr. Allen for up to \$20,000 in legal fees incurred by him in consulting an attorney surrounding the terms and conditions of his termination of employment.

The Lawler Agreement. In connection with the hiring of Joseph C. Lawler in October 1995, RR Donnelley granted Mr. Lawler an advance in the amount of \$200,000 against his anticipated payout under a long-term incentive program in which he participated. Because RR Donnelley failed to meet the threshold for any payout under the program, RR Donnelley agreed to convert the advance to Mr. Lawler into an interest-bearing loan due February 15, 2001. During 2001, RR Donnelley agreed to extend the repayment date of the loan until March 1, 2004. Interest on the original loan amount accrues at the five-year Treasury bill rate, and beginning on January 1, 2002, interest is payable annually until the loan is repaid.

Table of Contents**Equity Compensation Plan Information**

Information as of December 31, 2003 concerning compensation plans under which RR Donnelley's equity securities are authorized for issuance is as follows (in thousands, except per share data):

Equity Compensation Plan Information

Plan Category	Number of Securities to Be Issued upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders(1)	12,164,070	\$ 28.04	7,155,956
Equity compensation plans not approved by security holders(2)	6,211,738	27.86	979,843
Total	18,375,808	27.98	8,135,799

(1) Represents shareholder approved stock incentive plan shares.

(2) Represents the Donnelley Shares Program and the 2000 Broad-Based Incentive Plan.

2000 Broad-Based Stock Incentive Plan

In 2000, the RR Donnelley board of directors approved the adoption of the 2000 Broad-Based Stock Incentive Plan (which we refer to in this document as the 2000 Broad-Based Plan) to provide incentives to key employees of RR Donnelley and its subsidiaries. Awards under the 2000 Broad-Based Plan are generally not restricted to any specific form or structure and may include, without limitation, stock options, stock units, restricted stock awards, cash or stock bonuses and stock appreciation rights.

Awards may be conditioned on continued employment, have various vesting schedules and accelerated vesting and exercisability provisions in the event of, among other things, a change in control of RR Donnelley (as defined in the 2000 Broad-Based Plan). The 2000 Broad-Based Plan is administered by the human resources committee of the RR Donnelley board of directors, which may delegate its responsibilities to the chief executive officer or another RR Donnelley executive officer.

Originally, 2,000,000 shares of RR Donnelley common stock were reserved and authorized for issuance under the 2000 Broad-Based Plan. An additional 3,000,000 shares (for an aggregate of 5,000,000 shares) were subsequently reserved and authorized for issuance under the 2000 Broad-Based Plan. Shares subject to a grant or award under the 2000 Broad-Based Plan which are not issued or delivered by reason of the expiration, termination, cancellation or forfeiture of all or a portion of the grant or award, by reason of withholding of shares to pay all or a portion of the exercise price or to satisfy tax withholding obligations or by reason of the delivery of shares prior to June 30, 2003 to pay all or a

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portion of the exercise price or to satisfy tax withholding obligations are again available for future grants and awards. However, stock options and SARs granted in tandem with or by reference to a stock option granted prior to the grant of such SARs are treated as one grant. To the extent that RR Donnelley repurchased shares in the open market or otherwise prior to June 30, 2003, a number of shares having a repurchase price equal to the aggregate proceeds received by RR Donnelley from the exercise of stock options granted by RR Donnelley under the 2000 Broad-Based Plan are again available for future grants and awards. As of December 31, 2003, options to purchase 6,978,337 shares of RR Donnelley common stock were outstanding. These options have a purchase price equal to the fair market value of a share of RR Donnelley common stock at the time of the grant. All of the outstanding options generally vest over a period of three years, are not exercisable unless vested (subject in some cases to early vesting and exercisability upon specified events,

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including the death or permanent disability of the optionee, termination of the optionee's employment under specified circumstances or a change in control of RR Donnelley) and generally expire 10 years after the date of grant. No awards other than options have been made under the 2000 Broad-Based Plan.

RR Donnelley Shares Stock Option Plan

In 1994, the RR Donnelley board of directors approved the adoption of the Donnelley Shares Stock Option Plan (which we refer to in this document as the RR Donnelley Shares Plan). All employees (other than officers) were eligible to receive options under the plan. The RR Donnelley Shares Plan was administered by the human resources committee of the RR Donnelley board of directors, which had full authority to grant options under the plan and to determine the terms and conditions of all options granted under the plan. RR Donnelley last granted options under the Donnelley Shares Plan in 1996, and the plan expired in 1999.

There were 6,000,000 shares of common stock reserved and authorized for issuance under the RR Donnelley Shares Plan. As of December 31, 2003, options to purchase 3,819,988 shares of common stock were outstanding under the RR Donnelley Shares Plan. The purchase price for options granted under the RR Donnelley Shares Plan was the fair market value of a share of RR Donnelley common stock at the time of the grant. All of the outstanding options generally vested over a period of three years, are not exercisable unless vested (subject in some cases to early vesting and exercisability in certain events, including the death or permanent disability of the optionee, termination of the optionee's employment under certain circumstances or a change in control of RR Donnelley (as defined in the RR Donnelley Shares Plan)) and generally expire 10 years after the date of grant.

Table of Contents**MOORE WALLACE COMPENSATION INFORMATION****Executive and Director Compensation***Executive Compensation*

The following table provides a summary of the compensation earned in 2003 by (i) the chief executive officer of Moore Wallace; (ii) the four other most highly compensated executive officers of Moore Wallace who served as executive officers as of December 31, 2003; and (iii) one additional person for whom disclosure would have been provided but for the fact that the person was not serving as an executive officer of Moore Wallace at the end of 2003 (which we refer to in this document as the Moore Wallace named executive officers). Specific aspects of the compensation are described in the tables and in the narrative following the tables.

Summary Compensation Table

Name and Principal Position	Year	ANNUAL COMPENSATION			LONG-TERM COMPENSATION			
		Salary (\$)	Bonus (\$)	Other (\$)	Restricted			
					Stock Awards(1)	Securities Under Options/ SARs Granted(2)	LTIP Payouts (\$)	All Other Compensation (\$)
Mark A. Angelson								
Chief Executive Officer	2003(3)	1,000,000	2,000,000(4)	128,476(5)		500,000		57,271(7)
Mark S. Hiltwein	2003	394,808	400,000(4)	15,521				20,180(8)
Executive Vice President and Chief Financial Officer	2002	316,667	425,000	16,949	594,000			14,930(9)
	2001	238,233	187,500	7,486		50,000		5,596(10)
Thomas W. Oliva	2003	525,000	787,500(4)	17,336		85,000		30,834(11)
President and Chief Operating Officer	2002	339,583	498,000	61,106	742,500			17,805(12)
	2001	298,846	325,000	3,793		200,000		8,598(13)
Thomas J. Quinlan III	2003	425,000	531,250(4)	21,755		75,000		24,231(14)
Executive Vice President, Business	2002	308,333	415,000	15,666	594,000			24,376(15)
	2001	275,000	275,000	5,564		50,000		7,397(16)

Integration

Michael S. Kraus

Senior Vice President, Mergers & Acquisitions	2003(3)	300,000	500,000(4)	15,729	35,000	24,939(17)
Dean E. Cherry	2003(3)	391,888	440,000(4)	121,785(6)		22,528(18)
Group President,	2002	339,583	473,000	15,691	742,500	17,805(19)
Commercial & Direct Mail	2001	290,000	325,000	8,786	200,000	8,598(20)

- (1) A total of 270,000 Moore Wallace restricted shares were issued to Moore Wallace named executive officers on October 17, 2002. The total value of these shares based on the closing price of Moore Wallace common shares on the Toronto Stock Exchange on December 31, 2003 of Cdn.\$24.21 was Cdn.\$6,536,700. Holders of these restricted shares will be entitled to receive any dividends that are declared and paid on Moore Wallace common shares. Twenty-five percent of the Moore Wallace restricted shares vest each year beginning on the first anniversary of issuance.
- (2) Awards in 2002 and 2001 are options to acquire Moore Wallace common shares under Moore Wallace's 1999 and 2001 Long Term Incentive Plans. Awards in 2003 are options to acquire Moore Wallace common shares under Moore Wallace's 2001 and 2003 Long Term Incentive Plans.

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- (3) Mr. Angelson was named chief executive officer of Moore Wallace effective January 1, 2003. Mr. Kraus joined Moore Wallace in January 2003. Mr. Cherry ceased acting as an executive officer in October 2003.
- (4) The bonus numbers set forth in this table are estimated target amounts for 2003. Bonus awards are based on pre-established financial performance objectives for Moore Wallace and the achievement of other objectives established annually under Moore Wallace's management by objective program (see description under Annual Incentive Plan beginning on page 192). The actual award earned may range from zero to an amount more than the targeted award. Awards are made at the discretion of the Moore Wallace compensation committee, and the committee may adjust awards if it believes the circumstances justify either an increase or a decrease. As of January 15, 2004, the compensation committee has not determined the amount of any bonus awards for 2003. The committee is scheduled to meet on February 4, 2004.
- (5) Includes benefits paid under the Moore Wallace Supplemental Executive Health Program of \$62,134.
- (6) Includes benefits paid under the Moore Wallace Supplemental Executive Health Program of \$34,723 and payments under the Moore Wallace relocation policy of \$42,120.
- (7) Represents \$55,920 of vested benefit under Moore Wallace's Supplemental Executive Retirement Plan B for 2003 and \$1,351 of premiums paid for group term life insurance.
- (8) Represents \$13,827 of vested benefit under Moore Wallace's Supplemental Executive Retirement Plan B for 2003, \$6,000 of company match under the Moore Wallace North America, Inc. 401(k) Savings Plan and \$353 of premiums paid for group term life insurance.
- (9) Represents \$9,165 of vested benefit under Moore Wallace's Supplemental Executive Retirement Plan B for 2002, \$5,500 of company match under the Moore Wallace North America, Inc. 401(k) Savings Plan and \$265 of premiums paid for group term life insurance.
- (10) Represents vested benefit under Moore Wallace's Supplemental Executive Retirement Plan B for 2001.
- (11) Represents \$22,570 of vested benefit under Moore Wallace's Supplemental Executive Retirement Plan B in 2003, \$6,000 of company match under the Moore Wallace North America, Inc. 401(k) Savings Plan and \$2,264 of premiums paid for group term life insurance.
- (12) Represents \$10,608 of vested benefit under Moore Wallace's Supplemental Executive Retirement Plan B in 2002, \$5,500 of company match under the Moore Wallace North America, Inc. 401(k) Savings Plan and \$1,697 of premiums paid for group term life insurance.
- (13) Represents vested benefit under Moore Wallace's Supplemental Executive Retirement Plan B in 2001.
- (14) Represents \$15,967 of vested benefit under Moore Wallace's Supplemental Executive Retirement Plan B in 2003, \$6,000 of company match under the Moore Wallace North America, Inc. 401(k) Savings Plan and \$2,264 of premiums paid for group term life insurance.
- (15) Represents \$17,179 of vested benefit under Moore Wallace's Supplemental Executive Retirement Plan B in 2002, \$5,500 of company match under the Moore Wallace North America, Inc. 401(k) Savings Plan and \$1,697 of premiums paid for group term life insurance.
- (16) Represents vested benefit under Moore Wallace's Supplemental Executive Retirement Plan B in 2001.
- (17) Represents \$24,720 of vested benefit under Moore Wallace's Supplemental Executive Retirement Plan B in 2003 and \$219 of premiums paid for group term life insurance.
- (18) Represents \$14,264 of vested benefit under Moore Wallace's Supplemental Executive Retirement Plan B in 2003, \$6,000 of company match under the Moore Wallace North America, Inc. 401(k) Savings Plan and \$2,264 of premiums paid for group term life insurance.
- (19) Represents \$10,608 of vested benefit under Moore Wallace's Supplemental Executive Retirement Plan B for 2002, \$5,500 of company match under the Moore Wallace North America, Inc. 401(k) Savings Plan and \$1,697 of premiums paid for group term life insurance.
- (20) Represents vested benefit under Moore Wallace's Supplemental Executive Retirement Plan B for 2001.

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The following table provides information on stock options granted to the Moore Wallace named executive officers in 2003.

Option/SAR Grants During the Most Recently Completed Financial Year

Name	Securities Under Options/ SARs Granted	% of Total Options/ SARs Granted to Employees in 2003	Exercise or Base Price (Cdn.\$)	Market Value of Securities		Potential Realizable Value at 5% Annual Rates of Stock Price Appreciation for Option Term(3) (Cdn.\$)	Potential Realizable Value at 10% Annual Rate of Stock Price Appreciation for Option Term(3) (Cdn.\$)
				Underlying Options/ SARs on the Date of Grant(3) (Cdn.\$)	Expiration Date		
Mark A. Angelson	500,000(1)	48.1%	14.12	14.12	1/02/13	4,439,996	11,251,821
Mark S. Hiltwein							
Thomas W. Oliva	85,000(2)	8.2%	14.12	14.12	1/02/13	754,799	1,912,809
Thomas J. Quinlan III	75,000(2)	7.2%	14.12	14.12	1/02/13	665,999	1,687,773
Michael S. Kraus	35,000(2)	3.4%	14.12	14.12	1/02/13	310,799	787,627
Dean E. Cherry							

- (1) Vests with respect to one-third of the Moore Wallace common shares each year beginning January 2, 2004.
- (2) Vests with respect to 25% of the Moore Wallace common shares each year beginning on January 2, 2004.
- (3) In accordance with SEC rules, these columns show gains that could accrue for the respective options, assuming that the market price of Moore Wallace common shares appreciates from the date of grant over a period of 10 years at an annualized rate of 5% and 10%, respectively. If the share price does not increase above the exercise price at the time of exercise, realized value to the named executive officers from these options will be zero.

The following table provides information on the number of outstanding options for each Moore Wallace named executive officer, whether or not the options were exercisable, and the value of the options at December 31, 2003.

**Aggregated Option/SAR Exercises During the Most Recently Completed Financial Year
and Financial Year-End Option/SAR Values**

Name	Securities	Aggregate Value	Unexercised	Value of Unexercised
	Acquired on	Realized	Options/SARs at	In-the-Money
	Exercise	(Cdn.\$)	December 31, 2003	Options/SARs at

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	Exercisable/ Unexercisable	December 31, 2003(1) Exercisable/ Unexercisable (Cdn.\$)
Mark A. Angelson	11,300/500,000	\$166,948/\$5,045,000
Mark S. Hiltwein	55,000/35,000	\$866,675/\$455,475
Thomas W. Oliva	100,000/185,000	\$1,243,625/\$2,101,275
Thomas J. Quinlan III	100,000/125,000	\$1,791,865/\$1,520,625
Michael S. Kraus	0/35,000	\$0/\$353,150
Dean E. Cherry	100,000/100,000	\$1,200,375/\$1,200,375

(1) The closing price of Moore Wallace common shares on the Toronto Stock Exchange on December 31, 2003 was Cdn.\$24.21.

Retirement Benefits

Benefit accruals under the Retirement Income Plan of Moore Wallace North America, Inc. ceased being effective December 31, 2000. None of the Moore Wallace named executive officers participate in the Retirement

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Income Plan. Currently, the only retirement plan available to Moore Wallace's U.S. employees is the Moore Wallace North America, Inc. Savings Plan. Moore Wallace also has a Supplemental Executive Retirement Plan B, which provides a benefit of 6% of a participant's annual earnings that are in excess of the maximum annual savings plan earnings allowed by law under Section 401(a)(17) of the Internal Revenue Code. Participants' awards under this plan vest with respect to 25% of each award for each year of service with Moore Wallace. The following benefits accrued to the Moore Wallace named executive officers under the Supplemental Executive Retirement Plan B in 2003: Mark A. Angelson, \$55,920; Mark S. Hiltwein, \$13,827; Thomas W. Oliva, \$22,570; Thomas J. Quinlan III, \$15,967; Michael S. Kraus, \$24,720; and Dean E. Cherry, \$14,264.

Director Compensation

The following table displays all components of director compensation for directors who are not also employees of Moore Wallace.

Type of Compensation	Amount
Annual Board Retainer(1)	\$ 35,000
Additional Annual Retainer for Chairman(1)	\$ 25,000
Annual Restricted Share Grant(2)	2,500
Additional Annual Retainer for Audit Committee Chair(1)	\$ 20,000
Additional Annual Retainer for Compensation Committee Chair(1)	\$ 10,000
Additional Annual Retainer Fee for Audit Committee Member(1)	\$ 5,000
Board and Committee Meeting Fee (for meetings attended in person)(1)	\$ 1,000
Board and Committee Meeting Fee (for meetings attended by telephone)(1)	\$ 500

- (1) The Moore Wallace board of directors has adopted the Share Plan for Non-Employee Directors under which all compensation paid to directors is paid exclusively in Moore Wallace deferred share units or Moore Wallace common shares, provided that a director whose principal employment is in the public sector, including with a governmental, educational or not-for-profit entity, may elect to receive only a portion of such compensation in deferred share units or Moore Wallace common shares issued under the Share Plan for Non-Employee Directors. Deferred share units awarded are held until the director is no longer serving on the Moore Wallace board of directors. Following termination of service on the Moore Wallace board of directors, the fair market value of the equivalent number of Moore Wallace common shares is paid to a director, net of withholdings, in cash or common shares. Each director is reimbursed for expenses incurred in attending meetings.
- (2) Awards of restricted shares are granted following each Moore Wallace annual meeting of shareholders and vest immediately.

In September 2003, the Moore Wallace board of directors formed a special transaction committee to consider the acquisition of PPS. The committee was composed of directors Lionel H. Schipper (Chairman), John C. Pope and Michael T. Riordan. The Moore Wallace board of directors authorized compensation for the committee members as follows: Chairman, \$17,500; each member other than the Chairman, \$8,750. The compensation was paid in deferred share units under the Share Plan for Non-employee Directors following the completion of the committee's work in December 2003.

Table of Contents*Indebtedness of Directors, Executive Officers and Senior Officers*

The following table sets forth the indebtedness other than under securities purchase programs of directors, executive officers and senior officers of Moore Wallace to Moore Wallace or any of its subsidiaries. The aggregate indebtedness of all officers, directors and employees of Moore Wallace to Moore Wallace or any of its subsidiaries as of January 15, 2004 is \$792,941.

**Table of Indebtedness of Directors,
Executive Officers and Senior Officers
Other Than Under Securities Purchase Programs**

<u>Name and Principal Position</u>	<u>Involvement of Moore Wallace or Subsidiary</u>	<u>Largest Amount Outstanding During FYE 2003</u>	<u>Amount Outstanding as of January 15, 2004</u>
Mark S. Hiltwein Executive Vice President, Chief Financial Officer	Lender	\$ 485,705(1)	\$ 453,841
Andrew Panega Senior Vice President, Human Resources	Lender	142,324(2)	131,871
Robert Anthony Paul Senior Vice President, Operations	Lender	129,399(3)	130,329

- (1) Represents a loan, dated March 15, 2002, of \$577,500 from Moore North America, Inc. (now Moore Wallace North America, Inc., which we refer to in this document as Moore Wallace North America), a wholly owned subsidiary of Moore Wallace, in connection with the purchase of Mr. Hiltwein's primary residence. The loan bears interest at a rate of 4.75% per year, with monthly payments of principal and interest, and payment in full due on or before March 1, 2006. The loan will also be payable in full within 15 days after the date on which Mr. Hiltwein ceases to be a full-time employee of Moore Wallace North America or within 15 days after the date of sale of his primary residence.
- (2) Represents a loan, dated April 13, 2000, of \$140,000 from Moore Wallace North America in connection with the purchase of Mr. Panega's primary residence resulting from his relocation. The loan bears interest at a rate of 4.3% per year, with monthly payments of principal and interest, with payment in full due on or before April 4, 2007. The loan will also be payable in full within 60 days of Mr. Panega's termination of employment or death.
- (3) Represents a loan, dated September 1, 2002, of \$132,000 from Moore Wallace North America in connection with the purchase of Mr. Paul's primary residence resulting from his relocation. The loan bears interest at a rate of 4.75% per year, with monthly payments of principal and interest, with payment in full due on or before March 1, 2006. The loan will also be payable in full within 15 days after the date on which Mr. Paul ceases to be a full-time employee of Moore Wallace North America or within 15 days after the date of sale of his primary residence.

Employment Arrangements

Mark A. Angelson's employment arrangements are described under the section **CEO Compensation** below.

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Moore Wallace's employment arrangements with the Moore Wallace executive officers, other than Mr. Angelson, provide for their participation in Moore Wallace compensation and benefit programs that are available to all management employees. The Moore Wallace executive officers, other than Mr. Angelson, are also eligible to participate in certain executive-only benefit plans. In the event of termination by Moore Wallace without cause or a termination by the Moore Wallace executive officer for good reason whether before or after a change of control of Moore Wallace, Mark S. Hiltwein, Thomas W. Oliva, Thomas J. Quinlan III and Dean E. Cherry are entitled to all amounts then owing to them plus an amount equal to one and one-half times their annualized total compensation payable over the 18-month period following the date of termination. In the event of a termination

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by Moore Wallace without cause or a termination by Michael S. Kraus for good reason before a change of control of Moore Wallace, Mr. Kraus is entitled to all amounts then owing to him plus an amount equal to one time his annualized total compensation payable over the 12-month period following the date of termination. In the event of such a termination of employment by Mr. Kraus during the six months prior to, or following, a change of control, Mr. Kraus will be entitled to three times his annualized compensation payable over the 12-month period following the date of termination. During these 18-month and 12-month periods, respectively, Messrs. Hiltwein, Oliva, Quinlan, Kraus and Cherry are entitled to a continuation of all benefits. In addition, any outstanding stock options, grants, restricted stock awards or other equity grants except for restricted stock units will vest 100% immediately (either as of the date of termination in the event of a termination by Moore Wallace without cause or a termination by the named executive officer for good reason) or prior to a change of control of Moore Wallace becoming effective (solely in the event that upon or in connection with such change of control of Moore Wallace the named executive officer's employment with Moore Wallace is terminated by Moore Wallace without cause or is terminated by the named executive officer for good reason). The Moore Wallace executive officers are also entitled to receive gross-up payments in the event that an excise tax is imposed on certain payments pursuant to Section 4999 of the Internal Revenue Code or any interest and penalties are incurred with respect to such excise tax. In the case of all of the Moore Wallace executive officers (except Mr. Angelson, whose gross-up is not subject to this limitation), no gross-up will be paid if the amount of the payments subject to the excise tax could be reduced by an amount equal to up to 10% of the total amount of the payments and thereby avoid imposition of the excise tax. In that case, the total payments owed to the Moore Wallace executive officer will be reduced by the amount necessary to avoid the imposition of the excise tax.

Composition of the Compensation Committee

The current members of the compensation committee of the Moore Wallace board of directors are Lionel H. Schipper (chairman), Robert F. Cummings, Jr., Alfred C. Eckert III and Michael T. Riordan. Mr. Riordan joined the committee in May 2003 following his election to the Moore Wallace board of directors in connection with the merger of Moore Wallace and WCS. None of the committee members is, or has been, an executive officer or an employee of Moore Wallace or any of its subsidiaries.

Moore Wallace Compensation Committee Report on Moore Wallace Executive Compensation

Compensation Policy. The general objective of the executive compensation policies is to target a competitive level of compensation that will enable Moore Wallace to secure the services of exceptionally talented executive officers, in particular, and employees, in general, necessary to achieve its long-term financial and strategic growth goals. Given these goals, Moore Wallace has designed salary and incentive programs intended to attract exceptionally high-caliber executives and is committed to paying these executives a substantial portion of their total targeted compensation based directly on the performance of Moore Wallace and, in appropriate cases, on the performance of a particular business unit. To establish appropriate competitive frames of reference, Moore Wallace looks toward pay levels offered by leading-performance companies in the relevant markets for executive talent.

Compensation packages at Moore Wallace consist of base salary, annual incentive awards and equity based awards under long term incentive plans. The committee believes that the compensation package outlined above results in a substantial portion of total targeted compensation being at risk and appropriately relates to the achievement of increased shareholder value. From time to time, Moore Wallace retains independent consultants to assist its human resources staff and the committee in obtaining competitive data and to provide advice on meeting its overall compensation objectives.

Base Salary. The total targeted compensation structure (base salary plus annual incentive plus equity awards) for the Moore Wallace executive officers, other than Mr. Angelson, is reviewed each year to determine its competitive level relative to a group of comparable companies. Moore Wallace's review of competitive compensation levels is a case-by-case approach that considers the incumbent's job content, position

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accountabilities, scope of responsibility and any specialized skills and abilities. Increases in salary occur from time to time, based on performance and changes in responsibility level, rather than simply on a chronological basis, such as annually. Moore Wallace also takes into account the performance of its businesses, current size and expected growth, expected contributions from specific executives and other similar factors. The committee reviews and recommends to the Moore Wallace board of directors for approval any proposed adjustment to the above process and philosophy.

Senior executives are given performance reviews on an annual basis. Increases in compensation, based solely on performance, generally occur on a 15- to 24-month basis (depending on salary level) rather than on an annual basis. Compensation increases are also considered as additional responsibilities are added to an executive's role in the company. In making compensation decisions, the committee takes into consideration Moore Wallace's overall performance measured primarily by Moore Wallace delivering on its financial commitments to shareholders as well as the performance of the unit headed by the executive, the individual performance of the executive, the relationship of the executive's salary to the salary range for the position and other considerations the committee believes are appropriate in the circumstances. Assessment of performance also takes into consideration the achievement of other operating objectives such as market share improvement, new product introduction and succession planning and development. The committee makes recommendations on salary adjustments for senior executives to the Moore Wallace board for approval.

Annual Incentive Plan. In 2001, a management by objective program was introduced. Under this program, Moore Wallace sets financial targets and objectives that Moore Wallace must meet in order for any annual incentive awards to be paid. If these financial objectives and targets are not met, no annual incentive awards are paid. In addition, each employee who participates in the plan commits to deliver three to four additional, targeted objectives, generally financial in scope. Each participating employee is reviewed in order to determine what percentage of each objective has been met and, if Moore Wallace's financial targets and objectives have been met, an award is made based on the percentage of the personal goals and objectives that have been achieved. In 2002, a portion of the award was made to certain employees in December and the remainder was paid to all qualifying employees in February 2003.

Long Term Incentive Plans. The purpose of the long term incentive plans is to advance the interests of Moore Wallace by providing certain of its key employees with additional equity-based incentives; encouraging stock ownership by such employees, thereby increasing their proprietary interest in the success of Moore Wallace; encouraging them to remain employees of Moore Wallace; and attracting new key employees.

The plan is an integral part of total executive compensation. In 2003, the committee recommended and the Moore Wallace board of directors approved grants of Moore Wallace restricted stock units under the 2003 Long Term Incentive Plan that reflected the performance of those employees who participated in the plan. Senior managers recommended participants for the plan and were allotted a number of shares to distribute to their employees at a level relative to the levels of shares that might be awarded to an employee's peers. The committee then reviewed and commented upon those recommendations and presented the recommendations for consideration and approval of the Moore Wallace board of directors.

CEO Compensation. Mr. Angelson was appointed chief executive officer of Moore Wallace effective January 1, 2003.

Mr. Angelson's employment agreement provides for an annual salary of \$1,000,000 and an annual incentive bonus in two components of not less than \$1,000,000 each, payable on an all-or-nothing basis upon the achievement of the earnings per share target set by the Moore Wallace board of directors. The total compensation paid to Mr. Angelson in 2003 is set forth above in the Summary Compensation Table.

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Under the terms of the employment agreement, in the event of termination without cause or a termination for good reason, Mr. Angelson is entitled to receive all amounts then owing to him plus a lump sum equal to two

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times his annualized total compensation. However, if Mr. Angelson's employment is terminated without cause between January 1, 2004 and January 15, 2004, he will be entitled to receive all amounts then owing him plus a lump sum equal to his annualized total compensation. In the event such termination results from a change of control of Moore Wallace, the multiple increases to three times. Mr. Angelson is also entitled to receive gross-up payments in the event that an excise tax is imposed on certain payments pursuant to Section 4999 of the Internal Revenue Code or any interest and penalties were incurred with respect to such excise tax.

The Compensation Committee

Lionel H. Schipper, Chairman

Robert F. Cummings, Jr.

Alfred C. Eckert III

Michael T. Riordan

Stock Performance

The graph below compares five-year returns of Moore Wallace common shares with those of the S&P/TSX Composite Index, the S&P 500 Index and a selected peer group of companies. The figures assume all dividends, if any, have been reinvested and assume an initial investment of Cdn.\$100 on December 31, 1998. The companies in the peer group are RR Donnelley, Quebecor World Inc., Standard Register Company and Mail-Well, Inc. The returns of each company in the peer group have been weighted to reflect their market capitalizations.

Comparison of Five-Year Cumulative Total Return among**Moore Wallace, S&P/TSX Composite Index, S&P 500 Index and Peer Group**

December 31,

	1998	1999	2000	2001	2002	2003
Moore Wallace	Cdn.\$ 100.00 100.00	Cdn.\$ 56.41 129.72	Cdn.\$ 30.54 137.74	Cdn.\$ 95.89 118.54	Cdn.\$ 91.86 101.98	Cdn.\$ 189.06 126.75

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S&P/TSX

Composite Index

S&P 500 Index	100.00	121.04	110.02	96.95	75.53	97.19
Peer Group	100.00	76.74	80.03	83.59	74.36	86.97

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Certain Relationships and Related Transactions

In December 2001, Moore Wallace reached an agreement with the Chancery Lane/GSC Investors L.P. (which we refer to in this document as the partnership) for the conversion of the \$70.5 million, 8.7% Moore Wallace subordinated convertible debenture held by the partnership. Under the terms of the debenture, the debenture was convertible by the partnership at any time, but Moore Wallace did not have the right to redeem the debenture prior to December 22, 2005. In December 2001, the debenture was converted into 21,692,311 Moore Wallace common shares at the conversion price per share of \$3.25 in accordance with its terms. The conversion of the debenture reduced Moore Wallace's debt by approximately 23%.

As an inducement to obtain the conversion, Moore Wallace issued an additional 1,650,000 Moore Wallace common shares (which we refer to in this document as the additional shares) to Greenwich Street Capital Partners II, L.P. and certain of its affiliates (which we refer to in this document as GSC Partners), which under the terms of the agreement governing the partnership, were entitled to all of the interest paid on the debenture and any redemption premium. In addition, Moore Wallace also agreed to make a payment in cash to GSC Partners if the 20-day weighted average trading price of Moore Wallace common shares on the New York Stock Exchange at December 31, 2002 was less than \$8.00. No such payment was required to be made in 2002.

In addition, if at December 31, 2003 the 20-day weighted average trading price of Moore Wallace common shares on the New York Stock Exchange is less than \$10.83, Moore Wallace agreed to make a further cash payment equal to the lesser of \$9,000,000 and the value of 6,000,000 Moore Wallace common shares at such date, subject to reduction in certain circumstances. At the option of Moore Wallace, any such payments may be made in Moore Wallace common shares, subject to regulatory approval.

Alfred C. Eckert III, the chairman and chief executive officer of GSC Partners, is the chairman of the Moore Wallace board of directors. In addition, Mark A. Angelson, the chief executive officer and a director, Thomas J. Quinlan III, executive vice president, business integration, and Mark S. Hiltwein, executive vice president and chief financial officer, Michael S. Kraus, senior vice president, mergers and acquisitions, and certain other former officers of Moore Wallace were Class B limited partners of the partnership and, therefore, had an interest in the debenture conversion. Of the 21,692,311 common shares issued upon conversion of the debenture, 11,466,155 were issued to GSC Partners, 306,237 were issued to Mr. Angelson and a trust controlled by Mr. Angelson, 138,462 were issued to Mr. Quinlan, 55,385 were issued to Mr. Hiltwein and 133,896 were issued to Mr. Kraus.

In December 2002, the Moore Wallace board of directors determined that it would be in the best interests of Moore Wallace to retain GSCP (NJ), L.P., which is the manager of the Greenwich Street Funds, as an advisor to the chief executive officer beginning in January 2003. The Moore Wallace board of directors agreed to pay GSCP (NJ), L.P. a fee of \$500,000 for its advisory services in four equal quarterly installments in 2003.

Mr. Eckert also holds the following positions with the Greenwich Street Funds: (i) a managing member of Greenwich Street Investments II, L.L.C., which is the general partner of the Greenwich Street Funds, (ii) a senior limited partner of GSCP (NJ), L.P. and (iii) an executive officer of GSCP (NJ), Inc., which is the general partner of GSCP (NJ), L.P.

Due to Mr. Eckert's affiliation with the Greenwich Street Funds, Mr. Eckert recused himself from all proceedings of the Moore Wallace board of directors in connection with the PPS transaction. The Moore Wallace board of directors formed a special committee of independent directors, who retained independent legal and financial advisors, to evaluate the PPS transaction. While the special committee recommended the PPS transaction to the Moore Wallace board of directors and the Moore Wallace board of directors approved the transaction, the Moore Wallace

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board of directors is not taking a position, and is not making any recommendation, regarding how Moore Wallace shareholders should vote in connection with the Moore Wallace share issuance proposal. See The Moore Wallace Share Issuance Proposal beginning on page 195.

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THE MOORE WALLACE SHARE ISSUANCE PROPOSAL

On December 31, 2003, Moore Wallace acquired PPS, a Tennessee-based provider of mortgage statement processing solutions to the financial services industry, for approximately \$92.5 million in cash and Moore Wallace common shares, including the repayment of PPS indebtedness.

The majority shareholders of PPS prior to its sale were Greenwich Street Capital Partners II, L.P., GSCP Offshore Fund, L.P. and Greenwich Fund, L.P. (which we refer to in this document as the Greenwich Street Funds). Under the terms of the PPS acquisition agreement, the Greenwich Street Funds had a right to defer receipt of the cash consideration owed to them in connection with the sale and request that Moore Wallace seek the Moore Wallace shareholder approval required under the New York Stock Exchange and Toronto Stock Exchange rules so that Moore Wallace can issue Moore Wallace common shares to the Greenwich Street Funds instead of the cash consideration. Under the PPS acquisition agreement, the Greenwich Street Funds exercised their right to request a Moore Wallace shareholder vote to approve the payment of approximately \$41.0 million of the consideration in Moore Wallace common shares in lieu of that amount of cash otherwise owed to the Greenwich Street Funds. Therefore, the purpose of this proposal is to permit Moore Wallace to issue approximately \$41.0 million in new Moore Wallace common shares to the Greenwich Street Funds as consideration in connection with the acquisition of PPS.

The number of Moore Wallace common shares to be issued to the Greenwich Street Funds would be equal to approximately \$41.0 million divided by the average, rounded to the nearest two decimal places, of the per share closing prices of Moore Wallace common shares as reported on the New York Stock Exchange composite transactions reporting system for the 10 consecutive trading days ending on the second trading day prior to the date of the Moore Wallace special meeting. For example, if the 10-day average per share closing price of Moore Wallace common shares were \$18.90, which was the 10-day average per share closing price on the second trading day prior to the record date for the Moore Wallace special meeting, the number of Moore Wallace common shares to be issued to the Greenwich Street Funds would be 2,168,255, or approximately 1% of the issued and outstanding Moore Wallace common shares on such record date. As of January 15, 2004, the Greenwich Street Funds beneficially owned 14,676,368 Moore Wallace common shares, or approximately 9.19% of the issued and outstanding Moore Wallace common shares on the record date for the Moore Wallace special meeting.

The rules of the New York Stock Exchange require that, in order to approve the Moore Wallace share issuance proposal, the total number of votes cast on the proposal at the Moore Wallace special meeting must represent over 50% of the Moore Wallace common shares entitled to vote and a majority of the votes cast must vote in favor of the proposal. At least two persons present in person and entitled to vote at the Moore Wallace special meeting will be required to constitute a quorum for the transaction of business at the Moore Wallace special meeting. The Moore Wallace common shares proposed to be issued in connection with the Moore Wallace share issuance proposal have been approved for listing on the Toronto Stock Exchange, subject to customary conditions and Moore Wallace shareholder approval, which approval will be met if the New York Stock Exchange requirements regarding shareholder approval requirement of the proposal are satisfied.

If the proposal to issue Moore Wallace common shares to the Greenwich Street Funds is approved, then, shortly after the Moore Wallace special meeting and before the completion of the transaction, Moore Wallace will issue to the Greenwich Street Funds a number of Moore Wallace common shares determined in accordance with the preceding paragraph. If the proposal is not approved, then, shortly after the Moore Wallace special meeting, Moore Wallace will pay the approximately \$41.0 million in cash and without interest to the Greenwich Street Funds.

If Moore Wallace were to pay the consideration owed to the Greenwich Street Funds in cash, Moore Wallace would do so by borrowing under existing credit facilities, which would have the effect of increasing indebtedness and interest expense of Moore Wallace. If Moore Wallace were to pay the consideration

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owed to the Greenwich Street Funds in Moore Wallace common shares, Moore Wallace would do so by issuing new common shares, which would have the effect of increasing the number of Moore Wallace common shares outstanding.

The Greenwich Street Funds have existing registration rights agreements with Moore Wallace pursuant to which, under certain circumstances, the Greenwich Street Funds have the right to have Moore Wallace file a registration statement for the sale of Moore Wallace common shares held by the Greenwich Street Funds. Any Moore Wallace common shares issued to the Greenwich Street Funds pursuant to this proposal would be securities eligible for registration pursuant to the terms of such registration rights agreements.

Moore Wallace shareholders are not being asked to approve the transaction to acquire PPS. PPS has already been acquired and is now a wholly owned indirect subsidiary of Moore Wallace.

Alfred C. Eckert III, chairman of the Moore Wallace board of directors, also holds the following positions with the Greenwich Street Funds: (i) a managing member of Greenwich Street Investments II, L.L.C., which is the general partner of the Greenwich Street Funds, (ii) a senior limited partner of GSCP (N.J.), L.P., which is the manager of the Greenwich Street Funds, and (iii) an executive officer of GSCP (NJ), Inc., which is the general partner of GSCP (NJ), L.P. Due to Mr. Eckert's affiliation with the Greenwich Street Funds, Mr. Eckert recused himself from all proceedings of the Moore Wallace board of directors in connection with the PPS transaction. The Moore Wallace board of directors formed a special committee of independent directors, who retained independent legal and financial advisors, to evaluate the PPS transaction. Although the special committee recommended the PPS transaction to the board of directors of Moore Wallace and the Moore Wallace board of directors approved the transaction, the Moore Wallace board of directors is not taking a position, and is not making any recommendation, regarding how Moore Wallace shareholders should vote in connection with the Moore Wallace share issuance proposal.

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OTHER MATTERS

As of the date of this document, the RR Donnelley board of directors knows of no matter that will be presented for consideration at the RR Donnelley special meeting other than as described in this document, and Moore Wallace's management knows of no matter that will be presented for consideration at the Moore Wallace special meeting other than as described in this document.

RR Donnelley 2004 Annual Meeting of Shareholders

The RR Donnelley annual meeting is currently scheduled to be held on April 14, 2004. The corporate responsibility and governance committee of the RR Donnelley board of directors will consider shareholders' nominees for the board of directors and shareholder proposals submitted for the meeting. The deadline for RR Donnelley's receipt of shareholder proposals for inclusion in RR Donnelley's proxy materials for the 2004 annual meeting was October 24, 2003.

An RR Donnelley shareholder wishing to nominate a candidate for election to the RR Donnelley board, or make a proposal, is required to give appropriate written notice to the secretary of RR Donnelley between 60 and 90 days before the meeting. If notice or public announcement of the meeting date comes less than 75 days before the meeting, RR Donnelley shareholders are required to submit a notice of nomination or proposal within ten days after the notice of the date of the annual meeting is mailed or the meeting date is announced, whichever occurs first.

A nomination or proposal that does not supply adequate information about the nominee or proposal and the shareholder making the nomination or proposal will be disregarded. All proposals or nominations should be addressed to R.R. Donnelley & Sons Company, 77 West Wacker Drive, Chicago, Illinois 60601, Attention: Secretary.

Moore Wallace 2004 Annual Meeting of Shareholders

Moore Wallace does not currently expect to hold a 2004 annual meeting of shareholders because Moore Wallace will not be a separate public company if the transaction has been completed by that time. If the transaction is not completed and such a meeting is held, shareholders may propose matters to be presented at the 2004 annual meeting of shareholders and may also nominate a person or persons to be a director.

Shareholder proposals that are intended to be included in the proxy materials for Moore Wallace's 2004 annual meeting of shareholders, if such a meeting is held, must be received at the Moore Wallace offices at 1200 Lakeside Drive, Bannockburn, Illinois 60015, Attention: Secretary, no later than February 18, 2004.

LEGAL MATTERS

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Certain legal matters in connection with the arrangement will be passed upon by Stikeman Elliott LLP, Toronto, Ontario, on behalf of RR Donnelley, and by Osler, Hoskin & Harcourt LLP, Toronto, Ontario, on behalf of Moore Wallace. Sullivan & Cromwell LLP, New York, New York, special counsel to Moore Wallace, will be delivering to Moore Wallace an opinion to the effect that the acquisition of the Moore Wallace common shares pursuant to the combination agreement and the arrangement will qualify as a reorganization within the meaning of Section 368(a)(1)(B) of the Internal Revenue Code and that each of RR Donnelley and Moore Wallace will be a party to that reorganization within the meaning of Section 368(b) of the Internal Revenue Code. As of the date of this document, partners and associates of each of these firms owned beneficially, directly or indirectly, less than 1% of the outstanding shares of RR Donnelley common stock.

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WHERE YOU CAN FIND MORE INFORMATION

RR Donnelley and Moore Wallace file reports, proxy statements and other information with the SEC under the Exchange Act, and Moore Wallace files reports, management information circulars and other information with Canadian securities regulatory authorities under applicable Canadian securities laws. You may read and copy the information RR Donnelley and Moore Wallace file with the SEC at the following location of the SEC:

Public Reference Room

450 Fifth Street, N.W.

Washington, D.C. 20549

You may also obtain copies of this information by mail from the Public Reference Section of the SEC, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. You may obtain information on the operation of the SEC's Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site that contains reports, proxy statements and other information about issuers, like RR Donnelley and Moore Wallace, that file electronically with the SEC. The address of the site is <http://www.sec.gov>. The reports, management information circulars and other information RR Donnelley and Moore Wallace file with Canadian securities regulatory authorities are available on the System for Electronic Document Analysis and Retrieval (SEDAR) maintained by the Canadian Securities Administrators at <http://www.sedar.com>. RR Donnelley and Moore Wallace also maintain Internet sites that contain information about the respective companies. The RR Donnelley Internet address is <http://www.rrdonnelley.com>, and the Moore Wallace Internet address is <http://www.moorewallace.com>.

You should also be able to inspect reports, proxy statements and other information about RR Donnelley and Moore Wallace at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10004.

The SEC and Canadian securities regulatory authorities allow RR Donnelley and Moore Wallace to incorporate by reference information into this document. This means that RR Donnelley and Moore Wallace may disclose important information to you by referring you to another document filed separately with the SEC or Canadian securities regulatory authorities. The information incorporated by reference is considered to be a part of this document, except for any information that is superseded by information that is included directly in this document or incorporated by reference subsequent to the date of this document as described below.

This document incorporates the documents listed below that RR Donnelley previously filed with the SEC and which subsequently have been filed with Canadian securities regulatory authorities. They contain important information about RR Donnelley, its business and its financial condition.

RR Donnelley SEC Filings

Period or Date Filed

Annual Report on Form 10-K

Year ended December 31, 2002

Quarterly Reports on Form 10-Q

Quarters ended March 31, 2003, June 30, 2003 and September 30, 2003

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Current Reports on Form 8-K

Filed on May 7, 2003 (other than the information furnished under Item 9 and Item 12), August 6, 2003 (other than the information furnished under Item 12), November 5, 2003 (other than the information furnished under Item 12), November 10, 2003 (other than the information furnished under Item 9) and January 12, 2004

In addition, RR Donnelley incorporates by reference documents that RR Donnelley files with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act from the date of this document to the date of the RR Donnelley special meeting, other than any information RR Donnelley furnishes under either Item 9 or Item 12 of any Current Report on Form 8-K.

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This document incorporates the documents listed below that Moore Wallace previously filed with the SEC and Canadian securities regulatory authorities. They contain important information about Moore Wallace, its business and its financial condition.

Moore Wallace SEC Filings

Period or Date Filed

Annual Report on Form 10-K

Year ended December 31, 2002 (other than the information furnished under Items 7 and 8)

Quarterly Reports on Form 10-Q

Quarters ended March 31, 2003, June 30, 2003 and September 30, 2003

Current Report on Form 8-K

Filed on January 17, 2003 (other than the information furnished under Item 9), March 4, 2003, April 29, 2003 (other than the information furnished under Item 9 and Item 12), May 15, 2003 (as amended on July 29, 2003) (other than the information furnished under Item 9), July 24, 2003 (other than the information furnished under Item 9), September 26, 2003, September 26, 2003, September 29, 2003, November 10, 2003 (other than the information furnished under Item 9) and January 12, 2004

In addition, Moore Wallace incorporates by reference documents that Moore Wallace files with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act from the date of this document to the date of the Moore Wallace special meeting, other than any information Moore Wallace furnishes under either Item 9 or Item 12 of any Current Report on Form 8-K.

Moore Wallace SEDAR Filings

Period or Date Filed

Annual Information Form

Financial year ended December 31, 2002

Interim Financial Statements (including Management's Discussion and Analysis of Financial Condition and Results of Operations)

Financial quarters ended March 31, 2003, June 30, 2003 and September 30, 2003

Material Change Report

Filed December 5, 2003 with respect to the acquisition of PPS; filed November 13, 2003 with respect to the transaction; filed May 23, 2003 with respect to the completion of the merger with WCS; and filed March 17, 2003 with respect to financing related to the acquisition of WCS

Any documents of the type referred to in the table above, other than documents filed on a confidential basis, which are filed by Moore Wallace with the Canadian securities regulatory authorities after the date of this document and prior to the effective time shall be deemed to be incorporated by reference into this document.

RR Donnelley has supplied all information contained in this document relating to RR Donnelley, and Moore Wallace has supplied all information contained in this document relating to Moore Wallace.

Documents incorporated by reference by RR Donnelley are available from RR Donnelley without charge, excluding any exhibits to those documents unless the exhibit is specifically incorporated by reference as an exhibit in this document. You may obtain documents incorporated by reference in this document by requesting them in writing or by telephone from RR Donnelley at the following address:

R.R. Donnelley & Sons Company

77 West Wacker Drive

Chicago, Illinois 60601

Attention: Investor Relations

Tel. (312) 326-8926

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Documents incorporated by reference by Moore Wallace are available from Moore Wallace without charge, excluding any exhibits to those documents unless the exhibit is specifically incorporated by reference as an exhibit in this document. You may obtain documents incorporated by reference in this document by requesting them in writing or by telephone from Moore Wallace at the following address:

Moore Wallace Incorporated

One Canterbury Green

Stamford, Connecticut 06901

Attention: Investor Relations

Tel. (203) 406-3298

You will not be charged for any of these documents that you request. Any person requesting documents from RR Donnelley should ensure that RR Donnelley receives the request on or before February 18, 2004 to receive them before the RR Donnelley special meeting, and any person requesting documents from Moore Wallace should ensure that Moore Wallace receives the request on or before February 18, 2004 to receive them before the Moore Wallace special meeting.

NEITHER RR DONNELLEY NOR MOORE WALLACE HAS AUTHORIZED ANYONE TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATION ABOUT THE TRANSACTION, RR DONNELLEY, MOORE WALLACE OR THE COMBINED COMPANY THAT IS DIFFERENT FROM, OR IN ADDITION TO, THAT CONTAINED IN THIS DOCUMENT OR IN ANY OF THE DOCUMENTS THAT HAVE BEEN INCORPORATED INTO THIS DOCUMENT. THEREFORE, IF ANYONE DOES GIVE YOU INFORMATION OF THIS SORT, YOU SHOULD NOT RELY ON IT. IF YOU ARE IN A JURISDICTION WHERE OFFERS TO EXCHANGE OR SELL, OR SOLICITATIONS OF OFFERS TO EXCHANGE OR PURCHASE, THE SECURITIES OFFERED BY THIS DOCUMENT OR THE SOLICITATION OF PROXIES IS UNLAWFUL, OR IF YOU ARE A PERSON TO WHOM IT IS UNLAWFUL TO DIRECT THESE TYPES OF ACTIVITIES, THEN THE OFFER PRESENTED IN THIS DOCUMENT DOES NOT EXTEND TO YOU. THE INFORMATION CONTAINED IN THIS DOCUMENT SPEAKS ONLY AS OF THE DATE OF THIS DOCUMENT UNLESS THE INFORMATION SPECIFICALLY INDICATES THAT ANOTHER DATE APPLIES.

APPROVAL OF DIRECTORS

The contents of this joint management information circular and proxy statement and the sending thereof to securityholders of Moore Wallace have been approved by the directors of Moore Wallace.

By Order of the Board of Directors,

Theodore J. Theophilos
Executive Vice President, Business &
Legal Affairs, and Secretary

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AUDITORS' CONSENTS

We have read the joint management information circular and proxy statement of R.R. Donnelley & Sons Company ("RR Donnelley") and Moore Wallace Incorporated ("Moore Wallace"), relating to, among other things, the proposed issuance of shares of common stock of RR Donnelley in connection with the acquisition by RR Donnelley of all of the outstanding common shares of Moore Wallace to be effected by way of a plan of arrangement. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned joint management information circular and proxy statement of our report to the shareholders of Moore Corporation Limited (the predecessor to Moore Wallace) on the balance sheets of Moore Corporation Limited as at December 31, 2002 and 2001 and the statements of operations, retained earnings and cash flows for each of the years in the two-year period ended December 31, 2002. Our report thereon is dated February 12, 2003 except as to Notes 27 and 28, which are as of September 25, 2003.

DELOITTE & TOUCHE LLP

Chartered Accountants

Toronto, Canada

January 20, 2004

We have read the joint management information circular and proxy statement of R. R. Donnelley & Sons Company ("RR Donnelley") and Moore Wallace Incorporated ("Moore Wallace"), dated January 20, 2004, relating to, among other things, the proposed issuance of shares of common stock of RR Donnelley in connection with the acquisition by RR Donnelley of all of the outstanding common shares of Moore Wallace to be effected by way of a plan of arrangement. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned joint management information circular and proxy statement of our report to the shareholders of Moore Corporation Limited (the predecessor to Moore Wallace) on the consolidated financial statements of Moore Corporation Limited for the year ended December 31, 2000 included in the Annual Report on Form 10-K for the year ended December 31, 2002. Our report thereon is dated February 22, 2001.

PRICEWATERHOUSECOOPERS LLP

Chartered Accountants

Toronto, Canada

January 20, 2004

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ANNEX A

ARRANGEMENT RESOLUTION

BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

1. The arrangement (the *Arrangement*) under Section 192 of the *Canada Business Corporations Act* (the *CBCA*) involving Moore Wallace Incorporated (*Moore Wallace*), as more particularly described and set forth in the Joint Management Information Circular and Proxy Statement (the *Circular*) of Moore Wallace accompanying the notice of this special meeting (as the Arrangement may be or may have been modified or amended), is hereby authorized, approved and adopted.
2. The plan of arrangement involving Moore Wallace (the *Plan of Arrangement*), the full text of which is included as Annex C to the Circular, as the same may be or may have been modified or amended, is hereby authorized, approved and adopted.
3. Notwithstanding that this resolution has been passed by the Moore Wallace Securityholders (as defined in the Circular) or that the Arrangement has been approved by the Ontario Superior Court of Justice, the directors of Moore Wallace are hereby authorized and empowered without further notice to, or approval of, the Moore Wallace Securityholders, (i) to amend the combination agreement entered into between Moore Wallace and R.R. Donnelley & Sons Company on November 8, 2003 (the *Combination Agreement*) or the Plan of Arrangement to the extent permitted by the Combination Agreement, and (ii) subject to the terms of the Combination Agreement, not to proceed with the Arrangement.
4. Any one officer or director of Moore Wallace is hereby authorized and directed for and on behalf of Moore Wallace to execute, under the corporate seal of Moore Wallace or otherwise, and to deliver articles of arrangement and such other documents as are necessary or desirable to the Director under the CBCA in accordance with the Combination Agreement for filing.
5. Any one officer or director of Moore Wallace is hereby authorized and directed for and on behalf of Moore Wallace to execute or cause to be executed, under the corporate seal of Moore Wallace or otherwise, and to deliver or cause to be delivered, all such documents, agreements and instruments and to perform or cause to be performed all such other acts and things as such officer or director of Moore Wallace determines to be necessary or desirable in order to give full effect to the foregoing resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of such document, agreement or instrument or the doing of any such act or thing.

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ANNEX B

COMBINATION AGREEMENT

between

R.R. DONNELLEY & SONS COMPANY

and

MOORE WALLACE INCORPORATED

Dated as of November 8, 2003

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COMBINATION AGREEMENT

COMBINATION AGREEMENT (hereinafter called this *Agreement*), dated as of November 8, 2003, between R.R. Donnelley & Sons Company, a Delaware corporation (*Parent*), and Moore Wallace Incorporated, a corporation continued under the laws of Canada (the *Company*).

RECITALS

WHEREAS, the Board of Directors of each of Parent and the Company believes that a business combination between the Company and Parent is in the best interests of Parent's stockholders and the Company's shareholders, respectively;

WHEREAS, the Board of Directors of each of Parent and the Company has deemed it advisable and in the best interests of its stockholders, in the case of Parent, and shareholders and holders of outstanding Company Options and Company RSUs (each as defined in *Section 2.1(b)(iii)*), in the case of the Company, upon the terms and subject to the conditions set forth herein, to effect the business combination provided for herein in which a direct, wholly owned Subsidiary of Parent acquires all of the outstanding common shares of the Company (the *Company Common Shares*) pursuant to the Plan of Arrangement (as defined in *Section 1.1(a)*);

WHEREAS, in furtherance of such combination, (i) the Board of Directors of each of Parent and the Company has approved the transactions contemplated by this Agreement, (ii) the Company has agreed (A) to submit a special resolution, substantially in the form of *Exhibit A* hereto (the *Arrangement Resolution*), to the holders of the Company Common Shares (the *Company Common Shareholders*) and the holders of outstanding Company Options and Company RSUs, voting together as a class, for approval, and (B) to submit the Plan of Arrangement (as defined in *Section 1.1(a)*) to the Ontario Superior Court of Justice (the *Court*) for approval, and (iii) Parent has agreed to submit a proposal to the holders of shares of Parent Common Stock (the *Parent Common Stockholders*) to approve the issuance of the shares of common stock, par value \$1.25 per share, of Parent (the *Parent Common Stock*) to be issued upon consummation of the transactions contemplated by this Agreement and the Plan of Arrangement (the *Share Issuance Proposal*); and

WHEREAS, Parent and the Company intend that for United States federal income tax purposes the acquisition of the Company Common Shares pursuant to the Plan of Arrangement will qualify as a reorganization within the meaning of Section 368(a) of the United States Internal Revenue Code of 1986, as amended (the *Code*).

NOW, THEREFORE, in consideration of the premises, and of the representations, warranties, covenants and agreements contained herein, the parties hereto agree as follows:

ARTICLE I

GENERAL

1.1. *Implementation Steps by the Company.*

(a) As promptly as practicable after the United States Securities and Exchange Commission (the *SEC*) has informed Parent and the Company that it has no further comments with respect to or will not review (*SEC Clearance*) the preliminary Joint Proxy Statement (as defined in *Section 1.5(a)*), the Company will apply, in a manner reasonably acceptable to Parent, to the Court under Section 192 of the Canada Business Corporations Act (the *CBCA*) for an order approving the arrangement (the *Arrangement*) on the terms and subject to the conditions set out in the plan of arrangement (the *Plan of Arrangement*) substantially in the form of *Exhibit B* hereto (as such order may be amended or varied at any time prior to the Effective Time or, if appealed, then unless such appeal is withdrawn or denied, as affirmed or as amended on appeal at the direction of the Court, the *Final Order*), and for an interim order of the Court, as the same may be amended (the *Interim Order*), in

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respect of the Arrangement, as contemplated by *Section 1.3*, and thereafter proceed with and diligently seek the Interim Order.

(b) The Company shall, subject to obtaining the Interim Order and in the manner contemplated by *Section 3.4*, convene and hold a special meeting of the Company Common Shareholders (the *Company Meeting*), including any adjournment or postponement thereof, to be called and held in accordance with the Interim Order to consider the Arrangement (and for any other proper purpose as may be set out in the notice for such meeting, including as set forth in Section 1.1(b) of the Company Disclosure Letter (as defined in *Section 2.1*) and agreed to by Parent).

(c) The Company shall, subject to obtaining the approvals as are required by the Interim Order, proceed with and diligently pursue the application to the Court for the Final Order approving the Arrangement.

(d) The Company shall, subject to obtaining the Final Order and the satisfaction or waiver of the conditions set forth in *Article IV* (other than those conditions that by their nature are to be satisfied at the Closing, but subject to fulfillment or waiver of those conditions), send to the Director appointed pursuant to Section 260 of the CBCA (the *Director*), for endorsement and filing by the Director, the articles of arrangement (the *Articles of Arrangement*) and such other documents as may be required in connection therewith under the CBCA to give effect to the Arrangement.

1.2. Implementation Steps by Parent.

(a) Parent shall, as promptly as practicable after SEC Clearance and the Company obtains the Interim Order and in the manner contemplated by *Section 3.4*, convene and hold a meeting of the Parent Common Stockholders with respect to the Share Issuance Proposal (the *Parent Meeting*), including any adjournment or postponement thereof (and for any other proper purpose as may be set out in the notice for such meeting and agreed to by the Company).

(b) Parent shall form and organize a direct, wholly owned subsidiary organized under the laws of Canada or any province thereof which will acquire the Company Common Shares in exchange for delivery of shares of Parent Common Stock pursuant to the Arrangement.

1.3. Interim Order. The notice of motion for the application referred to in *Section 1.1(a)* shall request that the Interim Order provide:

(a) for the class of persons to whom notice is to be provided in respect of the Arrangement and the Company Meeting and for the manner in which such notice is to be provided;

(b) that the requisite approval for the Arrangement Resolution shall be 66²/3% of the votes cast on the Arrangement Resolution by Company Common Shareholders and holders of Company Options and Company RSUs, voting together as a class, present in person or represented by proxy at the Company Meeting (such that each Company Common Shareholder is entitled to one vote for each Company Common Share held and each holder of Company Options and Company RSUs is entitled to one vote for each Company Common Share or Company RSU, as the case may be, that such holder would have received on a valid exercise of such holder's Company Options or Company RSUs, as the case may be);

(c) that, in all other respects, the terms, restrictions and conditions of the Organizational Documents (as defined in *Section 2.1(a)*) of the Company, including quorum requirements and all other matters, shall apply in respect of the Company Meeting; and

(d) for the grant of the rights of dissent in respect of the Arrangement described in Article 3 of the Plan of Arrangement (the *Dissent Rights*).

1.4. *Articles of Arrangement.* The Articles of Arrangement shall, with such other matters as are necessary to effect the Arrangement, implement the Plan of Arrangement.

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1.5. *Joint Proxy Statement; S-8 Registration Statement.* (a) As promptly as practicable after execution and delivery of this Agreement, Parent and the Company shall cooperate in preparing and cause to be filed with the SEC a mutually acceptable joint management information circular and proxy statement (such joint management information circular and proxy statement and any amendments or supplements thereto, the *Joint Proxy Statement*), together with any other documents required by the United States Securities Act of 1933, as amended (the *Securities Act*), the United States Securities Exchange Act of 1934, as amended (the *Exchange Act*), the Securities Act (Ontario) and the rules, regulations and policies made thereunder, as amended (the *Ontario Securities Act*), or other applicable Laws in connection with the Arrangement and the other transactions contemplated by this Agreement. The Joint Proxy Statement shall constitute (i) the management information circular of the Company (the *Company Circular*) with respect to the Company Meeting and (ii) the proxy statement of Parent with respect to the Parent Meeting. Each of Parent and the Company shall use reasonable best efforts to obtain promptly SEC Clearance of the Joint Proxy Statement. As promptly as practicable after Parent and the Company receive SEC Clearance with respect to the Joint Proxy Statement and the Company receives the Interim Order, each of Parent and the Company shall cause the Joint Proxy Statement and any other documentation required in connection with the Parent Meeting or the Company Meeting, as the case may be, to be sent to each Parent Common Stockholder, Company Common Shareholder and holder of Company Options and Company RSUs, as the case may be, entitled to vote at the Parent Meeting or the Company Meeting and filed as required by the Interim Order and applicable Laws.

(b) Each party shall promptly furnish to the other party all information concerning such party and its securityholders as may be reasonably required in connection with any action contemplated by this *Section 1.5*, including any information required to be included in the Joint Proxy Statement. The Joint Proxy Statement shall comply in all material respects with all applicable Law and any requirements of the Interim Order. Each of Parent and the Company will, as promptly as practicable after receipt thereof, provide each other with copies of written comments and advise the other party of any oral comments with respect to the Joint Proxy Statement received from the SEC or the Court and of any request by the SEC or the Court for amendments or supplements to the Joint Proxy Statement or their respective historical SEC filings or for additional information. Each of Parent and the Company shall cooperate and provide the other party with a reasonable opportunity to review and comment on any correspondence with the SEC with respect to the Joint Proxy Statement and any amendment or supplement to the Joint Proxy Statement prior to providing or filing such, as the case may be, with the SEC and will promptly provide the other party with a copy of all such correspondence or filings made with the SEC. If at any time prior to the Parent Meeting or the Company Meeting any information relating to Parent or the Company, or their respective affiliates, officers or directors, should be discovered by Parent or the Company which should be set forth in an amendment or supplement to the Joint Proxy Statement so that such document would not include any misstatement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the party which discovers such information shall promptly notify the other party and, to the extent required by Law, (i) an appropriate amendment to the Interim Order shall be sought and (ii) subject to obtaining the amendment in the preceding clause (i), an appropriate amendment or supplement describing such information shall be promptly filed with the SEC and sent to each Parent Common Stockholder, Company Common Shareholder and holder of Company Options and Company RSUs entitled to vote at the Parent Meeting or the Company Meeting, as the case may be.

(c) Promptly after the Effective Time (as defined in the Plan of Arrangement), Parent shall file a registration statement on Form S-8 (the *S-8 Registration Statement*) with the SEC to register (i) the Parent Common Stock to be issued from time to time after the Effective Time upon exercise of Company Options, upon delivery of Parent Common Stock underlying Company RSUs assumed by Parent or upon exercise of options issued in exchange for Company Options pursuant to the terms of this Agreement and the Plan of Arrangement and (ii) the Parent Common Stock that is issued pursuant to the conversion of the Company Restricted Shares (as defined in *Section 2.1(b)(iii)*) pursuant to the terms of this Agreement and the Plan of Arrangement. Parent will use its reasonable best efforts to maintain the effectiveness of the S-8 Registration Statement for so long as any Company Options, or options issued in exchange therefor, remain outstanding or, in each case, until such earlier time as Parent determines to be sufficient on the written advice of its outside legal counsel.

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(d) Parent and the Company shall take any action required to be taken under any applicable provincial, territorial or state securities Laws (including blue sky Laws) in connection with the issuance of Parent Common Stock and the Arrangement; *provided, however*, that neither Parent nor the Company shall be required by reason of the foregoing to register or qualify as a foreign corporation or reporting issuer in any jurisdiction where either Parent or the Company is not now so registered or qualified.

1.6. *Exchange Ratio*. (a) As used herein, the term *Exchange Ratio* means 0.63 of a share of Parent Common Stock, including the corresponding percentage of a Parent Right (as defined in *Section 2.2(b)(ii)(B)*), to be delivered upon the transfer of each Company Common Share to a direct, wholly owned Subsidiary of Parent, pursuant to Section 2.2 of the Plan of Arrangement. All references in this Agreement to Parent Common Stock to be received in accordance with the Plan of Arrangement shall be deemed, from and after the Effective Time, to include the associated Parent Rights.

(b) Except as set forth in Section 1.6(b) of the Company Disclosure Letter, if the Company changes the number of Company Common Shares or securities convertible or exchangeable into or exercisable for Company Common Shares, or Parent changes the number of shares of Parent Common Stock or securities convertible or exchangeable into or exercisable for shares of Parent Common Stock, issued and outstanding prior to the Effective Time as a result of a reclassification, stock split (including reverse split), dividend or distribution, recapitalization, merger, subdivision, combination, issuer tender or exchange offer, or other similar transaction, the Exchange Ratio will be adjusted appropriately to provide the holders of Company Common Shares the same economic effect as contemplated by this Agreement and the Plan of Arrangement prior to such reclassification, split, dividend, distribution, recapitalization, merger, subdivision, combination, tender or exchange offer or similar transaction.

1.7. *Dissenting Shareholders*. The Company shall give Parent (a) prompt notice of any written notice exercising Dissent Rights, withdrawals of the exercise of such rights, and any other instruments served pursuant to the CBCA and received by the Company in connection with the Arrangement or the Company Meeting and (b) the opportunity to participate in all negotiations and proceedings with respect to the exercise of such Dissent Rights to the extent that the Company is proposing to make any payments to such Company Common Shareholders. Without the prior written consent of Parent, except as required by applicable Law, the Company shall not make any payment prior to the Effective Time with respect to any such rights or offer to settle or settle any such rights.

1.8. *Other Effects of the Arrangement*. Each Company Option and Company RSU will be dealt with as provided in the Plan of Arrangement.

1.9. *Canadian Securities Exemption Orders*. Parent shall use its reasonable best efforts to obtain all orders required from the applicable Canadian securities regulatory authorities to permit the issuance and first resale of Parent Common Stock issued pursuant to the Arrangement without qualification with or approval of or the filing of any prospectus, or the taking of any proceeding with, or the obtaining of any further order, ruling or consent from any Governmental Entity (as defined in *Section 2.1(d)(i)(G)*) under any Canadian federal, provincial or territorial securities or other Laws or pursuant to the rules and regulations of any Governmental Entity administering such Laws, or the fulfillment of any other legal requirement in any such jurisdiction (other than, with respect to such first resales, any restrictions or transfer by reason of, among other things, a holder being a control person of Parent for purposes of Canadian federal, provincial or territorial securities Laws).

1.10. *Closing*. The closing of the Arrangement and the other transactions contemplated hereby (the *Closing*) shall take place (i) at the offices of Osler, Hoskin & Harcourt LLP, 100 King Street West, Toronto, Ontario M5X1B8 on the third business day after which the last to be fulfilled or waived of the conditions set forth in *Article IV* (other than those conditions that by their nature are to be satisfied at the Closing, but subject to fulfillment or waiver of those conditions) shall be satisfied or waived in accordance with this Agreement or (ii) at such other place and time and/or on such other date as the Company and Parent may agree in writing (the *Closing Date*).

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ARTICLE II

REPRESENTATIONS AND WARRANTIES

2.1. *Representations and Warranties of the Company.* Except as set forth in the corresponding sections or subsections of the disclosure letter delivered to Parent by the Company prior to entering into this Agreement (the *Company Disclosure Letter*), the Company hereby represents and warrants to Parent that:

(a) *Organization, Good Standing and Qualification.* Each of the Company and its Subsidiaries is a corporation duly organized, validly existing and in good standing under the Laws of its respective jurisdiction of organization and has all requisite corporate or similar power and authority to own and operate its properties and assets and to carry on its business as presently conducted and is qualified to do business and is in good standing as a foreign corporation in each jurisdiction where the ownership or operation of its assets or properties or conduct of its business requires such qualification, except where the failure to be so organized, qualified or in good standing, or to have such power or authority when taken together with all other such failures, would not be reasonably likely to have a Company Material Adverse Effect (as defined in *Section 6.10*) or prevent, materially delay or materially impair the ability of the Company to consummate the transactions contemplated by this Agreement and the Arrangement. The Company has made available to Parent a complete and correct copy of the certificate and articles of continuance, articles of incorporation, by-laws or equivalent organizational documents and all amendments thereto (the *Organizational Documents*) of the Company and its *Significant Subsidiaries* (as defined in Rule 1.02(w) of Regulation S-X promulgated pursuant to the Exchange Act), each as amended to the date hereof. The Company's and its Significant Subsidiaries' Organizational Documents so made available are in full force and effect. Section 2.1(a) of the Company Disclosure Letter contains a correct and complete list of each jurisdiction where the Company and each of its Subsidiaries (other than any Subsidiaries that have no operations and have no employees) is organized and qualified to do business.

(b) *Capital Structure.* (i) The authorized capital stock of the Company consists of (A) an unlimited number of Company Common Shares and (B) an unlimited number of preference shares, issuable in series, and an unlimited number of Series 1 Preference Shares (*Company Preferred Shares*).

(ii) (A) As of the close of business on October 31, 2003, 158,037,148 Company Common Shares were issued and outstanding, all of which have been duly authorized and are validly issued, fully paid and nonassessable.

(B) As of the date hereof, no Company Preferred Shares were issued or outstanding.

(iii) Section 2.1(b)(iii) of the Company Disclosure Letter contains a correct and complete list as of October 31, 2003 of each outstanding option to purchase Company Common Shares (collectively, the *Company Options*), each outstanding restricted stock unit with respect to Company Common Shares (collectively, the *Company RSUs*) and each outstanding share of restricted Company Common Shares that is still subject to forfeiture conditions (collectively, the *Company Restricted Shares*) granted under the (1) the Company 2003 Long Term Incentive Plan, (2) the Company 2001 Long Term Incentive Plan, (3) the Company 2003 Executive Inducement Grant, (4) the Company 1999 Long Term Incentive Plan, (5) the Company 1994 Long Term Incentive Plan, (6) the Company 1985 Long Term Incentive Plan, (7) the Company 2001 Inducement Grants and (8) the Company Share Plan for Non-Employee Directors (collectively, the *Company Option Plans* and, together with the Company's Employee Stock Purchase Plan, the *Company Stock Plans*), including the holder, date of grant, exercise price (if applicable), number of Company Common Shares subject thereto, the Company Option Plan under which such option, unit or restricted share, as the case may be, was granted and, with respect to any option, whether the option is vested and exercisable and with respect to any restricted share, whether the share is

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vested. Between October 31, 2003 and the date hereof, the Company has not granted any additional options under the Company Option Plans or awarded any restricted stock units or restricted shares.

(iv) Each of the outstanding shares of capital stock or other securities of each of the Company's Subsidiaries is duly authorized, validly issued, fully paid and nonassessable and owned by the Company or a direct or indirect wholly owned Subsidiary of the Company, free and clear of any lien, pledge, security interest, claim or other encumbrance.

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(v) Except for outstanding rights under the Company Stock Plans and except as may be permitted to be issued, delivered or sold after the date hereof in accordance with *Section 3.1(a)*, there are no preemptive or other outstanding rights, options, warrants, conversion rights, stock appreciation rights, redemption rights, repurchase rights, agreements, arrangements, calls, commitments or rights of any kind that obligate the Company or any of its Subsidiaries to issue or sell any shares of capital stock or other securities of the Company or any of its Subsidiaries or any securities or obligations convertible or exchangeable into or exercisable for, or giving any Person (as defined in *Section 6.10*) a right to subscribe for or acquire, any securities of the Company or any of its Subsidiaries, and no securities or obligations evidencing such rights are authorized, issued or outstanding. There are no outstanding contractual rights to which the Company or any of its Subsidiaries is a party, the value of which is based on the value of the Company Common Shares.

(vi) The Company does not have outstanding any bonds, debentures, notes or other obligations the holders of which have the right to vote (or convertible into or exercisable for securities having the right to vote) with the Company Common Shareholders on any matter (*Company Voting Debt*).

(vii) The Company does not own, directly or indirectly, any voting interest in any Person that may require a filing by Parent under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the *HSR Act*).

(viii) No holders of securities issued by the Company or any of its Subsidiaries have any right to compel the Company or any of its Subsidiaries to register or otherwise qualify such securities for public sale in Canada or the United States.

(c) *Corporate Authority; Approval and Fairness.* (i) The Company has all requisite corporate power and authority and has taken all corporate action necessary in order to execute and deliver this Agreement and, subject only to approval of the Arrangement in accordance with the terms of the Interim Order (the *Company Requisite Vote*) and, with respect to the Company Circular and the matters relating thereto, the approval of the Board of Directors of the Company, to perform its obligations under this Agreement and to consummate the transactions contemplated by this Agreement and the Arrangement. This Agreement is a valid and binding agreement of the Company enforceable against the Company in accordance with its terms, except to the extent enforceability may be subject to (A) bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar Laws affecting or relating to creditors' rights generally and (B) general equitable principles (whether considered in a proceeding in equity or at law) and (C) the Currency Act (Canada) which precludes a court in Canada from rendering judgment in any currency other than Canadian currency.

(ii) The Board of Directors of the Company has: (A) determined unanimously that the transactions contemplated by this Agreement and the Arrangement are advisable and in the best interests of the Company Common Shareholders and the holders of Company Options and Company RSUs; (B) received an opinion from its financial advisor, Goldman, Sachs & Co., to the effect that, as of the date hereof and based upon and subject to the matters set forth therein, the Exchange Ratio is fair from a financial point of view to the Company Common Shareholders (other than Parent and its *Affiliates* (as defined in Rule 12b-2 under the Exchange Act)); and (C) determined to recommend that the Company Common Shareholders and the holders of Company Options and Company RSUs vote in favor of the Arrangement.

(d) *Governmental Filings; No Violations.* (i) Other than the filings, notices, approvals and/or exemption orders (A) under the CBCA, (B) under the HSR Act, (C) under the Exchange Act, the Securities Act, the Ontario Securities Act and the securities laws of each of the other provinces and territories of Canada, (D) to comply with state securities or "blue sky" Laws, (E) required to be made with the New York Stock Exchange, Inc. (*NYSE*) and the Toronto Stock Exchange (*TSX*), (F) required to be or customarily filed pursuant to any state environmental transfer statutes and (G) under the Investment Canada Act and Competition Act (Canada), and other than the Interim Order and the Final Order, no notices, reports or other filings are required to be made by the Company or any of its Subsidiaries with, and no consents, registrations, approvals, permits or authorizations are required to be obtained by the Company or any of its Subsidiaries from, any governmental or regulatory authority, agency, commission, body or other governmental entity (*Governmental Entity*), in connection with the execution and delivery of this Agreement by the

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Company and the consummation by the Company of the transactions contemplated by this Agreement and the Arrangement, except where the failure to make any such

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notice, report or filing or obtain any such consent, registration, approval, permit or authorization, individually or in the aggregate, would not be reasonably likely to have a Company Material Adverse Effect or prevent, materially delay or materially impair the ability of the Company to consummate the transactions contemplated by this Agreement and the Arrangement.

(ii) The execution, delivery and performance of this Agreement by the Company do not, and the consummation by the Company of the transactions contemplated by this Agreement and the Arrangement will not, constitute or result in (A) a breach or violation of, or a default under, the Organizational Documents of the Company or any of its Subsidiaries, (B) a breach or violation of, or a default under, the acceleration of any obligations or the creation of a lien, pledge, security interest or other encumbrance on the assets of the Company or any of its Subsidiaries (with or without notice, lapse of time or both) pursuant to, any agreement, lease, license, contract, note, mortgage, indenture, arrangement or other obligation (*Contracts*) binding upon the Company or any of its Subsidiaries or any Laws or governmental or non-governmental permit or license to which the Company or any of its Subsidiaries is subject or (C) any change in the rights or obligations of any party under any of the Contracts, except, in the case of clause (B) or (C) above, for any breach, violation, default, acceleration, creation or change that, individually or in the aggregate, would not be reasonably likely to have a Company Material Adverse Effect or prevent, materially delay or materially impair the ability of the Company to consummate the transactions contemplated by this Agreement and the Arrangement.

(e) *Company Reports; Financial Statements.* The Company has delivered to Parent each registration statement, report, proxy statement or information statement that it has filed with or furnished to the SEC since December 31, 2002 (the *Company Audit Date*) (collectively, including any other reports filed with or furnished to the SEC subsequent to the date hereof and as amended, the *Company Reports*), including (i) the Company's Annual Report on Form 10-K for the year ended December 31, 2002 and (ii) the Company's Quarterly Reports on Form 10-Q for the periods ended March 31, 2003 and June 30, 2003 (including exhibits, annexes and any amendments thereto). As of their respective dates (or, if amended prior to the date hereof, as of the date of such amendment), the Company Reports did not, and any Company Reports filed with or furnished to the SEC subsequent to the date hereof will not, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances in which they were made, not misleading. Each of the consolidated balance sheets included in or incorporated by reference into the Company Reports (including the related notes and schedules) fairly presents, or will fairly present, the consolidated financial position of the Company and its Subsidiaries as of its date and each of the consolidated statements of income and of changes in financial position included in or incorporated by reference into the Company Reports (including any related notes and schedules) fairly presents, or will fairly present, the results of operations, retained earnings and changes in financial position, as the case may be, of the Company and its Subsidiaries for the periods set forth therein (subject, in the case of unaudited statements, to notes and normal year-end audit adjustments that will not be material in amount or effect), in each case in accordance with Canadian generally accepted accounting principles (*Canadian GAAP*) consistently applied during the periods involved, except as may be noted therein.

(f) *Absence of Certain Changes.* Except as disclosed in the Company Reports filed with or furnished to the SEC prior to the date hereof, since the Company Audit Date the Company and its Subsidiaries have conducted their respective businesses only in, and have not engaged in any material transaction other than according to, the ordinary and usual course of such businesses and there has not been: (i) any change in the financial condition, business, operations, results of operations, properties, assets or liabilities of the Company and its Subsidiaries or any development or combination of developments of which management of the Company has knowledge that, individually or in the aggregate, has had or would reasonably be likely to have a Company Material Adverse Effect or prevent, materially delay or materially impair the ability of the Company to consummate the transactions contemplated by this Agreement and the Arrangement; (ii) any material damage, destruction or other casualty loss with respect to any material asset or property owned, leased or otherwise used by the Company or any of its Subsidiaries, whether or not covered by insurance; (iii) any declaration, setting aside or payment of any dividend or other distribution in cash, stock or property in respect of the capital stock of the Company; or (iv) any change by the Company in accounting principles or any material accounting practices or methods. Since the

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Company Audit Date, except as provided for herein or as disclosed in the Company Reports filed with or furnished to the SEC prior to the date hereof, there has not been any material increase in the compensation payable or that could become payable by the Company or any of its Subsidiaries to any executive officer or key employee or any material amendment of any of the Company Compensation and Benefit Plans (as defined in *Section 2.1(h)(i)*) other than increases or amendments in the ordinary course.

(g) *Litigation and Liabilities*. Except as disclosed in the Company Reports filed with or furnished to the SEC prior to the date hereof, there are no (i) civil, criminal or administrative actions, suits, claims, hearings, investigations or proceedings pending or, to the knowledge of the Company, threatened against the Company or any of its Affiliates or (ii) obligations or liabilities, whether or not accrued, contingent or otherwise and whether or not required to be disclosed, including those relating to matters involving any Environmental Law (as defined in *Section 6.10*), or any other facts or circumstances of which the Company has knowledge that could result in any claims against, or obligations or liabilities of, the Company or any of its Affiliates, except, in the case of clauses (i) and (ii), for those that, individually or in the aggregate, would not be reasonably likely to have a Company Material Adverse Effect or prevent, materially delay or materially impair the ability of the Company to consummate the transactions contemplated by this Agreement and the Arrangement.

(h) *Employee Benefits*. (i) A copy of each written, and a description of each unwritten, bonus, deferred compensation, pension, retirement, profit-sharing, thrift, savings, employee stock ownership, stock bonus, stock purchase, restricted stock, stock option, stock-based, employment, termination, severance, compensation, benefit, medical, health or other plan, agreement, policy or arrangement that covers employees, directors, former employees or former directors of the Company and its Subsidiaries (the *Company Compensation and Benefit Plans*) and any trust or funding agreement or insurance contract forming a part of such Compensation and Benefit Plan has been made available to Parent prior to the date hereof. The Compensation and Benefit Plans are listed in Section 2.1(h)(i) of the Company Disclosure Letter and any Company Compensation and Benefit Plan that is the subject of a favorable opinion letter from the Internal Revenue Service National Office, including any master or prototype plan, has been separately identified in such Section 2.1(h)(i).

(ii) To the knowledge of the Company, all Company Compensation and Benefit Plans, other than multiemployer plans (as within the meaning of Section 3(37) of the Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations promulgated thereunder (*ERISA*)) (each, a *Multiemployer Plan*) and Company Compensation and Benefit Plans maintained outside of the United States primarily for the benefit of employees, directors, former employees or former directors of the Company and its Subsidiaries working outside of the United States (collectively, *U.S. Company Compensation and Benefit Plans*) are in material compliance with all applicable Laws, including the Code and ERISA. Each U.S. Company Compensation and Benefit Plan which is subject to ERISA (the *Company ERISA Plans*) that is an employee pension benefit plan within the meaning of Section 3(2) of ERISA (a *Company Pension Plan*) and that is intended to be qualified under Section 401(a) of the Code is the subject of a favorable determination letter from the Internal Revenue Service (the *IRS*) covering all tax Laws changes prior to the Economic Growth and Tax Relief Reconciliation Act of 2001 (*EGTRRA*), is the subject of a request to the IRS for such favorable determination letter submitted within the applicable remedial amendment period under Section 401(b) of the Code, or is entitled to rely upon the favorable opinion letters described above, and the Company is not aware of any circumstances likely to result in revocation of any such favorable opinion or determination letter. There is no pending or, to the knowledge of the Company, threatened material litigation relating to the Company Compensation and Benefit Plans. To the knowledge of the Company, neither the Company nor any of its Subsidiaries has engaged in a transaction with respect to any Company ERISA Plan that, assuming the taxable period of such transaction expired as of the date hereof, would subject the Company or any of its Subsidiaries to a material tax or penalty imposed by either Section 4975 of the Code or Section 502 of ERISA. Since January 1, 2000, neither the Company nor any of its Subsidiaries has filed an application under the IRS Employee Plans Compliance Resolution System or the Department of Labor's (the *DOL*) Voluntary Fiduciary Correction program with respect to any Company ERISA Plan.

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(iii) As of the date hereof, no liability under Subtitle C or D of Title IV of ERISA has been or is expected to be incurred by the Company or any Subsidiary with respect to any ongoing, frozen or terminated single-employer plan, within the meaning of Section 4001(a)(15) of ERISA, currently or formerly maintained by any of them, or the single-employer plan of any entity which is considered a single employer together with the Company pursuant to Section 4001 of ERISA or Section 414 of the Code (an *ERISA Affiliate*). The Company and its Subsidiaries have not incurred and do not expect to incur any material withdrawal liability with respect to a Multiemployer Plan (regardless of whether based on contributions of an ERISA Affiliate of the Company). No notice of a reportable event, within the meaning of Section 4043 of ERISA for which the 30-day reporting requirement has not been waived or extended, other than pursuant to Pension Benefit Guaranty Corporation (*PBGC*) Reg. Section 4043.66, has been required to be filed for any Pension Plan or by any ERISA Affiliate of the Company within the 12-month period ending on the date hereof or will be required to be filed in connection with the transactions contemplated by this Agreement and the Arrangement.

(iv) All contributions or premiums required to be paid under the terms of any Company Compensation and Benefit Plan or by any Laws as of the date hereof have been timely made or have been reflected on the most recent consolidated balance sheet filed or incorporated by reference in the Company Reports filed with or furnished to the SEC prior to the date hereof. Neither any Company Pension Plan nor any single-employer plan, as defined above, of an ERISA Affiliate of the Company has an accumulated funding deficiency (whether or not waived) within the meaning of Section 412 of the Code or Section 302 of ERISA and no ERISA Affiliate of the Company has an outstanding funding waiver. Neither the Company nor its Subsidiaries has provided, or is required to provide, security to any Company Pension Plan or to any single-employer plan, as defined above, of an ERISA Affiliate of the Company pursuant to Section 401(a)(29) of the Code.

(v) Under each Company Pension Plan which is a single-employer plan, as of the last day of the most recent plan year ended prior to the date hereof, the actuarially determined present value of all benefit liabilities, within the meaning of Section 4001(a)(16) of ERISA (as determined on the basis of the actuarial assumptions contained in the Pension Plan's most recent actuarial valuation), did not exceed the then current value of the assets of such Company Pension Plan, and there has been no material change in the financial condition of such Company Pension Plan since the last day of the most recent plan year. The withdrawal liability of the Company and its Subsidiaries under each Multiemployer Plan to which the Company, any of its Subsidiaries or an ERISA Affiliate of the Company has contributed during the preceding 12 months, determined as if a complete withdrawal within the meaning of Section 4203 of ERISA, had occurred as of the date hereof, does not exceed \$5,000,000.

(vi) Neither the Company nor its Subsidiaries have any obligations for retiree health and life benefits under any Company ERISA Plan. Each such plan contains provisions that allow the Company or its Subsidiaries to amend or terminate such plan at any time without the consent of any other Person and without incurring liability thereunder other than in respect of claims incurred prior to such amendment or termination.

(vii) There has been no amendment to, announcement by the Company or any of its Subsidiaries relating to, or change in employee participation or coverage under, any Company Compensation and Benefit Plan which would increase materially the expense of maintaining such Company Compensation and Benefit Plan above the level of the expense incurred therefore for the most recent fiscal year. The execution of this Agreement, approval of this Agreement and the Arrangement by the Company Requisite Vote, or consummation of the transactions contemplated by this Agreement and the Arrangement will not (u) entitle any employees of the Company or its Subsidiaries to severance pay or any increase in severance pay upon termination of employment, (v) accelerate the time of payment or vesting or trigger any payment of compensation or benefits under, increase the amount payable or trigger any other material obligation pursuant to, any of the Company Compensation and Benefit Plans, (w) result in any breach or violation of, or a default under, any of the Company Compensation and Benefit Plans, (x) limit or restrict the right of the Company or, after the consummation of the transactions contemplated hereby, Parent to merge, amend or terminate any of the Company Compensation and Benefit Plans, (y) cause the Company or any of its Subsidiaries or, after the consummation of the transactions contemplated hereby, Parent to record additional compensation expense on its income statement with respect to any outstanding stock option or other equity-based award or (z) result in payments under any of the Company Compensation and Benefit Plans

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that are not deductible pursuant to Section 162(m) or Section 280G of the Code or pursuant to the Income Tax Act (Canada).

(viii) All Company Compensation and Benefit Plans covering current or former Canadian employees, or their dependents or beneficiaries, of the Company and its Subsidiaries (*Company Canadian Compensation and Benefit Plans*) are and have been registered, qualified, invested and administered in all material respects in accordance with applicable local Laws and the terms of such Company Canadian Compensation and Benefit Plans. The Company and its Subsidiaries have complied with all material obligations under such Company Canadian Compensation and Benefit Plans and there is no proceeding, action, complaint, investigation or claim in respect of any Company Canadian Compensation and Benefit Plan initiated by any Governmental Entity or any other Person (other than routine inquiries and claims for benefits). Each Company Canadian Compensation and Benefit Plan which is a funded plan was fully funded as of the last actuarial valuation date on both a going concern and a solvency basis pursuant to the actuarial assumptions and methodology utilized in the most recent actuarial valuation therefore as filed with the applicable regulatory authority. None of the Company Canadian Compensation and Benefit Plans (other than pension plans) provide benefits to retired employees or to the beneficiaries or dependents of retired employees. No event has occurred respecting any registered Company Canadian Compensation and Benefit Plan which could reasonably be expected to result in the revocation of the registration of such plan or entitle any Person (without the consent of the Company or its Subsidiaries) to wind up or terminate any Company Canadian Compensation and Benefit Plan, in whole or in part, or which could otherwise reasonably be expected to adversely affect the tax status of any such plan. None of the Company or its Subsidiaries have taken any contribution or premium holiday under any Company Canadian Compensation and Benefit Plan. None of the Company Canadian Compensation and Benefit Plans, or any insurance contract relating thereto, require or permit a retroactive increase in premiums or payments or require additional premiums or payments on termination of any such plan.

(ix) All Company Compensation and Benefit Plans covering current or former non-U.S. and non-Canadian employees, or their dependents or beneficiaries, of the Company and its Subsidiaries (*Company Non-US/Canada Compensation and Benefit Plans*) are and have been registered, qualified, invested and administered in all material respects in accordance with applicable local Law and the terms of such Company Non-US/Canada Compensation and Benefit Plans. The Company and its Subsidiaries have complied with all material obligations under such Company Non-US/Canada Compensation and Benefit Plans and there is no proceeding, action, complaint, investigation or claim in respect of any Company Non-US/Canada Compensation and Benefit Plan initiated by any Governmental Entity or any other Person (other than routine inquiries and claims for benefits). Each Company Non-US/Canada Compensation and Benefit Plan which is a funded plan is fully funded as of the last actuarial valuation date on both a going concern and a solvency basis pursuant to the actuarial assumptions and methodology utilized in the most recent actuarial valuation therefore as filed with the applicable regulatory authorities. None of the Company Non-US/Canada Compensation and Benefit Plans (other than pension plans) provide benefits to retired employees or to the beneficiaries or dependents of retired employees.

(x) Section 2.1(h)(x) of the Company Disclosure Letter sets forth the amount of bonuses accrued as of September 30, 2003 with respect to all employees of the Company and its Subsidiaries and the amount of bonuses targeted to be accrued for the remainder of fiscal year 2003.

(xi) The Company RSUs that the Company's Board of Directors granted in October 2003 will not accelerate as a result of the transactions contemplated by this Agreement and the Arrangement.

(i) *Compliance with Laws; Permits.* Except as disclosed in the Company Reports filed with or furnished to the SEC prior to the date hereof, the businesses of each of the Company and its Subsidiaries are not being conducted in violation of any federal, state, local or foreign law, statute, ordinance, rule, regulation, judgment, order, injunction, decree, arbitration award, agency requirement, license or permit of any Governmental Entity (collectively, *Laws*), except for any violation that, individually or in the aggregate, would not be reasonably likely to have a Company Material Adverse Effect or prevent, materially delay or materially impair the ability of the Company to consummate the transactions contemplated by this Agreement and the Arrangement. Except as disclosed in the Company Reports filed with or furnished to the SEC prior to the date hereof and except for any

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investigation or review that, individually or in the aggregate, would not be reasonably likely to have a Company Material Adverse Effect or prevent, materially delay or materially impair the ability of the Company to consummate the transactions contemplated by this Agreement and the Arrangement, no investigation or review by any Governmental Entity with respect to the Company or any of its Subsidiaries is pending or, to the knowledge of the Company, threatened, nor has any Governmental Entity indicated an intention to the Company or any of its Subsidiaries to conduct the same. To the knowledge of the Company, no material change is required in the Company's or any of its Subsidiaries' processes, properties or procedures in connection with any Law, and the Company has not received any notice or communication of any material noncompliance with any Law that has not been cured as of the date hereof. The Company and its Subsidiaries each has all permits, licenses, franchises, variances, exemptions, orders and other governmental authorizations, consents and approvals (the *Company Permits*) necessary to conduct its business in all material respects as presently conducted, except where the failure to have any such Company Permits, individually or in the aggregate, would not be reasonably likely to have a Company Material Adverse Effect or prevent, materially delay or materially impair the ability of the Company to consummate the transactions contemplated by this Agreement and the Arrangement.

(j) *Takeover Statutes.* No fair price, moratorium, control share acquisition or other similar anti-takeover statute or regulation (each a *Takeover Statute*) or any anti-takeover provision in the Company's Organizational Documents is, or at the Effective Time will be, applicable to the Company, the Company Common Shares, the Arrangement or the other transactions contemplated by this Agreement and the Arrangement.

(k) *Environmental Matters.* Except as disclosed in the Company Reports filed with or furnished to the SEC prior to the date hereof and except for matters that, individually or in the aggregate, would not be reasonably likely to have a Company Material Adverse Effect or prevent, materially delay or materially impair the ability of the Company to consummate the transactions contemplated by this Agreement and the Arrangement: (i) the Company and its Subsidiaries have complied at all times with all applicable Environmental Laws; (ii) no property currently owned or operated by the Company or any of its Subsidiaries (including soils, groundwater, surface water, buildings or other structures) is contaminated with any Hazardous Substance (as defined in *Section 6.10*) which could reasonably be expected to require remediation pursuant to any Environmental Law; (iii) no property formerly owned or operated by the Company or any of its Subsidiaries was contaminated with any Hazardous Substance during or prior to such period of ownership or operation which contamination could reasonably be expected to require remediation pursuant to any Environmental Law; (iv) neither the Company nor any of its Subsidiaries is liable for any Hazardous Substance disposal or contamination on any third party property; (v) neither the Company nor any of its Subsidiaries has received any notice, demand, letter, claim or request for information alleging that the Company or any of its Subsidiaries may be in violation of or subject to liability under any Environmental Law; (vi) neither the Company nor any of its Subsidiaries is subject to any order, decree, injunction, indemnity or other agreement with any Governmental Entity or third party relating to liability under any Environmental Law or relating to Hazardous Substances; (vii) there are no other circumstances or conditions involving the Company or any of its Subsidiaries that could reasonably be expected to result in any claim, liability, investigation, cost or restriction on the ownership, use, or transfer of any property pursuant to any Environmental Law; and (viii) the Company has made available to Parent copies of all material environmental reports, studies, assessments, sampling data and other environmental documents in its possession relating to Company or its Subsidiaries or their respective current and former properties or operations.

(l) *Taxes.* The Company and each of its Subsidiaries (i) have prepared in good faith and duly and timely filed (taking into account any extension of time within which to file) all Tax Returns (as defined in *Section 6.10*) required to be filed by any of them, except where failures to so prepare or file Tax Returns, individually or in the aggregate, would not be reasonably likely to have a Company Material Adverse Effect or prevent, materially delay or materially impair the ability of the Company to consummate the transactions contemplated by this Agreement and the Arrangement and all such filed Tax Returns are complete and accurate in all respects, except where failure to be complete and accurate, individually or in the aggregate, would not be reasonably likely to have a Company Material Adverse Effect or prevent, materially delay or materially impair the ability of the Company to consummate the transactions contemplated by this Agreement and the Arrangement, (ii) have duly

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and timely paid or remitted all Taxes (as defined in *Section 6.10*) that are required to be paid or remitted or that the Company or any of its Subsidiaries are obligated to withhold from amounts owing or paid to, or collected from, any employee, creditor or third party, except with respect to matters contested in good faith in appropriate proceedings and reserved for in accordance with Canadian GAAP and except where failures to so pay or remit, individually or in the aggregate, would not be reasonably likely to have a Company Material Adverse Effect or prevent, materially delay or materially impair the ability of the Company to consummate the transactions contemplated by this Agreement and the Arrangement; and (iii) have not waived any statute of limitations with respect to any United States or Canadian federal income Taxes or, to the extent related to such Taxes, agreed to any extension of time with respect to a Tax assessment or deficiency, in each case to the extent such waiver or agreement is currently in effect. The Tax Returns referred to in clause (i) of the previous sentence, to the extent related to United States or Canadian federal income Taxes, have been examined or reviewed by the relevant taxing authority or the period for assessment or reassessment of the Taxes in respect of which such Tax Returns were required to be filed has expired. As of the date hereof, there are no material audits, examinations, investigations or other proceedings pending or threatened in writing in respect of Taxes or Tax matters. The Company has made available to Parent true and correct copies of all United States and Canadian federal income Tax Returns filed by the Company and its Subsidiaries for taxable years ended on or after December 31, 2000 and before the date hereof. The Company and each of its Subsidiaries have complied with all United States and Canadian federal information reporting requirements and has retained all necessary information in its files to permit continued compliance with informational reporting requirements, except where failures to so comply or retain, individually or in the aggregate, would not be reasonably likely to have a Company Material Adverse Effect or prevent, materially delay or materially impair the ability of the Company to consummate the transactions contemplated by this Agreement and the Arrangement. There are no material liens (including statutory trusts) on any of the assets of the Company or any of its Subsidiaries, except for liens relating to current taxes not yet due and payable. No closing, settlement or similar agreements have been entered into by any taxing authority with the Company or any of its Subsidiaries, except closing, settlement and similar agreements that would not be reasonably likely to have a Company Material Adverse Effect or prevent, materially delay or materially impair the ability of the Company to consummate the transactions contemplated by this Agreement and the Arrangement. None of Moore Holdings USA, Inc. nor any of its Subsidiaries is or has been a member of an affiliated group (within the meaning of Section 1504(a) of the Code) filing consolidated United States federal income Tax Returns (other than such a group the common parent of which is or was Moore Business Forms, Inc., Moore U.S.A., Inc., Moore Holdings USA, Inc. or Wallace Computer Services, Inc.) None of the Company or any of its Subsidiaries has been a party to any distribution occurring during the last three years in which the parties to such distribution treated the distribution as one to which Section 355 of the Code (or any similar provision of any state, local or foreign Law) applied. No tax is required to be withheld pursuant to Section 1445 of the Code as a result of the transfer contemplated by this Agreement and the Arrangement.

(m) *Labor Matters.* Neither the Company nor any of its Subsidiaries is a party to or otherwise bound by any collective bargaining agreement, contract or other agreement or understanding with a labor union or labor organization. No work stoppage, labor strike or slowdown against the Company or any of its Subsidiaries is pending or, to the knowledge of the Company, threatened. Neither the Company nor any of its Subsidiaries is involved in or threatened with any labor dispute or grievance which, individually or in the aggregate, would be reasonably likely to have a Company Material Adverse Effect or to prevent, materially delay or materially impair the ability of the Company to consummate the transactions contemplated by this Agreement and the Arrangement. To the knowledge of the Company, there is no organizing effort or representation question at issue with respect to any employee of the Company or any of its Subsidiaries. No collective bargaining agreement to which the Company or any of its Subsidiaries is or may be a party is currently under negotiation or renegotiation and no existing collective bargaining agreement is due for expiration, renewal or renegotiation within the one year period after the date hereof. No trade or labor union, council of trade unions, employee bargaining agent or affiliated bargaining agent has applied, or to the knowledge of the Company threatened to apply, to have the Company or any of its Subsidiaries declared a common employer pursuant to the Labour Relations Act, 1995 or to be certified as the bargaining agent of any of the employees.

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(n) *Insurance.* The Company and its Subsidiaries maintain fire and casualty, general liability, business interruption, product liability, and sprinkler and water damage and other insurance policies, as applicable, that are consistent with that of other companies of substantially similar size and scope of operations in the same or substantially similar businesses.

(o) *Intellectual Property.* (i) The Company and/or each of its Subsidiaries owns, is licensed or otherwise possesses legally enforceable rights to use all patents, trademarks, trade names, service marks, domain names, copyrights, and any applications therefor, technology, trade secrets, know-how, computer software and tangible or intangible proprietary information or materials that are used in and material to the business of the Company and its Subsidiaries as currently conducted, and, to the knowledge of the Company, all patents, trademarks, trade names, service marks, domain names and copyrights owned by the Company and/or its Subsidiaries are valid and subsisting.

(ii) Except as disclosed in Company Reports filed with or furnished to the SEC prior to the date hereof:

(A) neither the Company nor any of its Subsidiaries is, or will be as a result of the execution and delivery of this Agreement or the performance of the Company's obligations hereunder, in violation of any material licenses, sublicenses or other agreements as to which the Company or any of its Subsidiaries is a party and pursuant to which the Company or any of its Subsidiaries is authorized to use any third-party patents, trademarks, service marks, domain names, copyrights, technology, trade secrets, know-how, computer software or tangible or intangible proprietary information or materials that are used in and material to the business of the Company and its Subsidiaries as currently conducted (collectively, *Company Third-Party Intellectual Property Rights*);

(B) no claims with respect to (I) the material patents, registered and unregistered trademarks and service marks, domain names, registered and unregistered copyrights, trade names, and any applications therefor, technology, trade secrets, know-how, computer software or tangible or intangible proprietary information or materials owned by the Company or any of its Subsidiaries and used in the business of the Company and its Subsidiaries as currently conducted (collectively, the *Company Intellectual Property Rights*) or (II) Company Third-Party Intellectual Property Rights are currently pending or, to the knowledge of the Company, are threatened by any Person, except for immaterial claims;

(C) to the knowledge of the Company, there are no valid grounds for any bona fide claims: (I) to the effect that the manufacture, sale, licensing or use of any product or service as now used, sold or licensed by the Company or any of its Subsidiaries, infringes, misappropriates or violates any copyright, patent, trademark, service mark, domain name, trade secret or other proprietary right of any Person; (II) against the use by the Company or any of its Subsidiaries of any Company Intellectual Property Right or Company Third-Party Intellectual Property Right used in the business of the Company or any of its Subsidiaries as currently conducted; (III) challenging the ownership, validity or enforceability of any of the Company Intellectual Property Rights; or (IV) challenging the license or legally enforceable right to use the Company Third-Party Intellectual Property Rights by the Company or any of its Subsidiaries; and

(D) to the knowledge of the Company, there is no unauthorized use, infringement, misappropriation or violation of any of the Company Intellectual Property Rights by any third party, including any employee or former employee of the Company or any of its Subsidiaries.

(p) *Vote Required.* The only vote of the holders of any class or series of the Company's capital stock or holders of Company Options and Company RSUs necessary or required to approve the Arrangement will be that vote determined by the Court and provided for in the Interim Order.

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(q) *Brokers and Finders.* Neither the Company nor any of its officers, directors or employees has employed any broker or finder or incurred any liability for any brokerage fees, commissions or finders, fees in connection with the transactions contemplated by this Agreement and the Arrangement except that the Company has employed Goldman, Sachs & Co. as its financial advisor, the arrangements with which have been disclosed to Parent prior to the date hereof.

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2.2. *Representations and Warranties of Parent.* Except as set forth in the corresponding sections or subsections of the disclosure letter delivered to the Company by Parent prior to entering into this Agreement (the *Parent Disclosure Letter*), Parent hereby represents and warrants to the Company that:

(a) *Organization, Good Standing and Qualification.* Each of Parent and its Subsidiaries is a corporation duly organized, validly existing and in good standing under the Laws of its respective jurisdiction of organization and has all requisite corporate or similar power and authority to own and operate its properties and assets and to carry on its business as presently conducted and is qualified to do business and is in good standing as a foreign corporation in each jurisdiction where the ownership or operation of its assets or properties or conduct of its business requires such qualification, except where the failure to be so organized, qualified or in good standing, or to have such power or authority when taken together with all other such failures, would not be reasonably likely to have a Parent Material Adverse Effect (as defined in *Section 6.10*) or prevent, materially delay or materially impair the ability of Parent to consummate the transactions contemplated by this Agreement and the Arrangement. Parent has made available to the Company a complete and correct copy of the Organizational Documents of Parent and its Significant Subsidiaries, each as amended to the date hereof. Parent's and its Significant Subsidiaries' Organizational Documents so made available are in full force and effect. Section 2.2(a) of the Parent Disclosure Letter contains a correct and complete list of each jurisdiction where Parent and each of its Subsidiaries (other than any Subsidiaries that have no operations and have no employees) is organized and qualified to do business.

(b) *Capital Structure.* (i) The authorized capital stock of Parent consists of (A) 500,000,000 shares of Parent Common Stock and (B) 2,000,000 shares of preferred stock, par value \$1.00 per share (the *Parent Preferred Stock*), of which 500,000 shares have been designated as Series A Junior Participating Stock (the *Parent Series A Preferred Stock*).

(ii) (A) At the close of business on October 31, 2003, 113,621,530 shares of Parent Common Stock were issued and outstanding, all of which have been duly authorized and are validly issued, fully paid and nonassessable.

(B) As of the date hereof, no shares of Parent Preferred Stock were issued and outstanding, but 500,000 shares of Parent Series A Preferred Stock were reserved for issuance pursuant to the exercise of the rights to acquire shares of Parent Series A Preferred Stock (the *Parent Rights*) issued or to be issued pursuant to the Rights Agreement, dated as of April 25, 1996, between Parent and First Chicago Trust Company of New York, as Rights Agent (the *Parent Rights Agreement*).

(C) Section 2.2(b)(ii) of the Parent Disclosure Letter contains a correct and complete list as of October 31, 2003 of the aggregate number of outstanding options to purchase shares of Parent Common Stock (collectively, the *Parent Options*) under each of (1) Parent's Shares Stock Option Plan, (2) Parent's 1991 Stock Incentive Plan, (3) Parent's 1995 Stock Incentive Plan, (4) Parent's 2000 Stock Incentive Plan and (5) Parent's 2000 Broad-Based Stock Incentive Plan (collectively, the *Parent Stock Plans*). Between October 31, 2003 and the date hereof, Parent has not granted any additional options under the Parent Stock Plans or awarded any stock units or restricted stock.

(iii) Each of the outstanding shares of capital stock of each of Parent's Subsidiaries is duly authorized, validly issued, fully paid and nonassessable and, except for directors' qualifying shares, owned by Parent or a direct or indirect wholly owned subsidiary of Parent, free and clear of any lien, pledge, security interest, claim or other encumbrance.

(iv) Except for the Parent Rights, except for outstanding rights under the Parent Stock Plans and except as may be permitted to be issued, delivered or sold after the date hereof in accordance with *Section 3.1(b)*, there are no preemptive or other outstanding rights, options, warrants, conversion rights, stock appreciation rights, redemption rights, repurchase rights, agreements, arrangements, calls, commitments or rights of any kind that obligate Parent or any of its Subsidiaries to issue or to sell any shares of capital stock or other securities of Parent or any of its

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Subsidiaries or any securities or obligations convertible or exchangeable into or exercisable for, or giving any Person a right to subscribe for or acquire, any securities of Parent or any of its Subsidiaries, and no

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securities or obligations evidencing such rights are authorized, issued or outstanding. There are no outstanding contractual rights to which Parent or any of its Subsidiaries is a party, the value of which is based on the value of Parent Common Stock.

(v) Parent does not have outstanding any bonds, debentures, notes or other obligations the holders of which have the right to vote (or which are convertible into or exercisable for securities having the right to vote) with the Parent Common Stockholders on any matter (*Parent Voting Debt*).

(vi) No holders of securities issued by Parent or any of its Subsidiaries have any right to compel Parent or any of its Subsidiaries to register or otherwise qualify such securities for public sale in the United States.

(c) *Corporate Authority; Approval and Fairness.* (i) Parent has all requisite corporate power and authority and has taken all corporate action necessary in order to execute and deliver this Agreement and, subject only to the affirmative vote of a majority of the votes cast by the holders of the outstanding shares of Parent Common Stock (provided that at least a majority of Parent Common Stock issued and outstanding and entitled to vote at the Parent Meeting is present in person or represented by proxy at such meeting) (the *Parent Requisite Vote*) approving the Share Issuance Proposal, to perform its obligations under this Agreement and to consummate the transactions contemplated by this Agreement and the Arrangement. This Agreement is a valid and binding agreement of Parent, enforceable against Parent in accordance with its terms, except to the extent enforceability may be subject to (A) bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar Laws affecting or relating to creditors' rights generally and (B) general equitable principles (whether considered in a proceeding in equity or at law).

(ii) The Board of Directors of Parent has: (A) determined unanimously that the transactions contemplated by this Agreement and the Arrangement are advisable and in the best interests of the Parent Common Stockholders; (B) received an opinion from its financial advisor, Morgan Stanley & Co. Incorporated, to the effect that, as of the date hereof and based upon and subject to the matters set forth therein, the Exchange Ratio is fair from a financial point of view to Parent; and (C) determined to recommend that the Parent Common Stockholders vote in favor of the Share Issuance Proposal.

(iii) Prior to the Effective Time, subject to the Parent Requisite Vote, Parent will have taken all necessary action to permit it to issue the number of shares of Parent Common Stock required to be issued pursuant to this Agreement and the Arrangement. The Parent Common Stock, when issued (A) in accordance with this Agreement and the Arrangement, (B) upon the exercise of options issued in exchange for Company Options pursuant to this Agreement and the Arrangement or (C) upon the vesting of restricted stock units with respect to Parent Common Stock issued in exchange for Company RSUs pursuant to this Agreement and the Arrangement will be validly issued, fully paid and nonassessable, and no stockholder of Parent will have any preemptive right of subscription or purchase in respect thereof. The Parent Common Stock, when so issued as described in clause (A) of the preceding sentence, will be exempt from registration under the Securities Act and registered or exempt from registration under any applicable state securities or "blue sky" Laws.

(d) *Governmental Filings; No Violations.* (i) Other than the filings, notices and/or approvals (A) under the HSR Act, (B) under the Securities Act and the Exchange Act, (C) to comply with state securities or "blue sky" Laws, (D) as may be required by the NYSE in respect of the Parent Common Stock to be issued in the transactions contemplated by this Agreement and the Arrangement and the listing of the Parent Common Stock on the NYSE, (E) required or advisable to be made or obtained under Canadian securities Laws, the Investment Canada Act and the Competition Act (Canada) (the *Competition Act*) and (F) required to be or customarily filed pursuant to any state environmental transfer statutes, no notices, reports or other filings are required to be made by Parent or any of its Subsidiaries with, and no consents, registrations, approvals, permits or authorizations are required to be obtained by Parent or any of its Subsidiaries from, any Governmental Entity, in connection with the execution and delivery of this Agreement by Parent and the consummation by Parent of the transactions contemplated by this Agreement and the Arrangement, except where the failure to make any such notice, report or filing or obtain any such consent, registration, approval, permit or authorization, individually or in the aggregate, would not be reasonably likely to have a Parent Material Adverse Effect or prevent, materially delay or materially impair the ability of Parent to consummate the transactions contemplated by this Agreement and the Arrangement.

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(ii) The execution, delivery and performance of this Agreement by Parent do not, and the consummation by Parent of the transactions contemplated by this Agreement and the Arrangement will not, constitute or result in (A) a breach or violation of, or a default under, the Organizational Documents of Parent or any of its Subsidiaries, (B) a breach or violation of, or a default under, the acceleration of any obligations or the creation of a lien, pledge, security interest or other encumbrance on the assets of Parent or any of its Subsidiaries (with or without notice, lapse of time or both) pursuant to, any Contracts binding upon Parent or any of its Subsidiaries or any Laws or governmental or non-governmental permit or license to which Parent or any of its Subsidiaries is subject or (C) any change in the rights or obligations of any party under any of the Contracts, except, in the case of clause (B) or (C) above, for any breach, violation, default, acceleration, creation or change that, individually or in the aggregate, would not be reasonably likely to have a Parent Material Adverse Effect or prevent, materially delay or materially impair the ability of Parent to consummate the transactions contemplated by this Agreement and the Arrangement.

(e) *Parent Reports; Financial Statements.* Parent has delivered to the Company each registration statement, report, proxy statement or information statement that it has filed with or furnished to the SEC since December 31, 2002 (the *Parent Audit Date*) (collectively, including any other reports filed with or furnished to the SEC subsequent to the date hereof and as amended, the *Parent Reports*), including (i) Parent's Annual Report on Form 10-K for the year ended December 31, 2002 and (ii) Parent's Quarterly Reports on Form 10-Q for the periods ended March 31, 2003 and June 30, 2003 (including exhibits, annexes and any amendments thereto). As of their respective dates (or, if amended prior to the date hereof, as of the date of such amendment), the Parent Reports did not, and any Parent Reports filed with or furnished to the SEC subsequent to the date hereof will not, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances in which they were made, not misleading. Each of the consolidated balance sheets included in or incorporated by reference into the Parent Reports (including the related notes and schedules) fairly presents, or will fairly present, the consolidated financial position of Parent and its Subsidiaries as of its date and each of the consolidated statements of income and of changes in financial position included in or incorporated by reference into the Parent Reports (including any related notes and schedules) fairly presents, or will fairly present, the results of operations, retained earnings and changes in financial position, as the case may be, of Parent and its Subsidiaries for the periods set forth therein (subject, in the case of unaudited statements, to notes and normal year-end audit adjustments that will not be material in amount or effect), in each case in accordance with U.S. generally accepted accounting principles (*U.S. GAAP*) consistently applied during the periods involved, except as may be noted therein.

(f) *Absence of Certain Changes.* Except as disclosed in the Parent Reports filed with or furnished to the SEC prior to the date hereof, since the Parent Audit Date Parent and its Subsidiaries have conducted their respective businesses only in, and have not engaged in any material transaction other than according to, the ordinary and usual course of such businesses and there has not been: (i) any change in the financial condition, business, operations, results of operations, properties, assets or liabilities of Parent and its Subsidiaries or any development or combination of developments of which management of Parent has knowledge that, individually or in the aggregate, has had or would reasonably be likely to have a Parent Material Adverse Effect or prevent, materially delay or materially impair the ability of Parent to consummate the transactions contemplated by this Agreement and the Arrangement; (ii) any material damage, destruction or other casualty loss with respect to any material asset or property owned, leased or otherwise used by Parent or any of its Subsidiaries, whether or not covered by insurance; (iii) any declaration, setting aside or payment of any dividend or other distribution in cash, stock or property in respect of the capital stock of Parent except for dividends or other distributions on its capital stock publicly announced prior to the date hereof and except as expressly permitted hereby; or (iv) any change by Parent in accounting principles or any material accounting practices or methods. Since the Parent Audit Date, except as provided for herein or as disclosed in the Parent Reports filed with or furnished to the SEC prior to the date hereof, there has not been any material increase in the compensation payable or that could become payable by Parent or any of its Subsidiaries to any executive officer or key employee or any material amendment of any of the Parent Compensation and Benefit Plans (as defined in *Section 2.2(h)(i)*) other than increases or amendments in the ordinary course.

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(g) *Litigation and Liabilities.* Except as disclosed in the Parent Reports filed with or furnished to the SEC prior to the date hereof, there are no (i) civil, criminal or administrative actions, suits, claims, hearings, investigations or proceedings pending or, to the knowledge of Parent, threatened against Parent or any of its Affiliates or (ii) obligations or liabilities, whether or not accrued, contingent or otherwise and whether or not required to be disclosed, including those relating to matters involving any Environmental Law, or any other facts or circumstances of which Parent has knowledge that could result in any claims against, or obligations or liabilities of, Parent or any of its Affiliates, except, in the case of clauses (i) and (ii), for those that, individually or in the aggregate, would not be reasonably likely to have a Parent Material Adverse Effect or prevent, materially delay or materially impair the ability of Parent to consummate the transactions contemplated by this Agreement and the Arrangement.

(h) *Employee Benefits.* (i) A copy of each written, and a description of each unwritten, bonus, deferred compensation, pension, retirement, profit-sharing, thrift, savings, employee stock ownership, stock bonus, stock purchase, restricted stock, stock option, stock-based, employment, termination, severance, compensation, benefit, medical, health or other plan, agreement, policy or arrangement that covers employees, directors, former employees or former directors of Parent and its Subsidiaries (the *Parent Compensation and Benefit Plans*) and any trust or funding agreement or insurance contract forming a part of such Parent Compensation and Benefit Plan has been made available to the Company prior to the date hereof. The Parent Compensation and Benefit Plans are listed in Section 2.2(h)(i) of the Parent Disclosure Letter and any Parent Compensation and Benefit Plan that is the subject of a favorable opinion letter from the Internal Revenue Service National Office, including any master or prototype plan, has been separately identified in such Section 2.2(h)(i).

(ii) To the knowledge of Parent, all Parent Compensation and Benefit Plans, other than Multiemployer Plans and Parent Compensation and Benefit Plans maintained outside of the United States primarily for the benefit of employees, directors, former employees or former directors of Parent and its Subsidiaries working outside of the United States (collectively, the *U.S. Parent Compensation and Benefit Plans*) are in material compliance with all applicable Laws, including the Code and ERISA. Each U.S. Parent Compensation and Benefit Plan which is subject to ERISA (the *Parent ERISA Plans*) that is an employee pension benefit plan within the meaning of Section 3(2) of ERISA (a *Parent Pension Plan*) and that is intended to be qualified under Section 401(a) of the Code is the subject of a favorable determination letter from the IRS covering all tax Laws changes prior to the EGTRRA, is the subject of a request to the IRS for such favorable determination letter submitted within the applicable remedial amendment period under Section 401(b) of the Code, or is entitled to rely upon the favorable opinion letters described above, and Parent is not aware of any circumstances likely to result in revocation of any such favorable opinion or determination letter. There is no pending or, to the knowledge of Parent, threatened material litigation relating to the Parent Compensation and Benefit Plans. To the knowledge of Parent, neither Parent nor any of its Subsidiaries has engaged in a transaction with respect to any Parent ERISA Plan that, assuming the taxable period of such transaction expired as of the date hereof, would subject Parent or any of its Subsidiaries to a material tax or penalty imposed by either Section 4975 of the Code or Section 502 of ERISA. Since January 1, 2000, neither Parent nor any of its Subsidiaries has filed an application under the IRS Employee Plans Compliance Resolution System or the DOL's Voluntary Fiduciary Correction program with respect to any Parent ERISA Plan.

(iii) As of the date hereof, no liability under Subtitle C or D of Title IV of ERISA has been or is expected to be incurred by Parent or any Subsidiary with respect to any ongoing, frozen or terminated single-employer plan, within the meaning of Section 4001(a)(15) of ERISA, currently or formerly maintained by any of them, or the single-employer plan of any entity which is considered an ERISA Affiliate of Parent. Parent and its Subsidiaries have not incurred and do not expect to incur any material withdrawal liability with respect to a Multiemployer Plan (regardless of whether based on contributions of an ERISA Affiliate of Parent). No notice of a reportable event, within the meaning of Section 4043 of ERISA for which the 30-day reporting requirement has not been waived or extended, other than pursuant to PBGC Reg. Section 4043.66, has been required to be filed for any Parent Pension Plan or by any ERISA Affiliate of Parent within the 12-month period ending on the date hereof or will be required to be filed in connection with the transactions contemplated by this Agreement and the Arrangement.

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(iv) All contributions or premiums required to be paid under the terms of any Parent Compensation and Benefit Plan or by any Laws as of the date hereof have been timely made or have been reflected on the most recent consolidated balance sheet filed or incorporated by reference in the Parent Reports prior to the date hereof. Neither any Parent Pension Plan nor any single-employer plan, as defined above, of an ERISA Affiliate of Parent has an accumulated funding deficiency (whether or not waived) within the meaning of Section 412 of the Code or Section 302 of ERISA and no ERISA Affiliate of Parent has an outstanding funding waiver. Neither Parent nor its Subsidiaries has provided, or is required to provide, security to any Parent Pension Plan or to any single-employer plan, as defined above, of an ERISA Affiliate of Parent pursuant to Section 401(a)(29) of the Code.

(v) Under each Parent Pension Plan which is a single-employer plan, as of the last day of the most recent plan year ended prior to the date hereof, the actuarially determined present value of all benefit liabilities, within the meaning of Section 4001(a)(16) of ERISA (as determined on the basis of the actuarial assumptions contained in the Parent Pension Plan's most recent actuarial valuation), did not exceed the then current value of the assets of such Parent Pension Plan, and there has been no material change in the financial condition of such Parent Pension Plan since the last day of the most recent plan year. The withdrawal liability of Parent and its Subsidiaries under each Multiemployer Plan to which Parent, any of its Subsidiaries or an ERISA Affiliate of Parent has contributed during the preceding 12 months, determined as if a complete withdrawal within the meaning of Section 4203 of ERISA, had occurred as of the date hereof, does not exceed \$5,000,000.

(vi) Neither Parent nor its Subsidiaries have any obligations for retiree health and life benefits under any Parent ERISA Plan. Each such plan contains provisions that allow Parent or its Subsidiaries to amend or terminate such plan at any time without the consent of any other Person and without incurring liability thereunder other than in respect of claims incurred prior to such amendment or termination.

(vii) There has been no amendment to, announcement by Parent or any of its Subsidiaries relating to, or change in employee participation or coverage under, any Parent Compensation and Benefit Plan which would increase materially the expense of maintaining such Parent Compensation and Benefit Plan above the level of the expense incurred therefore for the most recent fiscal year. The execution of this Agreement, approval of the Share Issuance Proposal by the Parent Requisite Vote, or consummation of the transactions contemplated by this Agreement and the Arrangement will not (u) entitle any employees of Parent or its Subsidiaries to severance pay or any increase in severance pay upon termination of employment, (v) accelerate the time of payment or vesting or trigger any payment of compensation or benefits under, increase the amount payable or trigger any other material obligation pursuant to, any of the Parent Compensation and Benefit Plans, (w) result in any breach or violation of, or default under, any of the Parent Compensation and Benefit Plans, (x) limit or restrict the right of Parent to merge, amend or terminate any of the Parent Compensation and Benefit Plans, (y) cause Parent or any of its Subsidiaries to record additional compensation expense on its income statement with respect to any outstanding stock option or other equity-based award or (z) result in payments under any of the Parent Compensation and Benefit Plans that are not deductible pursuant to Section 162(m) or Section 280G of the Code to the extent such payments were so deductible prior to such events.

(viii) Parent and its Subsidiaries do not have or maintain any Parent Compensation and Benefit Plans covering current or former Canadian employees, or their dependents or beneficiaries.

(ix) All Parent Compensation and Benefit Plans covering current or former non-U.S. and non-Canadian employees, or their dependents or beneficiaries, of Parent and its Subsidiaries (*Parent Non-US/Canada Compensation and Benefit Plans*) are and have been registered, qualified, invested and administered in all material respects in accordance with applicable local Law and the terms of such Parent Non-US/Canada Compensation and Benefit Plans. Parent and its Subsidiaries have complied with all material obligations under such Parent Non-US/Canada Compensation and Benefit Plans and there is no proceeding, action, complaint, investigation or claim in respect of any Parent Non-US/Canada Compensation and Benefit Plan initiated by any Governmental Entity or any other Person (other than routine inquiries and claims for benefits). Each Parent Non-US/Canada Compensation and Benefit Plan which is a funded plan is fully funded as of the last actuarial valuation date on both a going concern and a solvency basis pursuant to the actuarial assumptions and methodology utilized in the most recent actuarial valuation therefore as filed with the applicable regulatory

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authorities. None of the Parent Non-US/Canada Compensation and Benefit Plans (other than pension plans) provide benefits to retired employees or to the beneficiaries or dependents of retired employees.

(x) Section 2.2(h)(x) of the Parent Disclosure Letter sets forth the amount of bonuses accrued as of September 30, 2003 with respect to all employees of Parent and its Subsidiaries and the amount of bonuses targeted to be accrued for the remainder of fiscal year 2003.

(i) *Compliance with Laws; Permits.* Except as disclosed in the Parent Reports filed with or furnished to the SEC prior to the date hereof, the businesses of each of Parent and its Subsidiaries are not being conducted in violation of any Laws, except for any violation that, individually or in the aggregate, would not be reasonably likely to have a Parent Material Adverse Effect or prevent, materially delay or materially impair the ability of Parent to consummate the transactions contemplated by this Agreement and the Arrangement. Except as disclosed in the Parent Reports filed with or furnished to the SEC prior to the date hereof and except for any investigation or review that, individually or in the aggregate, would not be reasonably likely to have a Parent Material Adverse Effect or prevent, materially delay or materially impair the ability of Parent to consummate the transactions contemplated by this Agreement and the Arrangement, no investigation or review by any Governmental Entity with respect to Parent or any of its Subsidiaries is pending or, to the knowledge of Parent, threatened, nor has any Governmental Entity indicated an intention to Parent or any of its Subsidiaries to conduct the same. To the knowledge of Parent, no material change is required in Parent's or any of its Subsidiaries' processes, properties or procedures in connection with any Law, and Parent has not received any notice or communication of any material noncompliance with any Law that has not been cured as of the date hereof. Parent and its Subsidiaries each has all permits, licenses, franchises, variances, exemptions, orders and other governmental authorizations, consents and approvals (the *Parent Permits*) necessary to conduct its business in all material respects as presently conducted, except where the failure to have any such Parent Permits, individually or in the aggregate, would not be reasonably likely to have a Parent Material Adverse Effect or prevent, materially delay or materially impair the ability of Parent to consummate the transactions contemplated by this Agreement and the Arrangement.

(j) *Takeover Statutes.* No Takeover Statute or any anti-takeover provision in Parent's Organizational Documents is, or at the Effective Time will be, applicable to the transactions contemplated by this Agreement and the Arrangement.

(k) *Environmental Matters.* Except as disclosed in the Parent Reports filed with or furnished to the SEC prior to the date hereof and except for matters that, individually or in the aggregate, would not be reasonably likely to have a Parent Material Adverse Effect or prevent, materially delay or materially impair the ability of Parent to consummate the transactions contemplated by this Agreement and the Arrangement: (i) the Parent and its Subsidiaries have complied at all times with all applicable Environmental Laws; (ii) no property currently owned or operated by Parent or any of its Subsidiaries (including soils, groundwater, surface water, buildings or other structures) is contaminated with any Hazardous Substance which could reasonably be expected to require remediation pursuant to any Environmental Law; (iii) no property formerly owned or operated by Parent or any of its Subsidiaries was contaminated with any Hazardous Substance during or prior to such period of ownership or operation which contamination could reasonably be expected to require remediation pursuant to any Environmental Law; (iv) neither Parent nor any of its Subsidiaries is liable for any Hazardous Substance disposal or contamination on any third party property; (v) neither Parent nor any of its Subsidiaries has received any notice, demand, letter, claim or request for information alleging that Parent or any of its Subsidiaries may be in violation of or subject to liability under any Environmental Law; (vi) neither Parent nor any of its Subsidiaries is subject to any order, decree, injunction indemnity or other agreement with any Governmental Entity or third party relating to liability under any Environmental Law or relating to Hazardous Substances; (vii) there are no other circumstances or conditions involving Parent or any of its Subsidiaries that could reasonably be expected to result in any claim, liability, investigation, cost or restriction on the ownership, use, or transfer of any property pursuant to any Environmental Law; and (viii) Parent has made available to the Company copies of all material environmental reports, studies, assessments, sampling data and other environmental documents in its possession relating to Parent or its Subsidiaries or their respective current and former properties or operations.

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(l) *Taxes.* Parent and each of its Subsidiaries (i) have prepared in good faith and duly and timely filed (taking into account any extension of time within which to file) all Tax Returns required to be filed by any of them, except where failures to so prepare or file Tax Returns, individually or in the aggregate, would not be reasonably likely to have a Parent Material Adverse Effect or prevent, materially delay or materially impair the ability of Parent to consummate the transactions contemplated by this Agreement and the Arrangement and all such filed Tax Returns are complete and accurate in all respects, except where failure to be complete and accurate, individually or in the aggregate, would not be reasonably likely to have a Parent Material Adverse Effect or prevent, materially delay or materially impair the ability of Parent to consummate the transactions contemplated by this Agreement and the Arrangement; (ii) have duly and timely paid or remitted all Taxes that are required to be paid or remitted or that Parent or any of its Subsidiaries are obligated to withhold from amounts owing or paid to, or collected from, any employee, creditor or third party, except with respect to matters contested in good faith in appropriate proceedings and reserved for in accordance with U.S. GAAP and except where failures to so pay or remit, individually or in the aggregate, would not be reasonably likely to have a Parent Material Adverse Effect or prevent, materially delay or materially impair the ability of Parent to consummate the transactions contemplated by this Agreement and the Arrangement; and (iii) have not waived any statute of limitations with respect to any United States federal income Taxes or, to the extent related to such Taxes, agreed to any extension of time with respect to a Tax assessment or deficiency, in each case to the extent such waiver or agreement is currently in effect. The Tax Returns referred to in clause (i) of the previous sentence, to the extent related to United States federal income Taxes, have been examined or reviewed by the relevant taxing authority or the period for assessment or reassessment of the Taxes in respect of which such Tax Returns were required to be filed has expired. As of the date hereof, there are no material audits, examinations, investigations or other proceedings pending or threatened in writing in respect of Taxes or Tax matters. Parent has made available to the Company true and correct copies of all United States federal income Tax Returns filed by Parent and its Subsidiaries for taxable years ended on or after December 31, 2001 and before the date hereof. Parent and each of its Subsidiaries have complied with all United States federal information reporting requirements and has retained all necessary information in its files to permit continued compliance with informational reporting requirements, except where failures to so comply or retain, individually or in the aggregate, would not be reasonably likely to have a Parent Material Adverse Effect or prevent, materially delay or materially impair the ability of Parent to consummate the transactions contemplated by this Agreement and the Arrangement. There are no material liens (including statutory trusts) on any of the assets of Parent or any of its Subsidiaries, except for liens relating to current taxes not yet due and payable. No closing, settlement or similar agreements have been entered into by any taxing authority with Parent or any of its Subsidiaries, except closing, settlement and similar agreements that would not be reasonably likely to have a Parent Material Adverse Effect or prevent, materially delay or materially impair the ability of Parent to consummate the transactions contemplated by this Agreement and the Arrangement. Neither Parent nor any of its Subsidiaries is or has been a member of an affiliated group (within the meaning of Section 1504(a) of the Code) filing consolidated United States federal income Tax Returns (other than such a group the common parent of which is or was Parent). Neither Parent nor any of the Subsidiaries of Parent has been a party to any distribution during the last three years in which the parties to such distribution treated the distribution as one to which Section 355 of the Code (or any similar provision of any state, local or foreign Laws) applied.

(m) *Labor Matters.* Neither Parent nor any of its Subsidiaries is a party to or otherwise bound by any collective bargaining agreement, contract or other agreement or understanding with a labor union or labor organization. No work stoppage, labor strike or slowdown against Parent or any of its Subsidiaries is pending or, to the knowledge of Parent, threatened. Neither Parent nor any of its Subsidiaries is involved in or threatened with any labor dispute or grievance which, individually or in the aggregate, would be reasonably likely to have a Parent Material Adverse Effect or to prevent, materially delay or materially impair the ability of the Parent to consummate the transactions contemplated by this Agreement and the Arrangement. To the knowledge of the Parent, there is no organizing effort or representation question at issue with respect to any employee of Parent or any of its Subsidiaries. No collective bargaining agreement to which Parent or any of its Subsidiaries is or may be a party is currently under negotiation or renegotiation and no existing collective bargaining agreement is due for expiration, renewal or renegotiation within the one year period after the date hereof.

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(n) *Insurance.* Parent and its Subsidiaries maintain fire and casualty, general liability, business interruption, product liability, and sprinkler and water damage and other insurance policies, as applicable, that are consistent with that of other companies of substantially similar size and scope of operations in the same or substantially similar businesses.

(o) *Intellectual Property.* (i) Parent and/or each of its Subsidiaries owns, is licensed or otherwise possesses legally enforceable rights to use all patents, trademarks, trade names, service marks, domain names, copyrights, and any applications therefor, technology, trade secrets, know-how, computer software and tangible or intangible proprietary information or materials that are used in and material to the business of Parent and its Subsidiaries as currently conducted, and to the knowledge of Parent, all such patents, trademarks, trade names, service marks, domain names and copyrights owned by Parent and/or its Subsidiaries are valid and subsisting.

(ii) Except as disclosed in Parent Reports filed with or furnished to the SEC prior to the date hereof:

(A) neither Parent nor any of its Subsidiaries is, or will be as a result of the execution and delivery of this Agreement or the performance of Parent's obligations hereunder, in violation of any material licenses, sublicenses or other agreements as to which Parent or any of its Subsidiaries is a party and pursuant to which Parent or any of its Subsidiaries is authorized to use any third-party patents, trademarks, service marks, domain names, copyrights, technology, trade secrets, know-how, computer software or tangible or intangible proprietary information or materials that are used in and material to the business of the Parent and its Subsidiaries as currently conducted (collectively, *Parent Third-Party Intellectual Property Rights*);

(B) no claims with respect to (I) the material patents, registered and unregistered trademarks and service marks, domain names, registered and unregistered copyrights, trade names, and any applications therefor, technology, trade secrets, know-how, computer software or tangible or intangible proprietary information or materials owned by Parent or any of its Subsidiaries and used in the business of Parent and its Subsidiaries as currently conducted (collectively, the *Parent Intellectual Property Rights*) or (II) Parent Third-Party Intellectual Property Rights are currently pending or, to the knowledge of Parent, are threatened by any Person, except for immaterial claims;

(C) to the knowledge of Parent, there are no valid grounds for any bona fide claims (I) to the effect that the manufacture, sale, licensing or use of any product or service as now used, sold or licensed by Parent or any of its Subsidiaries, infringes, misappropriates or violates any copyright, patent, trademark, service mark, domain name, trade secret or other proprietary right of any Person; (II) against the use by Parent or any of its Subsidiaries of any Parent Intellectual Property Rights or Parent Third-Party Intellectual Property Rights used in the business of Parent or any of its Subsidiaries as currently conducted; (III) challenging the ownership, validity or enforceability of any of the Parent Intellectual Property Rights; or (IV) challenging the license or legally enforceable right to use of the Parent Third-Party Intellectual Property Rights by Parent or any of its Subsidiaries; and

(D) to the knowledge of Parent, there is no unauthorized use, infringement or misappropriation or violation of any of the Parent Intellectual Property Rights by any third party, including any employee or former employee of Parent or any of its Subsidiaries.

(p) *Vote Required.* The Parent Requisite Vote is the only vote of the holders of any class or series of the Parent's capital stock necessary or required to approve the Share Issuance Proposal.

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(q) *Brokers and Finders.* Neither Parent nor any of its officers, directors or employees has employed any broker or finder or incurred any liability for any brokerage fees, commissions or finders, fees in connection with the transactions contemplated by this Agreement and the Arrangement, except that Parent has employed Morgan Stanley & Co. Incorporated as its financial advisor, the arrangements with which have been disclosed to the Company prior to the date hereof.

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ARTICLE III

COVENANTS

3.1. *Interim Operations.* (a) The Company covenants and agrees as to itself and its Subsidiaries that, after the date hereof and prior to the Effective Time (unless Parent shall otherwise consent in writing (which consent shall not be unreasonably withheld or delayed) and except as otherwise expressly set forth in this Agreement or the corresponding subsection of Section 3.1(a) of the Company Disclosure Letter):

(i) the business of it and its Subsidiaries shall be conducted in the ordinary and usual course and, to the extent consistent therewith, it and each of its Subsidiaries shall use its respective reasonable best efforts to preserve its business organization intact and maintain its existing relations and goodwill with customers, suppliers, distributors, creditors, lessors, employees and business associates;

(ii) it shall not (A) issue, sell, pledge, dispose of or encumber any capital stock owned by it in any of its Subsidiaries; (B) amend its Organizational Documents; (C) other than in the case of any direct or indirect, wholly owned Subsidiary, split, combine or reclassify its outstanding shares of capital stock; (D) declare, set aside or pay any dividend payable in cash, stock or property in respect of any capital stock other than dividends from its direct or indirect wholly owned Subsidiaries; or (E) repurchase, redeem or otherwise acquire, or permit any of its Subsidiaries to purchase or otherwise acquire, any shares of its capital stock or any securities convertible into or exchangeable or exercisable for any shares of its capital stock;

(iii) neither it nor any of its Subsidiaries shall (A) issue, sell, pledge, dispose of or encumber any shares of, or securities convertible into or exchangeable or exercisable for, or options, warrants, calls, commitments or rights of any kind to acquire, any shares of its capital stock of any class or any Company Voting Debt (other than Company Common Shares issuable under the Company Option Plans); (B) other than products sold to customers in the ordinary and usual course of business (without limitation as to dollar amount) or otherwise in the ordinary and usual course of business and not in an aggregate amount of more than \$5,000,000, transfer, lease, license, guarantee, sell, mortgage, pledge, dispose of or encumber any other property or assets (including capital stock of any of its Subsidiaries); (C) incur or modify any indebtedness other than (x) indebtedness existing solely between the Company and its wholly owned Subsidiaries or between such wholly owned Subsidiaries or (y) indebtedness in an aggregate amount less than \$30,000,000; *provided, however*, that prior to incurring any indebtedness, if practicable, the Company shall provide Parent with a reasonable right of consultation; *provided, further*, that the foregoing right of consultation shall not apply in the case of indebtedness in respect of letters of credit, guarantees or performance bonds or indebtedness existing solely between the Company and its wholly owned Subsidiaries or between such wholly owned Subsidiaries; (D) except as approved by the Transition Team, make or authorize or commit for any capital expenditures which, individually, is in excess of \$1,000,000 or, in the aggregate, are in excess of \$10,000,000; and (E) except as otherwise provided in clause (D) immediately above and other than raw materials, supplies and other inventory items acquired in the ordinary and usual course of business consistent with past practice, by any means, make any acquisitions of, or investments in stock of (or other interest in) or assets of any other Person;

(iv) neither it nor any of its Subsidiaries shall (A) terminate, establish, adopt, enter into, make any new grants or awards under, amend or otherwise modify, any Company Compensation and Benefit Plans except as required by any Laws or the terms of applicable collective bargaining agreements, (B) other than in the ordinary and usual course of business consistent with past practice and the Company's compensation budget with respect to employees at an annual compensation level of less than \$150,000, increase the compensation of any employee or (C) except as approved by the Transition Team, hire any employee at an annual compensation level expected to be more than \$100,000;

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(v) except in the ordinary and usual course of business, neither it nor any of its Subsidiaries shall settle or compromise any material claims or litigation or modify, amend or terminate any of its material Contracts or waive, release or assign any material rights or claims;

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(vi) neither it nor any of its Subsidiaries shall make any material Tax election or file any material income Tax Return inconsistent with past practice or implement or adopt any change in its accounting principles or material accounting practices, in all cases other than as may be required by applicable Law or by Canadian GAAP;

(vii) neither it nor any of its Subsidiaries shall take any action or omit to take any action that it reasonably expects would cause any of its representations and warranties herein to become untrue in any material respect; and

(viii) neither it nor any of its Subsidiaries will authorize or enter into an agreement to do any of the foregoing.

(b) Parent covenants and agrees as to itself and its Subsidiaries that, after the date hereof and prior to the Effective Time (unless the Company shall otherwise consent in writing (which consent shall not be unreasonably withheld or delayed) and except as otherwise expressly set forth in this Agreement or the corresponding subsection of Section 3.1(b) of the Parent Disclosure Letter):

(i) the business of it and its Subsidiaries shall be conducted in the ordinary and usual course and, to the extent consistent therewith, it and each of its Subsidiaries shall use its respective reasonable best efforts to preserve its business organization intact and maintain its existing relations and goodwill with customers, suppliers, distributors, creditors, lessors, employees and business associates;

(ii) it shall not (A) issue, sell, pledge, dispose of or encumber any capital stock owned by it in any of its Subsidiaries; (B) except as provided in *Section 3.19*, amend its Organizational Documents or amend, modify or terminate the Parent Rights Agreement; (C) other than in the case of any direct or indirect, wholly owned Subsidiary, split, combine or reclassify its outstanding shares of capital stock; (D) declare, set aside or pay any dividend payable in cash, stock or property in respect of any capital stock other than (x) dividends from its direct or indirect wholly owned Subsidiaries and (y) regular quarterly cash dividends in respect of Parent Common Stock, not in excess of \$0.26 per share per quarter, with declaration and record dates consistent with past practice; or (E) repurchase, redeem or otherwise acquire, or permit any of its Subsidiaries to purchase or otherwise acquire, any shares of its capital stock or any securities convertible into or exchangeable or exercisable for any shares of its capital stock;

(iii) neither it nor any of its Subsidiaries shall (A) issue, sell, pledge, dispose of or encumber any shares of, or securities convertible into or exchangeable or exercisable for, or options, warrants, calls, commitments or rights of any kind to acquire, any shares of its capital stock of any class or any Parent Voting Debt (other than Parent Common Stock issuable under the Parent Stock Plans); (B) other than (x) as Parent deems reasonably necessary to obtain the consent, approval or authorization of any Governmental Entity in order to consummate the transactions contemplated by this Agreement and the Arrangement, (y) products sold to customers in the ordinary and usual course of business (without limitation as to dollar amount) or (z) otherwise in the ordinary and usual course of business and not in an aggregate amount of more than \$5,000,000, transfer, lease, license, guarantee, sell, mortgage, pledge, dispose of or encumber any other property or assets (including capital stock of any of its Subsidiaries); (C) incur or modify any indebtedness other than (x) commercial paper, (y) indebtedness existing solely between Parent and its wholly owned Subsidiaries or between such wholly owned Subsidiaries or (z) indebtedness in an aggregate amount less than \$30,000,000; *provided, however*, that prior to incurring any indebtedness, if practicable, Parent shall provide the Company with a reasonable right of consultation; *provided, further*, that the foregoing right of consultation shall not apply in the case of indebtedness in respect of commercial paper, letters of credit, guarantees or performance bonds or indebtedness existing solely between Parent and its wholly owned Subsidiaries or between such wholly owned Subsidiaries; (D) except as approved by the Transition Team, make or authorize or commit for any capital expenditures which, individually, is in excess of \$1,000,000 or, in the aggregate, are in excess of \$10,000,000; and (E) except as otherwise provided in clause (D) immediately above and other than raw materials, supplies and other inventory items acquired in the ordinary and usual course of business consistent with past practice, by any means, make any acquisitions of, or investments in stock of (or other interest in) or assets of any other Person;

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(iv) neither it nor any of its Subsidiaries shall (A) terminate, establish, adopt, enter into, make any new grants or awards under, amend or otherwise modify, any Parent Compensation and Benefit Plans except as required by any Laws or the terms of applicable collective bargaining agreements, (B) other than in the ordinary and usual course of business consistent with past practice and Parent's compensation budget with respect to employees at an annual compensation level of less than \$150,000, increase the compensation of any employee or (C) except as approved by the Transition Team, hire any employee at an annual compensation level expected to be more than \$100,000;

(v) except in the ordinary and usual course of business, neither it nor any of its Subsidiaries shall settle or compromise any material claims or litigation or modify, amend or terminate any of its material Contracts or waive, release or assign any material rights or claims;

(vi) neither it nor any of its Subsidiaries shall make any material Tax election or file any material income Tax Return inconsistent with past practice or implement or adopt any change in its accounting principles or material accounting practices, in all cases other than as may be required by applicable Law or by U.S. GAAP;

(vii) neither it nor any of its Subsidiaries shall take any action or omit to take any action that it reasonably expects would cause any of its representations and warranties herein to become untrue in any material respect; and

(viii) neither it nor any of its Subsidiaries will authorize or enter into an agreement to do any of the foregoing.

3.2. Acquisition Proposals. (a) Each of the Company and Parent agrees that it shall not, and it shall not permit any of its Subsidiaries or any of the officers and directors of it or its Subsidiaries to, and that it shall direct and cause its and its Subsidiaries' employees, agents and representatives (including any investment banker, attorney or accountant retained by it or any of its Subsidiaries) not to, directly or indirectly, initiate, solicit, encourage or otherwise knowingly facilitate any inquiries or the making by any third party of any proposal or offer with respect to a purchase, merger, reorganization, share exchange, consolidation, amalgamation, arrangement or similar transaction involving any material portion of the consolidated assets of the Company or Parent or fifteen percent (15%) or more of any equity securities of the Company or Parent (any such proposal or offer being hereinafter referred to as an *Acquisition Proposal*). Each of the Company and Parent further agrees that neither it nor any of its Subsidiaries nor any of the officers and directors of it or its Subsidiaries shall, and that it shall direct and cause its and its Subsidiaries' employees, agents and representatives (including any investment banker, attorney or accountant retained by it or any of its Subsidiaries) not to, directly or indirectly, engage in any negotiations concerning, or provide any confidential information or data to, or have any discussions with, any Person relating to an Acquisition Proposal, or otherwise knowingly facilitate any effort or attempt to make or implement an Acquisition Proposal; *provided, however*, that nothing contained in this Agreement shall prevent the Company or Parent, or their respective Board of Directors, from (A) complying with Rule 14a-9, Rule 14d-9 or Rule 14e-2 promulgated under the Exchange Act with regard to an Acquisition Proposal and, in the case of the Company and its Board of Directors, from complying with Section 99 of the Ontario Securities Act and similar provisions of the securities Laws of each of the other provinces and territories of Canada or from calling and holding a meeting of the Company Common Shareholders requisitioned by such shareholders pursuant to Section 143 of the CBCA; (B) at any time before, but not after, the Company Meeting, in the case of the Company, or the Parent Meeting, in the case of Parent, is convened, providing information in response to a request therefor by a Person who has made an unsolicited bona fide written Acquisition Proposal if the Board of Directors of the Company or Parent, as the case may be, receives from the Person so requesting such information an executed confidentiality agreement on terms substantially similar to those contained in the Confidentiality Agreement (as defined in *Section 6.7*); (C) engaging in any negotiations or discussions with any Person who has made an unsolicited bona fide written Acquisition Proposal; or (D) recommending such an Acquisition Proposal to the shareholders of the Company or the stockholders of Parent, as the case may be, if and only to the extent that, (i) in each such case referred to in clause (B), (C) or (D) above, the Board of Directors of the Company or Parent, as the case may be, determines in good faith after consultation with outside legal counsel that failure to do so would be inconsistent with its fiduciary duties under applicable Law and (ii) in each case

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referred to in clause (C) or (D) above, the Board of Directors of the Company or Parent, as the case may be, determines in good faith (after consultation with its financial advisor) that such Acquisition Proposal, if accepted, is reasonably likely to be consummated, taking into account all legal, financial and regulatory aspects of the proposal and the Person making the proposal and could, in the case of (C), and would, in the case of (D), if consummated, result in a transaction more favorable to the shareholders of the Company or the stockholders of Parent, as the case may be, from a financial point of view than the transactions contemplated by this Agreement and the Arrangement (any such more favorable Acquisition Proposal being referred to as a *Superior Proposal*). Each of the Company and Parent shall immediately cease and cause to be terminated any existing activities, discussions or negotiations with any parties conducted heretofore with respect to any Acquisition Proposal. Each of the Company and Parent shall take the necessary steps to promptly inform the individuals or entities referred to in the first sentence hereof of the obligations undertaken in this Section 3.2. Each of the Company and Parent shall notify Parent, in the case of the Company, and the Company, in the case of Parent, promptly (but in any event within 24 hours) if any such inquiries, proposals or offers are received by, any such information is requested from, or any such discussions or negotiations are sought to be initiated or continued with, any of its representatives, indicating, in connection with such notice, the name of such Person and the material terms and conditions of any proposals or offers and thereafter shall keep Parent, in the case of the Company, and the Company, in the case of Parent, informed, on a current basis, of the status and terms of any such proposals or offers and the status of any such discussions or negotiations.

(b) Each of Parent and the Company shall promptly request each Person that has heretofore executed a confidentiality agreement in connection with its consideration of acquiring it or any of its Subsidiaries to return or destroy all confidential information heretofore furnished to such Person by or on behalf of it or any of its Subsidiaries. Neither Parent nor the Company shall terminate, amend, modify or waive any provision of any confidentiality or standstill or similar agreement to which the Company, Parent or any of their respective Subsidiaries is a party. Each of Parent and the Company shall enforce, to the fullest extent permitted under applicable Law, the provisions of any such agreements, including using reasonable best efforts to obtain injunctions to prevent any breaches of such agreements and to enforce specifically the terms and provisions thereof in any court having jurisdiction.

3.3. *Information Supplied.* Each of the Company and Parent agrees, as to itself and its Subsidiaries, that none of the information supplied or to be supplied by it or its Subsidiaries for inclusion or incorporation by reference in the Joint Proxy Statement and any amendment or supplement thereto will, at the date of mailing to the Company Common Shareholders and the Parent Common Stockholders and at the time of the Company Meeting and the Parent Meeting, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

3.4. *Shareholder Meetings.* The Company will take, in accordance with applicable Law, its Organizational Documents and the Interim Order, all action necessary to convene the Company Meeting as promptly as practicable after it obtains the Interim Order and SEC Clearance to consider and vote upon the approval of the Arrangement Resolution. Subject to fiduciary obligations under applicable Law, the Board of Directors of the Company shall recommend and not withdraw such recommendation and shall take all lawful action to solicit such approval. The Arrangement Resolution shall be submitted to the Company Common Shareholders and holders of outstanding Company Options and Company RSUs at the Company Meeting whether or not the Board of Directors of the Company determines at any time prior to the Company Meeting that the Arrangement is no longer advisable and recommends that shareholders, optionholders and unitholders reject it. Parent will take, in accordance with applicable Law and its Organizational Documents, all action necessary to convene the Parent Meeting as promptly as practicable after SEC Clearance and the Company obtains the Interim Order to consider and vote on the Share Issuance Proposal. Subject to fiduciary obligations under applicable Law, the Board of Directors of Parent shall recommend and not withdraw such recommendation and shall take all lawful action to solicit such approval. The Share Issuance Proposal shall be submitted to the Parent Common Stockholders at the Parent Meeting whether or not the Board of Directors of Parent determines at any time prior to the Parent Meeting that the Share Issuance Proposal is no longer advisable and recommends that stockholders reject it.

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Parent and the Company will cause the Parent Meeting and the Company Meeting to be held on the same date, and, except as required by Law or required by the Parent Common Stockholders or by the Company Common Shareholders, as applicable, neither Parent nor the Company will adjourn, postpone or cancel (or propose for adjournment, postponement or cancellation) their respective meeting without the other's prior written consent.

3.5. Filings; Other Actions; Notification. (a) The Company and Parent shall cooperate with each other and use (and shall cause their respective Subsidiaries to use) reasonable best efforts to take or cause to be taken all actions, and do or cause to be done all things, necessary, proper or advisable on its part under this Agreement and applicable Law to consummate and make effective the transactions contemplated by this Agreement and the Arrangement as soon as practicable, including preparing and filing as promptly as practicable all documentation to effect all necessary notices, reports and other filings and to obtain as promptly as practicable all consents, registrations, approvals, permits and authorizations necessary or advisable to be obtained from any third party and/or any Governmental Entity in order to consummate the transactions contemplated by this Agreement and the Arrangement; *provided, however*, that nothing in this Section 3.5 shall require, or be construed to require, either Parent or the Company to proffer to, or agree to, sell or hold separate or agree to sell, before or after the Effective Time, any assets, businesses, or interest in any assets or businesses of Parent, the Company or any of their respective Affiliates (or to consent to any offer, sale, holding or agreement to sell, by the Company or Parent of any of its assets or businesses) that accounted in the aggregate for more than \$150 million in revenues for the fiscal year ended December 31, 2003 (a *Burdensome Condition*). Subject to applicable Laws relating to the exchange of information, Parent and the Company shall have the right to review in advance, and to the extent practicable each will consult the other on, all the information relating to Parent or the Company, as the case may be, and any of their respective Subsidiaries, that appear in any filing made with, or written materials submitted to, any third party and/or any Governmental Entity in connection with the transactions contemplated by this Agreement and the Arrangement. Each of Parent and the Company will respond promptly to any requests for additional information by any Governmental Entity in connection with the transactions contemplated by this Agreement and the Arrangement. In exercising the foregoing right, each of the Company and Parent shall act reasonably and as promptly as practicable.

(b) Subject to applicable Laws relating to the exchange of information, each of the Company and Parent shall, upon request by the other, furnish the other with all information concerning itself, its Subsidiaries, directors, officers and stockholders or shareholders, as applicable, and such other matters as may be reasonably necessary or advisable in connection with the Joint Proxy Statement or any other statement, filing, notice or application made by or on behalf of Parent, the Company or any of their respective Subsidiaries to any third party and/or any Governmental Entity in connection with the transactions contemplated by this Agreement and the Arrangement.

(c) Each of the Company and Parent shall use reasonable best efforts to obtain all necessary or advisable rulings or orders of Canadian securities regulatory authorities.

(d) Each of the Company and Parent shall keep the other apprised of the status of matters relating to completion of the transactions contemplated by this Agreement and the Arrangement, including promptly furnishing the other with copies of notices or other communications received by Parent or the Company, as the case may be, or any of its Subsidiaries, from any third party and/or any Governmental Entity with respect to the transactions contemplated by this Agreement and the Arrangement. Each of the Company and Parent shall give prompt notice to the other of any change that is reasonably likely to result in a Company Material Adverse Effect or Parent Material Adverse Effect, respectively, or prevent, materially delay or materially impair the ability of the Company or Parent, respectively, to consummate the transactions contemplated by this Agreement and the Arrangement. Neither the Company nor Parent shall permit any of its officers or any other representatives or agents to participate in any meeting with any Governmental Entity in respect of any filings, investigation or other inquiry unless it consults with the other party in advance and, to the extent permitted by such Governmental Entity, gives the other party the opportunity to attend and participate thereat.

(e) Each of the Company and Parent shall promptly make all filings, notifications, applications, permit transfers and other submissions relating to the transactions contemplated by this Agreement and the Arrangement

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required or customary pursuant to any Environmental Laws, including those relating to the ownership, operation or transfer of real property (*Environmental Submissions*). The Company and Parent shall provide each other with copies of all Environmental Submissions at the time of filing and the parties shall cooperate with each other in the preparation and execution of all Environmental Submissions.

(f) Parent shall submit a proposal to the Parent Common Stockholders at the Parent Meeting or the 2004 Annual Meeting of Stockholders of Parent to approve an increase in the number of shares of Parent Common Stock which Parent is authorized to issue under Parent's 2000 Stock Incentive Plan or a comparable successor plan.

3.6. *Taxation*. Neither Parent nor the Company shall knowingly take or cause to be taken any action, whether before or after the Effective Time, that would disqualify the transactions contemplated hereby as a reorganization within the meaning of Section 368(a)(1)(B) of the Code.

3.7. *Access*. Upon reasonable notice, and except as may otherwise be required by applicable Law, each of the Company and Parent shall (and shall cause each of its Subsidiaries to) afford the officers, employees, counsel, accountants and other authorized representatives of the other party (*Representatives*) reasonable access, during normal business hours throughout the period prior to the Effective Time, to its properties, books, contracts, records and personnel and, during such period, each of the Company and Parent shall (and shall cause each of its Subsidiaries to) furnish promptly to the other all information concerning its business, properties and personnel as may reasonably be requested; *provided, however*, that no investigation pursuant to this *Section 3.7* shall affect or be deemed to modify any representation or warranty made by any party hereto; *provided, further*, that, in the case of Parent, all such requests for access to, or information concerning, the Company shall be made by or on behalf of the current Chairman of Parent's Finance Committee, and in the case of the Company, all such requests for access to, or information concerning, Parent shall be made by or on behalf of the Company's current Chief Executive Officer; *provided, further*, that nothing in this *Section 3.7* shall require any party hereto to permit any inspection, or to disclose any information, that in the reasonable judgment of such party would result in (a) the disclosure of any trade secrets of third parties or violate any of its obligations with respect to confidentiality if such party shall have used reasonable best efforts to obtain the consent of such third party to such inspection or disclosure or (b) any violation of Laws relating to the sharing of information between competitors, it being understood that the parties will provide extracts, or summaries, or aggregations or other information to the greatest extent practicable in a manner that does not result in any such violation or improper disclosure. All requests for information made pursuant to this *Section 3.7* shall be directed to such Person or Persons as shall be designated by such party.

3.8. *Stock Exchange Listing and De-listing*. Parent shall use its reasonable best efforts to cause the shares of Parent Common Stock to be issued pursuant to this Agreement and the Arrangement to be approved for issuance and listing on the NYSE, subject to official notice of issuance, prior to or as of the Effective Time. Parent shall use its reasonable best efforts to cause all of the shares of Parent Common Stock to be approved for listing on the TSX, prior to or as of the Effective Time. Parent shall use its reasonable best efforts to cause the Company Common Shares to be de-listed from the TSX and NYSE and de-registered under the Exchange Act as soon as practicable following the Effective Time.

3.9. *Publicity*. The initial press release by the Company and Parent concerning this Agreement and the transactions contemplated by this Agreement and the Arrangement shall be a joint press release and thereafter the Company and Parent shall consult with each other prior to issuing any press releases or otherwise making public announcements with respect to the transactions contemplated by this Agreement and the Arrangement and prior to making any filings with any third party and/or any Governmental Entity (including any securities exchange) with respect thereto, except as may be required by any Laws or by obligations pursuant to any listing agreement with or rules of any securities exchange.

3.10. *Employee Benefits*. (a) The Company shall take all actions necessary on the Closing Date to pay all amounts owing in respect of outstanding Deferred Stock Units under the Share Plan of the Company for

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Non-Employee Directors. Payment shall be based upon the closing price of the Company Common Shares as reported on the TSX on the last trading day immediately prior to the Closing Date.

(b) Parent agrees that the transactions contemplated by this Agreement and the Arrangement will not constitute a Potential Change in Control under any Parent Compensation and Benefit Plan and agrees that it will not take any action (whether by board resolution or otherwise) that would cause a Potential Change in Control to occur under any such Plan.

3.11. *Expenses.* Except as otherwise provided in *Section 5.5*, whether or not the Arrangement is consummated, all costs and expenses incurred in connection with this Agreement and the Arrangement and the transactions contemplated by this Agreement and the Arrangement shall be paid by the party incurring such expense, except that expenses and fees incurred in connection with the filing, printing and mailing of the Joint Proxy Statement shall be shared equally by Parent and the Company.

3.12. *Indemnification; Directors and Officers Insurance.* (a) Parent shall cause the Company to honor, and shall itself honor as if it were the Company, in each case, to the fullest extent permitted by applicable Law, all rights to indemnification or exculpation existing in favor of a director, officer, employee, agent or employee benefit plan fiduciary (an *Indemnified Party*) of the Company or any of its Subsidiaries (including rights relating to advancement of expenses and indemnification rights to which such persons are entitled because they are serving as a director, officer, agent or employee of another entity at the request of the Company or any of its Subsidiaries), as provided in the Organizational Documents of the Company, any indemnification agreement or under applicable Laws, in each case, as in effect on the date of this Agreement, and relating to actions or events through the Effective Time; *provided, however*, that any determination required to be made with respect to whether an Indemnified Party's conduct complies with the standards set forth under the applicable Law, the Organizational Documents of the Company or any Subsidiary, as applicable, or any such agreement, as the case may be, shall be made by independent legal counsel jointly selected by such Indemnified Party and Parent; and *provided, further*, that nothing in this *Section 3.12* shall impair any rights of any Indemnified Party. Without limiting the generality of the preceding sentence, if any Indemnified Party becomes involved in any actual or threatened action, suit, claim, proceeding or investigation covered by this *Section 3.12* after the Effective Time, Parent shall, or shall cause the Company to, to the fullest extent permitted by Law, promptly advance to such Indemnified Party his or her legal or other expenses (including the cost of any investigation and preparation incurred in connection therewith), subject to the providing by such Indemnified Party of an undertaking to reimburse all amounts so advanced in the event of a non-appealable determination of a court of competent jurisdiction that such Indemnified Party is not entitled thereto.

(b) The Company shall maintain its existing officers and directors liability insurance (*D&O Insurance*) for a period of six years after the Effective Time so long as the annual premium therefor is not in excess of 300% of the last annual premium paid prior to the date hereof (the *Current Premium*); *provided, however*, that if the existing D&O Insurance expires, is terminated or cancelled during such six-year period or is at an annual premium in excess of 300% of the Current Premium, the Company will use its reasonable best efforts to obtain as much D&O Insurance as can be obtained for the remainder of such period for a premium not in excess of 300% (on an annualized basis) of the Current Premium.

(c) If Parent or the Company or any of its successors or assigns (i) shall amalgamate or consolidate with or merge into any other corporation or entity and shall not be the continuing or surviving corporation or entity of such amalgamation, consolidation or merger or shall cease to continue to exist for any reason or (ii) shall transfer all or substantially all of its properties and assets to any individual, corporation or other entity, then, and in each such case, proper provisions shall be made so that the successors and assigns of Parent or the Company, as applicable, shall assume all of the obligations set forth in this *Section 3.12*.

(d) The provisions of this *Section 3.12* are intended to be for the benefit of, and shall be enforceable by, each of the Indemnified Parties, their heirs and their representatives.

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3.13. *Takeover Statute.* If any Takeover Statute is or may become applicable to the transactions contemplated by this Agreement and the Arrangement, each of Parent, the Company and each of its respective Board of Directors shall grant such approvals and take such actions as are necessary so that such transactions may be consummated as promptly as practicable on the terms contemplated by this Agreement and the Arrangement and otherwise act to eliminate or minimize the effects of such statute or regulation on such transactions.

3.14. *Section 16(b).* The Board of Directors of the Company and Parent shall, prior to the Effective Time, take all such actions as may be necessary or appropriate pursuant to Rule 16b-3(d) and Rule 16b-3(e) under the Exchange Act to exempt (i) the exchange of Company Common Shares for Parent Common Stock, (ii) the conversion or exchange of Company Options into or for options to purchase Parent Common Stock or Company RSUs into or for restricted stock units in respect of Parent Common Stock and (iii) the acquisition of shares of Parent Common Stock, restricted stock units in respect of Parent Common Stock and options to purchase Parent Common Stock pursuant to the terms of this Agreement by officers and directors of the Company subject to the reporting requirements of Section 16(a) of the Exchange Act or by employees or directors of the Company who may become an officer or director of Parent subject to the reporting requirements of Section 16(a) of the Exchange Act. Parent and the Company shall provide to legal counsel to the other party copies of the resolutions to be adopted by the respective Boards of Directors to implement the foregoing.

3.15. *Parent Name.* After the Effective Time and until changed in accordance with Parent's Organizational Documents and applicable Law, the name of Parent shall remain R.R. Donnelley & Sons Company.

3.16. *Headquarters.* After the Effective Time and until otherwise determined by the Board of Directors of Parent, Parent's headquarters shall be located in Chicago, Illinois.

3.17. *Board Composition; Committees.* (a) Parent shall take all actions necessary to cause the Board of Directors of Parent, effective immediately following the Effective Time and until thereafter changed in accordance with Parent's Organizational Documents and applicable Law, to consist of 15 directors divided into three classes, of which seven shall be Company Directors (as defined in *Section 3.17(c)*) (one of whom shall be the Company's current Chief Executive Officer) and eight shall be Parent Directors (as defined in *Section 3.17(c)*) (one of whom shall be the current Chairman of the Finance Committee of Parent); *provided, however*, that in connection with the 2005 Annual Meeting of Stockholders of Parent, two Company Directors and two Parent Directors shall retire from the Board of Directors of Parent and the size of the Board of Directors of Parent shall be reduced to 11. The persons who are to serve as the Company Directors and the Parent Directors and the classes to which they will be assigned will be agreed to by Parent and the Company prior to the mailing of the Joint Proxy Statement or failing agreement, designated by Parent or the Company, as applicable, and divided evenly among the three classes, with the Company's current Chief Executive Officer assigned to the class whose term expires in 2004. If, prior to the Effective Time, any Company Director or Parent Director selected to serve on the Board of Directors of Parent pursuant to this *Section 3.17(a)* is unable or unwilling to serve in such position, the party which selected such person shall designate another of its members to serve in such person's stead in accordance with the first sentence of this *Section 3.17(a)*. If the 2004 Annual Meeting of Stockholders of Parent occurs after the Effective Date, Parent agrees to nominate for re-election in 2004 to a three year term each director designated pursuant to this *Section 3.17(a)* to the class whose term expires in 2004, unless such failure to renominate is approved by the vote of at least 66 2/3% of the entire Board of Directors of Parent.

(b) Parent agrees that, immediately following the Effective Time and until otherwise provided by Parent's Board of Directors in accordance with Parent's Organizational Documents and applicable Law, the Board of Directors of Parent will have an Audit Committee, an Executive Committee, a Finance Committee, a Corporate Responsibility & Governance Committee and a Human Resources Committee and no other committees. Effective immediately following the Effective Time, the chairs of the Audit Committee, Finance Committee and Executive Committee will be Company Directors and the chairs of the Corporate Responsibility & Governance Committee and the Human Resources Committee will be Parent Directors. Effective immediately following the Effective

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Time, each committee, other than the Executive Committee, will have four members, two of whom will be Company Directors and two of whom will be Parent Directors. Immediately following the Effective Time, the Executive Committee will have seven members, consisting of the Chairman of each of the Finance, Human Resources, Audit and Corporate Responsibility and Governance Committees, the Chief Executive Officer, the non-executive Chairman of the Board of Directors and the non-executive Chairman of the Board of the Company, who shall be the Chairman of the Executive Committee. The persons who will be members of each of the committees, other than the Executive Committee, and the Company Director or Parent Director who will serve as chair of each such committee (in accordance with this *Section 3.17(b)*) will be agreed to by Parent and the Company prior to the mailing of the Joint Proxy Statement or failing agreement, designated by Parent or the Company, as applicable, in accordance with this *Section 3.17(b)* (it being understood that the foregoing may be thereafter changed as provided by the Board of Directors of Parent in accordance with Parent's Organizational Documents and applicable Law); *provided, however*, that if, prior to the Effective Time, any Company Director or Parent Director selected to serve on a committee of the Board of Directors of Parent is unable or unwilling to serve in such position, the party which selected such person shall designate another Company Director or Parent Director, as the case may be, to serve in such person's stead and, if such person who was unable or unwilling to serve was to be the chair of a committee, then the party which selected such person shall select a chair for such committee from among the persons designated by such party.

(c) The term *Company Director* means any person serving as a director on the Board of Directors of the Company on the date of this Agreement who continues to be such a director immediately prior to the Effective Time. The term *Parent Director* means any person serving as a director on the Board of Directors of Parent on the date of this Agreement who continues to be such a director immediately prior to the Effective Time.

3.18. *Non-Executive Chairman; Chief Executive Officer.* Effective immediately following the Effective Time, the Company's current Chief Executive Officer shall become Chief Executive Officer of Parent and the current Chairman of Parent's Finance Committee shall become non-executive Chairman of the Board of Directors of Parent, in each case, to continue as such until otherwise provided by the Board of Directors of Parent in accordance with Parent's Organizational Documents and applicable Law.

3.19. *Amendments to By-laws of Parent.* Parent shall cause the By-laws of Parent to be amended as provided in *Exhibit C* hereto (the *By-law Amendment*) effective immediately following the Effective Time.

3.20. *Affiliates.* Prior to the date of the Company Meeting, the Company shall deliver to Parent a list of names and addresses of those Persons who are, in the opinion of the Company, as of the time of the Company Meeting, affiliates of the Company within the meaning of Rule 145 under the Securities Act. The Company shall provide to Parent such information and documents as Parent shall reasonably request for purposes of reviewing such list. There shall be added to such list the names and addresses of any other Person subsequently identified by either Parent or the Company as a Person who may be deemed to be such an affiliate of the Company; *provided, however*, that no such Person identified by Parent shall be added to the list of affiliates of the Company if Parent shall receive from the Company, on or before the date of the Company Meeting, an opinion of counsel reasonably satisfactory to Parent to the effect that such Person is not such an affiliate. The Company shall exercise its reasonable best efforts to deliver or cause to be delivered to Parent, prior to the Closing Date, from each affiliate of the Company identified in the foregoing list (as the same may be supplemented as aforesaid), a letter dated as of the Closing Date substantially in the form attached as *Exhibit D* hereto (the *Affiliates Letter*). The certificates representing Parent Common Stock received by such affiliates pursuant to this Agreement and the Arrangement shall bear a customary legend regarding applicable Securities Act restrictions and the provisions of this *Section 3.20*.

3.21. *Integration.* Promptly after the date hereof, Parent and the Company will establish a transition team (the *Transition Team*), the chairman of which will be the Company's current Chief Executive Officer (the *Transition Chairman*) and the other members of which (the *Transition Coordinators*) shall consist of an equal number of representatives of Parent and the Company. The Transition Chairman will designate, after consultation with the current Chairman of Parent's Finance Committee, the Transition Coordinators and assign

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areas of responsibility to the Transition Coordinators. The parties shall instruct the Transition Coordinators, subject to applicable Laws relating to the exchange of information, to facilitate a full collection and exchange of information concerning the business, operations, capital spending and budgets and financial results of Parent and the Company to identify ways in which the operations of Parent and the Company can be consolidated, coordinated and/or otherwise enhanced following the Effective Time. Prior to the Effective Time, the Transition Team will also coordinate any discussions with lenders or rating agencies in connection with the transactions contemplated by this Agreement or the Arrangement or relating to the operations of Parent and the Company following the Effective Time. The Transition Coordinators will provide the Transition Chairman with periodic reports, subject to applicable Laws relating to the exchange of information, on the findings of the Transition Team and will meet periodically in person with the Transition Chairman to brief the Transition Chairman on the activities and recommendations of the Transition Team, business developments and pending material business plans and decisions at each of Parent and the Company. For purposes of *Section 3.1*, approved by the Transition Team shall mean (a) approved by a majority of the Transition Team, or (b) approved by a committee of the Transition Team established for such purpose, which committee shall be comprised of the Transition Chairman and an equal number of Transition Coordinators from each of Parent and the Company.

3.22. *Registration Rights Agreements.* Parent agrees that, as of the Effective Time, Parent shall be bound by the terms of the Registration Rights Agreements, dated as of December 28, 2001 and December 21, 2000, among the Company, Greenwich Street Capital Partners II, L.P., GSCP Offshore Fund, L.P. and Greenwich Fund, L.P. and the other Persons set forth on the signature pages thereto (the *Registration Rights Agreements*), and shall succeed to all rights, restrictions and obligations of the Company set forth in the Registration Rights Agreements and all references to the Company in the Registration Rights Agreements shall thereafter be deemed to be references to Parent.

ARTICLE IV

CONDITIONS

4.1. *Conditions to Each Party's Obligation to Effect the Transactions Contemplated by this Agreement and the Arrangement.* The respective obligation of each party to effect the transactions contemplated by this Agreement and the Arrangement is subject to the satisfaction or waiver at or prior to the Effective Time of each of the following conditions:

(a) *Company Shareholder Approval.* The Arrangement shall have been duly approved by holders of Company Common Shares and outstanding Company Options and Company RSUs in accordance with the terms of the Interim Order.

(b) *Parent Stockholder Approval.* The Share Issuance Proposal shall have been duly approved by holders of shares of Parent Common Stock in accordance with applicable Law and the Organizational Documents of Parent.

(c) *Stock Exchange Listing.* The issuance of shares of Parent Common Stock to the holders of Company Common Shares pursuant to this Agreement and the Arrangement shall have been approved by the NYSE and the conditions to such approval shall have been satisfied, and such shares shall have been approved for listing on the NYSE subject only to official notice of issuance and other customary conditions. All shares of Parent Common Stock shall have been approved for listing on the TSX subject only to customary conditions.

(d) *Interim and Final Orders.* The Interim Order and the Final Order shall each have been obtained in form and on terms satisfactory to each of the Company and Parent, acting reasonably, and shall not have been set aside or modified in a manner unacceptable to such parties, acting

reasonably, on appeal or otherwise.

(e) *Orders of Canadian Securities Regulatory Authorities.* The orders referenced in *Section 1.9* shall have been obtained.

(f) *Dissent Rights.* Company Common Shareholders representing in excess of 15% of the outstanding Company Common Shares shall not have exercised (and not withdrawn such exercise by the close of business on the day after the day of the Company Meeting) rights of dissent in connection with the Arrangement.

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(g) *Regulatory Consents.* (i) The waiting period applicable to the consummation of the transactions contemplated by this Agreement and the Arrangement under the HSR Act shall have expired or been terminated; (ii) Parent shall have received written evidence from the responsible minister under the Investment Canada Act (the *Minister*) that the Minister is satisfied or deemed to be satisfied that the transactions contemplated by this Agreement are likely of net benefit to Canada, on terms and conditions reasonably satisfactory to each of the Company and Parent; (iii) if the transactions contemplated by this Agreement are notifiable pursuant to Part IX of the Competition Act, (x) an advance ruling certificate (an *ARC*) shall have been issued in accordance with Section 102 of the Competition Act by the Commissioner of Competition (the *Commissioner*) appointed under the Competition Act or (y) Parent shall have been advised in writing by the Commissioner that the Commissioner has determined not to make an application for an order under Section 92 of the Competition Act in respect of the transactions contemplated by this Agreement and that any terms and conditions attached to any such advice shall be acceptable to Parent and the Company acting reasonably (a *no-action letter*) and either the Commissioner shall have issued a waiver under Section 113(c) of the Competition Act of the obligation to notify the Commissioner under Part IX of the Competition Act or the waiting period under Section 123 of the Competition Act shall have expired; and (iv) all notices, reports and other filings required to be made prior to the Effective Time by the Company or Parent or any of their respective Subsidiaries with, and all consents, registrations, approvals, permits and authorizations required to be obtained prior to the Effective Time by the Company or Parent or any of their respective Subsidiaries from, any Governmental Entity (collectively, *Governmental Consents*) in connection with the execution and delivery of this Agreement and the consummation of the transactions contemplated by this Agreement and the Arrangement by the Company and Parent shall have been made or obtained (as the case may be), other than any immaterial Governmental Consents the failure of which to make or obtain would not subject any Person to any risk of criminal liability.

(h) *Litigation.* No court or Governmental Entity of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any Law, (whether temporary, preliminary or permanent) that is in effect and restrains, enjoins or otherwise prohibits consummation of the transactions contemplated by this Agreement and the Arrangement (collectively, an *Order*), and (i) no federal, state or provincial Governmental Entity shall have instituted any proceeding that is pending seeking any such Order and (ii) no other Person shall have instituted any proceeding that is pending and that has a reasonable possibility of resulting in a Parent Material Adverse Effect or a Company Material Adverse Effect or preventing or materially delaying or impairing the economic integration of the businesses of the Company and Parent.

(i) *Other.* Mark A. Angelson shall be available to begin service as Chief Executive Officer of Parent immediately following the Effective Time pursuant to the terms of the employment agreement between Mr. Angelson and Parent.

4.2. *Conditions to Obligation of Parent.* The obligation of Parent to effect the transactions contemplated by this Agreement and the Arrangement is also subject to the satisfaction or waiver by Parent at or prior to the Effective Time of the following conditions:

(a) *Representations and Warranties.* The representations and warranties of the Company set forth in *Sections 2.1(a)* (Organization, Good Standing and Qualification), *2.1(b)* (Capital Structure), *2.1(c)* (Corporate Authority; Approval and Fairness), *2.1(g)* (Brokers and Finders) and clause (i) of *Section 2.1(f)* (Absence of Certain Changes) shall be true and correct with respect to those matters that are qualified by Company Material Adverse Effect or materiality and shall be true and correct in all material respects with respect to those matters that are not so qualified, in each case as of the Closing Date as though made on and as of the Closing Date (except to the extent any such representation and warranty expressly speaks as of an earlier date). The representations and warranties of the Company set forth in this Agreement other than those listed in the preceding sentence, shall be true and correct, without giving effect to any material adverse effect or other materiality qualifiers within such representations and warranties, as of the Closing Date as though made on the Closing Date (except to the extent any such representation and warranty expressly speaks as of an earlier date), except where the failure of such representations and warranties to be so true and correct, individually or in the aggregate, has not had, and would not reasonably be likely to have, a Company Material Adverse Effect or to prevent, materially delay or materially impair the ability of the Company to consummate the transactions

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contemplated by this Agreement and the Arrangement. Parent shall have received a certificate signed on behalf of the Company by a senior executive officer of the Company to such effect.

(b) *Performance of Obligations of the Company.* The Company shall have performed in all material respects all obligations required to be performed by it under this Agreement at or prior to the Closing Date, and Parent shall have received a certificate signed on behalf of the Company by a senior executive officer of the Company to such effect.

(c) *Consents Under Agreements.* The Company shall have obtained the consent or approval of each Person whose consent or approval shall be required under any Contract to which the Company or any of its Subsidiaries is a party, except those for which the failure to obtain such consent or approval, individually or in the aggregate, would not be reasonably likely to have a Company Material Adverse Effect or prevent, materially delay or materially impair the ability of the Company to consummate the transactions contemplated by this Agreement and the Arrangement.

(d) *Material Adverse Effect on the Company.* Since the date hereof, there shall not have been any effect, change or development that, individually or in the aggregate with other such effects, changes or developments, has had, or would reasonably be likely to have, a Company Material Adverse Effect.

4.3. *Conditions to Obligation of the Company.* The obligation of the Company to effect the transactions contemplated by this Agreement and the Arrangement is also subject to the satisfaction or waiver by the Company at or prior to the Effective Time of the following conditions:

(a) *Representations and Warranties.* The representations and warranties of Parent set forth in Sections 2.2(a) (Organization, Good Standing and Qualification), 2.2(b) (Capital Structure), 2.2(c) (Corporate Authority; Approval and Fairness), 2.2(q) (Brokers and Finders) and clause (i) of Section 2.2(f) (Absence of Certain Changes) shall be true and correct with respect to those matters that are qualified by Parent Material Adverse Effect or materiality and shall be true and correct in all material respects with respect to those matters that are not so qualified, in each case as of the Closing Date as though made on and as of the Closing Date (except to the extent any such representation and warranty expressly speaks as of an earlier date). The representations and warranties of Parent set forth in this Agreement other than those listed in the preceding sentence shall be true and correct, without giving effect to any material adverse effect or other materiality qualifiers within such representations and warranties, as of the Closing Date as though made on the Closing Date (except to the extent any such representation and warranty expressly speaks as of an earlier date), except where the failure of such representations and warranties to be so true and correct, individually or in the aggregate, has not had, and would not reasonably be likely to have, a Parent Material Adverse Effect or to prevent, materially delay or materially impair the ability of Parent to consummate the transactions contemplated by this Agreement and the Arrangement. The Company shall have received a certificate signed on behalf of Parent by a senior executive officer of Parent to such effect.

(b) *Performance of Obligations of Parent.* Parent shall have performed in all material respects all obligations required to be performed by it under this Agreement at or prior to the Closing Date, and the Company shall have received a certificate signed on behalf of Parent by a senior executive officer of Parent to such effect.

(c) *Consents Under Agreements.* Parent shall have obtained the consent or approval of each Person whose consent or approval shall be required in order to consummate the transactions contemplated by this Agreement under any Contract to which Parent or any of its Subsidiaries is a party, except those for which the failure to obtain such consent or approval, individually or in the aggregate, would not be reasonably likely to have a Parent Material Adverse Effect or prevent, materially delay or materially impair the ability of Parent to consummate the transactions contemplated by this Agreement and the Arrangement.

(d) *Material Adverse Effect on Parent.* Since the date hereof, there shall not have been any effect, change or development that, individually or in the aggregate with other such effects, changes or developments, has had, or would reasonably be likely to have, a Parent Material Adverse Effect.

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(e) *Tax Opinion.* The Company shall have received an opinion, dated the Closing Date, in form and substance reasonably satisfactory to the Company, of Sullivan & Cromwell LLP, special counsel to the Company, to the effect that the acquisition of the Company Common Shares pursuant to this Agreement and the Arrangement will qualify as a reorganization within the meaning of Section 368(a)(1)(B) of the Code, and that each of Parent and the Company will be a party to that reorganization within the meaning of Section 368(b) of the Code. In rendering such opinion, Sullivan & Cromwell LLP may rely upon representations contained herein and representations from Parent and the Company.

(f) *Board/Committee Composition; By-law Amendment.* Parent shall irrevocably have taken all such actions as shall be necessary so that (i) the composition of the Board of Directors of Parent and the committees of the Board of Directors of Parent, shall be as set forth in *Section 3.17*, (ii) the Chief Executive Officer of Parent and the non-executive Chairman of the Board of Parent, shall be as set forth in *Section 3.18* and (iii) the By-law Amendment shall have been adopted by the Board of Directors of Parent in accordance with *Section 3.19*.

ARTICLE V

TERMINATION

5.1. *Termination by Mutual Consent.* This Agreement may be terminated and the transactions contemplated by this Agreement and the Arrangement may be abandoned at any time prior to the Effective Time, whether before or after the approval of the Arrangement by the Company Common Shareholders and holders of Company Options and Company RSUs or the approval of the Share Issuance Proposal by the Parent Common Stockholders, by mutual written consent of the Company and Parent by action of their respective Boards of Directors.

5.2. *Termination by Either Parent or the Company.* This Agreement may be terminated and the transactions contemplated by this Agreement and the Arrangement may be abandoned at any time prior to the Effective Time by action of the Board of Directors of either Parent or the Company if:

(a) the Arrangement shall not have been consummated by June 30, 2004, whether such date is before, on or after the date of approval of the Arrangement by the Company Common Shareholders and holders of Company Options and Company RSUs or the date of approval of the Share Issuance Proposal by the Parent Common Stockholders (the *Termination Date*); *provided, however*, that the right to terminate this Agreement pursuant to this clause (a) shall not be available to any party that has breached in any material respect its obligations under this Agreement in any manner that shall have proximately contributed to the failure of the Closing to have occurred;

(b) the Company Common Shareholders and holders of Company Options and Company RSUs vote upon the Arrangement at a meeting duly convened therefor or at any adjournment or postponement thereof and the vote of approval required by *Section 4.1(a)* shall not have been obtained thereat;

(c) the Parent Common Stockholders vote upon the Share Issuance Proposal at a meeting duly convened therefor or at any adjournment or postponement thereof and the vote of approval required by *Section 4.1(b)* shall not have been obtained thereat; or

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(d) any Order permanently restraining, enjoining or otherwise prohibiting consummation of the transactions contemplated by this Agreement and the Arrangement shall become final and non-appealable (whether before or after the approval of the Arrangement by the Company Common Shareholders and holders of Company Options and Company RSUs or the approval of the Share Issuance Proposal by the Parent Common Stockholders).

5.3. *Termination by the Company.* This Agreement may be terminated and the transactions contemplated hereby may be abandoned at any time prior to the Effective Time, whether before or after the approval of the Arrangement by the Company Common Shareholders and holders of Company Options and Company RSUs or the approval of the Share Issuance Proposal by the Parent Common Stockholders, by action of the Board of Directors of the Company if:

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(a) (i) the Board of Directors of the Company authorizes the Company, subject to complying with the terms of this Agreement, to enter into a binding written agreement concerning a transaction that constitutes a Superior Proposal and the Company notifies Parent in writing that it intends to enter into such an agreement, attaching the most current version of such agreement to such notice, (ii) Parent does not make, within five days of receipt of the Company's written notification of its intention to enter into a binding agreement for a Superior Proposal, a written offer that the Board of Directors of the Company determines, in good faith after consultation with its financial advisors, is at least as favorable, from a financial point of view, to the Company Common Shareholders as the Superior Proposal and (iii) the Company prior to such termination pays to Parent in immediately available funds any fees required to be paid pursuant to *Section 5.5*; *provided, however*, that the Company agrees (x) that it will not enter into a binding agreement referred to in clause (i) above until at least the sixth day after it has provided the notice to Parent required thereby and (y) to notify Parent promptly if its intention to enter into a written agreement referred to in its notification shall change at any time after giving such notification;

(b) the Board of Directors of Parent shall have withdrawn or adversely modified its approval of this Agreement or approval or recommendation of the Share Issuance Proposal or failed to reconfirm its recommendation of the Share Issuance Proposal after a written request by the Company to do so prior to the fifth business day prior to the date of the Parent Meeting; or

(c) there has been a breach of any representation, warranty, covenant or agreement made by Parent in this Agreement, or any such representation and warranty shall have become untrue after the date of this Agreement, such that *Section 4.3(a)* or *4.3(b)* would not be satisfied and such breach or condition is not curable or, if curable, is not cured within the earlier to occur of (i) 30 days after written notice thereof is given by the Company to Parent or (ii) if such 30 day period would extend beyond the date set forth in *Section 5.2(a)*, 10 days prior to such date or any condition set forth in *Section 4.1* shall become incapable of satisfaction; *provided, however*, that the right to terminate this Agreement pursuant to this clause (c) shall not be available to any party that has breached in any material respect its obligations under this Agreement in any manner that shall have proximately contributed to the failure of the Closing to have occurred.

5.4. Termination by Parent. This Agreement may be terminated and the transactions contemplated hereby may be abandoned at any time prior to the Effective Time, whether before or after the approval of the Arrangement by the Company Common Shareholders and holders of Company Options and Company RSUs or the approval of the Share Issuance Proposal by the Parent Common Stockholders, by action of the Board of Directors of Parent if:

(a) (i) the Board of Directors of Parent authorizes Parent, subject to complying with the terms of this Agreement, to enter into a binding written agreement concerning a transaction that constitutes a Superior Proposal and Parent notifies the Company in writing that it intends to enter into such an agreement, attaching the most current version of such agreement to such notice, (ii) the Company does not make, within five days of receipt of Parent's written notification of its intention to enter into a binding agreement for a Superior Proposal, a written offer that the Board of Directors of Parent determines, in good faith after consultation with its financial advisors, is at least as favorable, from a financial point of view, to the Parent Common Stockholders as the Superior Proposal and (iii) Parent prior to such termination pays to the Company in immediately available funds any fees required to be paid pursuant to *Section 5.5*; *provided, however*, that Parent agrees (x) that it will not enter into a binding agreement referred to in clause (i) above until at least the sixth day after it has provided the notice to the Company required thereby and (y) to notify the Company promptly if its intention to enter into a written agreement referred to in its notification shall change at any time after giving such notification;

(b) the Board of Directors of the Company shall have withdrawn or adversely modified its approval or recommendation of this Agreement and the Arrangement or failed to reconfirm its recommendation of this Agreement and the Arrangement after a written request by Parent to do so prior to the fifth business day prior to the date of the Company Meeting; or

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(c) there has been a breach of any representation, warranty, covenant or agreement made by the Company in this Agreement, or any such representation and warranty shall have become untrue after the date of this Agreement, such that *Section 4.2(a)* or *4.2(b)* would not be satisfied and such breach or condition is not curable

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or, if curable, is not cured within the earlier to occur of (i) 30 days after written notice thereof is given by Parent to the Company or (ii) if such 30 day period would extend beyond the date set forth in *Section 5.2(a)*, 10 days prior to such date or any condition set forth in *Section 4.1* shall become incapable of satisfaction; *provided, however*, that the right to terminate this Agreement pursuant to this clause (c) shall not be available to any party that has breached in any material respect its obligations under this Agreement in any manner that shall have proximately contributed to the failure of the Closing to have occurred.

5.5. Effect of Termination and Abandonment. (a) In the event of termination of this Agreement and the abandonment of the transactions contemplated by this Agreement and the Arrangement pursuant to this *Article V*, this Agreement (other than as set forth in *Section 6.1*) shall become void and of no effect with no liability on the part of any party hereto (or of any of its directors, officers, employees, agents, legal and financial advisors or other representatives); *provided, however*, except as otherwise provided herein, no such termination shall relieve any party hereto of any liability or damages resulting from any willful or intentional breach of this Agreement.

(b) If after the date hereof a bona fide Acquisition Proposal with respect to the Company shall have been publicly announced or any Person shall have publicly announced that, subject to the Company's shareholders, optionholders and unitholders not approving the Arrangement or otherwise rejecting it, it will make a bona fide Acquisition Proposal with respect to the Company and thereafter this Agreement is terminated by either Parent or the Company pursuant to *Section 5.2(b)*, then the Company shall, upon the date of such termination, pay all of the charges and expenses incurred by Parent in connection with this Agreement and the transactions contemplated by this Agreement and the Arrangement up to a maximum amount of \$12 million and pay Parent a cash fee of \$60 million, and if concurrently with such termination or within twelve months after such termination the Company shall agree to an Acquisition Proposal or an Acquisition Proposal with respect to the Company shall be consummated, the Company shall, upon the earlier of agreeing to an Acquisition Proposal or consummating an Acquisition Proposal, pay Parent a cash fee of \$25 million. All payments shall be made by wire transfer of same day funds.

(c) If after the date hereof a bona fide Acquisition Proposal with respect to Parent shall have been publicly announced or any Person shall have publicly announced that, subject to Parent's stockholders not approving the Share Issuance Proposal or otherwise rejecting it, it will make a bona fide Acquisition Proposal with respect to Parent and thereafter this Agreement is terminated by either Parent or the Company pursuant to *Section 5.2(c)*, then Parent shall, upon the date of such termination, pay all of the charges and expenses incurred by the Company in connection with this Agreement and the transactions contemplated by this Agreement and the Arrangement up to a maximum amount of \$12 million and pay the Company a cash fee of \$60 million, and if concurrently with such termination or within twelve months after such termination Parent shall agree to an Acquisition Proposal or an Acquisition Proposal with respect to the Parent shall be consummated, Parent shall, upon the earlier of agreeing to an Acquisition Proposal or consummating an Acquisition Proposal, pay the Company a cash fee of \$25 million. All payments shall be made by wire transfer of same day funds.

(d) If after the date hereof a bona fide Acquisition Proposal with respect to the Company shall have been publicly announced or any Person shall have announced that, subject to the Company's shareholders, optionholders and unitholders not approving the Arrangement or otherwise rejecting it, it will make a bona fide Acquisition Proposal with respect to the Company and thereafter this Agreement is terminated by either Parent or the Company pursuant to *Section 5.2(a)*, then the Company shall, upon the date of such termination, pay all of the charges and expenses incurred by Parent in connection with this Agreement and the transactions contemplated by this Agreement and the Arrangement up to a maximum amount of \$12 million and if concurrently with such termination or within twelve months after such termination the Company shall agree to an Acquisition Proposal or an Acquisition Proposal with respect to the Company shall be consummated, the Company shall, upon the earlier of agreeing to an Acquisition Proposal or consummating an Acquisition Proposal, pay Parent a cash fee of \$85 million. All payments shall be made by wire transfer of same day funds.

(e) If after the date hereof a bona fide Acquisition Proposal with respect to Parent shall have been publicly announced or any Person shall have announced that, subject to Parent's stockholders not approving the Share Issuance Proposal or otherwise rejecting it, it will make a bona fide Acquisition Proposal with respect to Parent

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and thereafter this Agreement is terminated by either Parent or the Company pursuant to *Section 5.2(a)*, then Parent shall, upon the date of such termination, pay all of the charges and expenses incurred by the Company in connection with this Agreement and the transactions contemplated by this Agreement and the Arrangement up to a maximum amount of \$12 million and if concurrently with such termination or within twelve months after such termination Parent shall agree to an Acquisition Proposal or an Acquisition Proposal with respect to Parent shall be consummated, Parent shall, upon the earlier of agreeing to an Acquisition Proposal or consummating an Acquisition Proposal, pay the Company a cash fee of \$85 million. All payments shall be made by wire transfer of same day funds.

(f) If this Agreement is terminated by the Company pursuant to *Section 5.3(a)*, then the Company shall, prior to such termination, pay all of the charges and expenses incurred by Parent in connection with this Agreement and the transactions contemplated by this Agreement and the Arrangement up to a maximum amount of \$12 million and pay Parent a cash fee of \$85 million. All payments shall be made by wire transfer of same day funds.

(g) If this Agreement is terminated by Parent pursuant to *Section 5.4(a)*, then Parent shall, prior to such termination, pay all of the charges and expenses incurred by the Company in connection with this Agreement and the transactions contemplated by this Agreement and the Arrangement up to a maximum amount of \$12 million and pay the Company a cash fee of \$85 million. All payments shall be made by wire transfer of same day funds.

(h) (i) If after the date hereof a bona fide Acquisition Proposal with respect to the Company shall have been publicly announced or any Person shall have publicly announced that, subject to the Company's shareholders, optionholders and unitholders not approving the Arrangement or otherwise rejecting it, it will make a bona fide Acquisition Proposal with respect to the Company and thereafter this Agreement is terminated by Parent pursuant to *Section 5.4(b)*, or (ii) if this Agreement is terminated by Parent pursuant to *Section 5.4(b)*, and a fee has not been paid in respect of clause (i) above, and concurrently with such termination or within twelve months after such termination the Company shall agree to an Acquisition Proposal or an Acquisition Proposal with respect to the Company shall be consummated, then the Company shall, in the case of clause (i) on the date of such termination and in the case of clause (ii) upon the earlier of agreeing to an Acquisition Proposal or consummating an Acquisition Proposal, pay all of the charges and expenses incurred by Parent in connection with this Agreement and the transactions contemplated by this Agreement and the Arrangement up to a maximum amount of \$12 million and pay Parent a cash fee of \$85 million. All payments shall be made by wire transfer of same day funds.

(i) (i) If after the date hereof a bona fide Acquisition Proposal with respect to Parent shall have been publicly announced or any Person shall have publicly announced that, subject to Parent's stockholders not approving the Share Issuance Proposal or otherwise rejecting it, it will make a bona fide Acquisition Proposal with respect to Parent and thereafter this Agreement is terminated by the Company pursuant to *Section 5.3(b)*, or (ii) if this Agreement is terminated by the Company pursuant to *Section 5.3(b)*, and a fee has not been paid in respect of clause (i) above, and concurrently with such termination or within twelve months after such termination Parent shall agree to an Acquisition Proposal or an Acquisition Proposal with respect to Parent shall be consummated, then Parent shall, in the case of clause (i) on the date of such termination and in the case of clause (ii) upon the earlier of agreeing to an Acquisition Proposal or consummating an Acquisition Proposal, pay all of the charges and expenses incurred by the Company in connection with this Agreement and the transactions contemplated by this Agreement and the Arrangement up to a maximum amount of \$12 million and pay the Company a cash fee of \$85 million. All payments shall be made by wire transfer of same day funds.

(j) Each of the Company and Parent acknowledges that the agreements contained in *Sections 5.5(b)* through *(i)* are an integral part of the transactions contemplated by this Agreement and the Arrangement, and that, without these agreements, each of the parties hereto would not enter into this Agreement; accordingly, if any party fails to promptly pay the amount due pursuant to *Sections 5.5(b)* through *(i)*, and, in order to obtain such payment, the other party commences a suit which results in a judgment against such party for any of the cash fees set forth in *Sections 5.5(b)* through *(i)*, such party shall pay to the other party its costs and expenses (including attorneys' fees) in connection with such suit, together with interest on the amount of the fee at the prime rate of Citibank, N.A. in effect on the date such payment was required to be made.

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ARTICLE VI

MISCELLANEOUS AND GENERAL

6.1. *Survival.* This *Article VI* and the agreements of the Company and Parent contained in *Sections 3.10* (Employee Benefits), *3.11* (Expenses), *3.12* (Indemnification; Directors and Officers Insurance), *3.15* (Parent Name), *3.16* (Headquarters), *3.17* (Board Composition; Committees) *3.18* (Non-Executive Chairman; Chief Executive Officer) and *3.19* (Amendments to By-laws of Parent) shall survive the consummation of the Arrangement. This *Article VI*, the agreements of the Company and Parent contained in *Sections 3.11* (Expenses) and *5.5* (Effect of Termination and Abandonment) and the Confidentiality Agreement shall survive the termination of this Agreement. All other representations, warranties, covenants and agreements in this Agreement shall not survive the consummation of the Arrangement or the termination of this Agreement.

6.2. *Modification or Amendment.* Subject to the provisions of applicable Law, at any time prior to the Effective Time, the parties hereto may modify or amend this Agreement, by written agreement executed and delivered by duly authorized officers of the respective parties.

6.3. *Waiver of Conditions.* The conditions to each of the parties' obligations to consummate the transactions contemplated hereby are for the sole benefit of such party and may be waived by such party in whole or in part but only in writing and to the extent permitted by applicable Law.

6.4. *Counterparts.* This Agreement may be executed in any number of counterparts, each such counterpart being deemed to be an original instrument, and all such counterparts shall together constitute the same agreement.

6.5. GOVERNING LAW AND VENUE; WAIVER OF JURY TRIAL. (a) **THIS AGREEMENT SHALL BE DEEMED TO BE MADE IN AND IN ALL RESPECTS SHALL BE INTERPRETED, CONSTRUED AND GOVERNED BY AND IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO THE CONFLICT OF LAW PRINCIPLES THEREOF, EXCEPT TO THE EXTENT MANDATORILY GOVERNED BY THE LAWS OF THE PROVINCE OF ONTARIO OR THE STATE OF DELAWARE.** The parties hereby irrevocably submit to the jurisdiction of the courts of the State of New York located in New York County and the Federal courts of the United States of America located in the Southern District of New York solely in respect of the interpretation and enforcement of the provisions of this Agreement and of the documents referred to in this Agreement, and in respect of the transactions contemplated hereby, and hereby waive, and agree not to assert, as a defense in any action, suit or proceeding for the interpretation or enforcement hereof or of any such document, that it is not subject thereto or that such action, suit or proceeding may not be brought or is not maintainable in said courts or that the venue thereof may not be appropriate or that this Agreement or any such document may not be enforced in or by such courts, and the parties hereto irrevocably agree that all claims with respect to such action or proceeding shall be heard and determined in such a New York State or Federal court. The parties hereby consent to and grant any such court jurisdiction over the person of such parties and over the subject matter of such dispute and agree that mailing of process or other papers in connection with any such action or proceeding in the manner provided in *Section 6.6* or in such other manner as may be permitted by Law shall be valid and sufficient service thereof.

(b) EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE ARRANGEMENT, OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT OR THE ARRANGEMENT. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (i) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, TO IT THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION,

SEEK TO ENFORCE THE FOREGOING WAIVER, (ii) EACH

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PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (iii) EACH PARTY MAKES THIS WAIVER VOLUNTARILY AND (iv) EACH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS *SECTION 6.5*.

6.6. *Notices*. Any notice, request, instruction or other document to be given hereunder by any party to the others shall be in writing and delivered personally or sent by registered or certified mail, postage prepaid, or by facsimile:

if to Parent:

R.R. Donnelley & Sons Company

77 West Wacker Drive

Chicago, IL 60601-1696

Attention: General Counsel

fax: (312) 326-7620

with copies to:

Sidley Austin Brown & Wood LLP

10 S. Dearborn Street,

Chicago, IL 60603

Attention: Thomas A. Cole, Esq.

fax: (312) 853-7036

Stikeman Elliott LLP

Barristers & Solicitors

199 Bay Street

5300 Commerce Court West

Toronto, Ontario M5L 1B9

Attention: William Braithwaite

fax: (416) 947-0866

if to the Company:

Moore Wallace North America

1200 Lakeside Drive

Bannockburn, IL 60015

Attention: Executive Vice President,

Corporate and Legal Affairs

fax: (847) 607-7606

with copies to:

Sullivan & Cromwell LLP

125 Broad Street, New York, NY 10004

Attention: Joseph B. Frumkin, Esq.

Audra D. Cohen, Esq.

fax: (212) 558-3588

Osler, Hoskin & Harcourt LLP

Barristers & Solicitors

100 King Street West

Box 50

1 First Canadian Place

Toronto, Ontario M5X 1B8

Attention: Clay Horner

fax: (416) 862-6666

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or to such other persons or addresses as may be designated in writing by the party to receive such notice as provided above.

6.7. *Entire Agreement.* This Agreement (including any exhibits hereto), the Company Disclosure Letter, the Parent Disclosure Letter and the Confidentiality Agreement, dated September 7, 2003, between Parent and the Company (the *Confidentiality Agreement*) constitute the entire agreement and supersede all other prior agreements, understandings, representations and warranties both written and oral, among the parties, with respect to the subject matter hereof.

6.8. *No Third Party Beneficiaries.* This Agreement (except *Section 3.12* (Indemnification; Directors and Officers Insurance)), is not intended to confer upon any Person other than the parties hereto any rights or remedies hereunder.

6.9. *Obligations of Parent and of the Company.* Whenever this Agreement requires a Subsidiary of Parent to take any action, such requirement shall be deemed to include an undertaking on the part of Parent to cause such Subsidiary to take such action. Whenever this Agreement requires a Subsidiary of the Company to take any action, such requirement shall be deemed to include an undertaking on the part of the Company to cause such Subsidiary to take such action.

6.10. *Definitions.* For purposes of this Agreement, the following terms have the meanings specified in this *Section 6.10*:

Company Material Adverse Effect means an effect or change that, individually or in the aggregate with other such effects or changes, is both material and adverse with respect to the financial condition, business, operations, results of operations, properties, assets, or liabilities of the Company and its Subsidiaries taken as a whole, as the case may be; *provided, however*, that (A) to the extent any effect or change is caused by or results from conditions affecting the United States or Canadian economy generally, it shall not be taken into account in determining whether there has been (or whether there would reasonably likely be) a Company Material Adverse Effect, and (B) to the extent any effect or change is caused by or results from conditions generally affecting the industries (including the commercial print, financial print, printed statements, forms and labels or logistics industries) in which the Company conducts its business, it shall not be taken into account in determining whether there has been (or whether there would reasonably likely be) a Company Material Adverse Effect and (C) to the extent any effect or change is caused by or results from the announcement or pendency of this Agreement, it shall not be taken into account in determining whether there has been (or whether there would reasonably likely be) a Company Material Adverse Effect.

Environmental Law means any federal, state, provincial, local or foreign statute, law, regulation, order, decree, permit, approval, authorization, common law or agency requirement relating to: (A) the protection, investigation or restoration of the environment, health, safety, or natural resources, (B) the handling, use, presence, disposal, release or threatened release of any Hazardous Substance or (C) noise, odor, indoor air, employee exposure, wetlands, pollution, contamination or any injury or threat of injury to persons or property relating to any Hazardous Substance.

Hazardous Substance means any substance that is: (A) listed, classified or regulated pursuant to any Environmental Law; (B) any petroleum product or by-product, asbestos-containing material, lead-containing paint or plumbing, polychlorinated biphenyls, radioactive material or radon; and (C) any other substance which is the subject of regulatory action by any Government Entity in connection with any Environmental Law.

Parent Material Adverse Effect means an effect or change that, individually or in the aggregate with other such effects or changes, is both material and adverse with respect to the financial condition, business, operations, results of operations, properties, assets or liabilities of Parent

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and its Subsidiaries taken as a whole, as the case may be; *provided, however*, that (A) to the extent any effect or change is caused by or results from conditions affecting the United States economy generally, it shall not be taken into account in determining whether there has been (or whether there would reasonably likely be) a Parent Material Adverse Effect, and (B) to the extent any

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effect or change is caused by or results from conditions generally affecting the industries (including the commercial print, financial print or logistics industries) in which Parent conducts its business, it shall not be taken into account in determining whether there has been (or whether there would reasonably likely be) a Parent Material Adverse Effect and (C) to the extent any effect or change is caused by or results from the announcement or pendency of this Agreement, it shall not be taken into account in determining whether there has been (or whether there would reasonably likely be) a Parent Material Adverse Effect.

Person means any individual, corporation (including not-for-profit), general or limited partnership, limited liability company, joint venture, estate, trust, association, organization, Governmental Entity or other entity of any kind or nature.

Subsidiary means, with respect to the Company or Parent, as the case may be, any entity, whether incorporated or unincorporated, of which at least a majority of the securities or ownership interests having by their terms ordinary voting power to elect a majority of the board of directors or other persons performing similar functions is directly or indirectly owned or controlled by such party or by one or more of its respective Subsidiaries or by such party and any one or more of its respective Subsidiaries.

Tax (including, with correlative meaning, the terms *Taxes*, and *Taxable*) includes all United States federal, Canadian federal, state, provincial, local and foreign income, profits, franchise, capital, gross receipts, environmental, customs duty, capital stock, severances, stamp, document, transfer, payroll, sales, employment, unemployment, social security, disability, use, property, withholding, excise, production, value added, goods and services, harmonized sales, occupancy and other taxes, duties or assessments of any nature whatsoever (including employment insurance premiums or contributions and Canada and Quebec pension plan premiums or contributions), together with all interest, penalties and additions imposed with respect to such amounts and any interest in respect of such penalties and additions.

Tax Return includes all returns and reports (including elections, declarations, disclosures, schedules, estimates and information returns) required to be supplied to a Tax authority relating to Taxes.

6.11. *Severability*. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability or the other provisions hereof. If any provision of this Agreement, or the application thereof to any Person or any circumstance, is invalid or unenforceable, (a) a suitable and equitable provision shall be substituted therefor in order to carry out, so far as may be valid and enforceable, the intent and purpose of such invalid or unenforceable provision and (b) the remainder of this Agreement and the application of such provision to other Persons or circumstances shall not be affected by such invalidity or unenforceability, nor shall such invalidity or unenforceability affect the validity or enforceability of such provision, or the application thereof, in any other jurisdiction.

6.12. *Interpretation*. The table of contents and headings herein are for convenience of reference only, do not constitute part of this Agreement and shall not be deemed to limit or otherwise affect any of the provisions hereof. Where a reference in this Agreement is made to a Section or Exhibit, such reference shall be to a Section of or Exhibit to this Agreement unless otherwise indicated. Whenever the words *include*, *includes* or *including* are used in this Agreement, they shall be deemed to be followed by the words *without limitation*. Unless otherwise indicated, references in this Agreement to dollars or \$ are to United States currency.

6.13. *Assignment*. This Agreement shall not be assignable by operation of law or otherwise and any purported assignment in violation of this Agreement is null and void.

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IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by a duly authorized officer of each party hereto as of the date first written above.

R.R. DONNELLEY & SONS COMPANY

By /s/ Monica M. Fohrman

Name: Monica M. Fohrman
Title: Senior Vice President,

General Counsel and

Secretary

MOORE WALLACE INCORPORATED

By /s/ Michael S. Kraus

Name: Michael S. Kraus
Title: Senior Vice President,

Mergers and Acquisitions

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ANNEX C

**PLAN OF ARRANGEMENT
UNDER SECTION 192
OF THE CANADA BUSINESS CORPORATIONS ACT**

ARTICLE 1

INTERPRETATION

1.1 Definitions

In this Plan of Arrangement, unless there is something in the subject matter or context inconsistent therewith, the following terms shall have the respective meanings set out below (and grammatical variations of such terms shall have corresponding meanings):

Arrangement means the arrangement under section 192 of the CBCA on the terms and subject to the conditions set out in this Plan of Arrangement, subject to any amendments or variations thereto made in accordance with Section 6.2 of the Combination Agreement or Article 5 hereof or made at the direction of the Court in the Final Order;

Arrangement Resolution means the special resolution of the Company Securityholders, to be substantially in the form and content of Exhibit A to the Combination Agreement;

Articles of Arrangement means the articles of arrangement of the Company in respect of the Arrangement that are required by the CBCA to be filed with the Director after the Final Order is made;

Business Day means any day on which commercial banks are open for business in Chicago, Illinois and Toronto, Ontario, other than a Saturday, a Sunday or a day observed as a holiday in Chicago, Illinois under the laws of the State of Illinois or the federal laws of the United States of America, or in Toronto, Ontario under the laws of the Province of Ontario or the federal laws of Canada;

CBCA means the *Canada Business Corporations Act*, as amended from time to time prior to the Effective Date;

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Certificate means the certificate of arrangement giving effect to the Arrangement, issued by the Director pursuant to subsection 192(7) of the CBCA after the Articles of Arrangement have been filed with the Director;

Closing Trading Price of Parent Common Stock means an amount equal to the closing price per share of Parent Common Stock on the NYSE Composite Tape on the Business Day immediately prior to the Effective Date as reported by *The Wall Street Journal* (Northeast edition) or, if not reported thereby, any other authoritative source mutually agreed to by Parent and the Company;

Code means the United States Internal Revenue Code of 1986, as amended;

Combination Agreement means the agreement dated as of November 8, 2003 between Parent and the Company, as it may be amended from time to time prior to the Effective Date, providing for, among other things, the Arrangement;

Company means Moore Wallace Incorporated, a corporation continued under the laws of Canada;

Company Circular means the notice of the Company Meeting and accompanying management information circular, including any amendments, supplements or appendices thereto, to be sent to Company Securityholders in respect of the Company Meeting;

Company Common Shares means the common shares in the capital of the Company immediately prior to the Effective Time;

Company Common Shareholders means the holders of Company Common Shares;

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Company Meeting means the special meeting of Company Securityholders including any adjournments or postponements thereof, to be called and held in accordance with the Interim Order to consider the Arrangement;

Company Options means the Company Common Share purchase options granted under the Company Stock Plans and the Company Common Share purchase options granted under individual option agreements that are not governed by any stock option plan, and for greater certainty excludes the Company RSUs;

Company RSUs means the restricted stock units with respect to Company Common Shares granted under the Company Stock Plans;

Company Securityholders means collectively, the Company Common Shareholders and the holders of Company Options and Company RSUs;

Company Stock Plans means, collectively, (i) the Company 2003 Long Term Incentive Plan, (ii) the Company 2001 Long Term Incentive Plan, (iii) the Company 2003 Executive Inducement Grants, (iv) the Company 1999 Long Term Incentive Plan, (v) the Company 1994 Long Term Incentive Plan, (vi) the Company 1985 Long Term Incentive Plan, (vii) the Company 2001 Inducement Grants, (viii) the Company Share Plan for Non-Employee Directors and (ix) the Company Employee Stock Purchase Plan;

Court means the Ontario Superior Court of Justice;

Currency Exchange Rate means the noon spot rate of exchange on any date for United States dollars expressed in Canadian dollars as reported by The Bank of Canada or, in the event such spot rate of exchange is not available, such spot rate of exchange on such date for United States dollars expressed in Canadian dollars as may be deemed by Parent to be appropriate for such purpose;

Depository means Computershare Trust Company of Canada at its offices set out in the Letter of Transmittal;

Director means the Director appointed pursuant to section 260 of the CBCA;

Dissent Rights has the meaning ascribed thereto in Section 3.1;

Dissenting Shareholder means a holder of Company Common Shares who dissents in respect of the Arrangement in strict compliance with the Dissent Rights;

Effective Date means the date shown on the Certificate;

Effective Time means 12:01 a.m. (Toronto time) on the Effective Date;

Exchange Ratio means 0.63, subject to adjustment, if any, as provided herein;

Final Order means the final order of the Court approving the Arrangement as such order may be amended or varied at any time prior to the Effective Date or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or amended on appeal;

Governmental Entity means any governmental or regulatory authority, agency, commission, body or other governmental entity;

holders means, (a) when used with reference to the Company Common Shares, the holders of Company Common Shares shown from time to time in the register maintained by or on behalf of the Company in respect of the Company Common Shares, (b) when used with reference to Parent Common Stock, the holders of Parent Common Stock shown from time to time in the register maintained by or on behalf of Parent in respect of Parent Common Stock, (c) when used with reference to the Company Options, the holders of Company Options from time to time and (d) when used with reference to the Company RSUs, the holders of Company RSUs from time to time;

Interim Order means the interim order of the Court, as the same may be amended, in respect of the Arrangement, as contemplated by Section 1.1 of the Combination Agreement;

ITA means the *Income Tax Act* (Canada), as amended;

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Letter of Transmittal means the letter of transmittal to be sent by the Company to holders of Company Common Shares for use in connection with the Arrangement;

NYSE means the New York Stock Exchange, Inc.;

Parent means R.R. Donnelley & Sons Company, a Delaware corporation;

Parent Circular means the proxy statement of Parent, including any amendments, supplements or appendices thereto, to be sent to Parent Common Stockholders in connection with the Parent Meeting;

Parent Common Stock means the shares of common stock, par value \$1.25 per share, of Parent;

Parent Common Stockholders means the holders of Parent Common Stock;

Parent Meeting means the meeting of holders of Parent Common Stock, including any adjournments or postponements thereof, to be called to consider the issuance of shares of Parent Common Stock pursuant to the Arrangement;

Parent Rights means the rights issued or to be issued pursuant to a rights agreement, dated as of April 25, 1996, between Parent and First Chicago Trust Company of New York, as rights agent;

Parent SubCo means a wholly-owned direct Subsidiary of Parent;

Person includes any individual, firm, partnership, joint venture, venture capital fund, limited liability company, unlimited liability company, association, trust, trustee, executor, administrator, legal personal representative, estate, group, body corporate, corporation, unincorporated association or organization, Governmental Entity, syndicate or other entity, whether or not having legal status;

Replacement Option has the meaning ascribed thereto in Section 2.2(c);

Replacement RSU has the meaning ascribed thereto in Section 2.2(d);

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Securities Act means the *Securities Act* (Ontario) and the rules and regulations made thereunder, as now in effect and as they may be amended from time to time prior to the Effective Date; and

Subsidiary means, with respect to the Company or Parent, as the case may be, any entity, whether incorporated or unincorporated, of which at least a majority of the securities or ownership interests having by their terms ordinary voting power to elect a majority of the board of directors or other persons performing similar functions is directly or indirectly owned or controlled by such party or by one or more of its respective Subsidiaries or by such party and any one or more of its respective Subsidiaries.

1.2 Interpretations Not Affected by Headings

The division of this Plan of Arrangement into articles, sections and other portions and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation hereof. Unless otherwise indicated, all references to an Article or Section followed by a number refer to the specified Article or Section of this Plan of Arrangement. The terms this Plan of Arrangement, hereof, herein and hereunder and similar expressions refer to this Plan of Arrangement and not to any particular Article, Section or other portion hereof.

1.3 Rules of Construction

Unless otherwise specifically indicated, (a) all references to dollars or \$ are to United States currency, (b) words importing the singular shall include the plural and vice versa and words importing any gender shall include all genders, and (c) include, includes and including shall be deemed to be followed by the words without limitation.

1.4 Date For Any Action

In the event that any date on which any action is required to be taken hereunder by any of the parties hereto is not a Business Day, such action shall be required to be taken on the next succeeding day that is a Business Day.

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ARTICLE 2

ARRANGEMENT

2.1 Binding Effect

This Plan of Arrangement will become effective at, and be binding at and after the Effective Time on (i) the Company, (ii) Parent, (iii) Parent SubCo, (iv) all holders and all beneficial owners of Company Common Shares, (v) all holders and all beneficial owners of Company Options, (vi) all holders and all beneficial owners of Company RSUs, and (vii) all holders and all beneficial owners of Parent Common Stock received in exchange for Company Common Shares or on the exercise of Replacement Options or on the vesting of Replacement RSUs.

2.2 Arrangement

At the Effective Time, the following shall occur and shall be deemed to occur in the following order and without any further act or formality:

- (a) Parent shall issue, and be deemed to have issued, to Parent SubCo that number of duly authorized, fully paid and non-assessable shares of Parent Common Stock (and associated Parent Rights) that is the product of
 - (i) the Exchange Ratio, multiplied by
 - (ii) the number of Company Common Shares outstanding immediately prior to the Effective Time after deducting
 - A. the number of Company Common Shares held by any Dissenting Shareholder who is ultimately entitled to be paid the fair value of the Company Common Shares held by such Dissenting Shareholder, and
 - B. the number of Company Common Shares held by Parent or any Subsidiary of Parent,

the exact number of which is to be confirmed by way of a certificate of a director or officer of Parent, and filed with the corporate records of Parent, at such time that the number of shares of Parent Common Stock (and associated Parent Rights) issuable under the Arrangement is finally determinable, and Parent SubCo shall issue, and be deemed to have issued, to Parent, in exchange therefor, 1,000,000 common shares in the capital of Parent SubCo.

- (b) The outstanding Company Common Shares held by each Company Common Shareholder other than,
 - (i)

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Company Common Shares held by a Dissenting Shareholder who is ultimately entitled to be paid the fair value of the Company Common Shares held by such Dissenting Shareholder, or

- (ii) Company Common Shares held by Parent or any Subsidiary of Parent (which shall not be exchanged under the Arrangement and shall be cancelled at the Effective Time and cease to exist),

will be transferred by the holder thereof to, and acquired by, Parent SubCo without any act or formality on the part of the holders of such Company Common Shares or Parent SubCo, free and clear of all liens, claims and encumbrances, in exchange for that number of duly authorized, fully-paid and non-assessable shares of Parent Common Stock (and associated Parent Rights) equal to the product of the total number of such Company Common Shares held by that Company Common Shareholder multiplied by the Exchange Ratio, and the name of each such holder of Company Common Shares will be removed from the register of holders of Company Common Shares and added to the register of holders of Parent Common Stock.

- (c) Each Company Option that has not been duly exercised prior to the Effective Time shall be exchanged for or converted into an option (a **Replacement Option**) to purchase that number of shares of Parent Common Stock equal to the number of Company Common Shares subject to such Company Option multiplied by the Exchange Ratio. For a Company Option

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- (i) with an exercise price denominated in Canadian dollars, such Replacement Option shall provide for an exercise price per share of Parent Common Stock in United States dollars equal to (x) the exercise price per Company Common Share of such Company Option immediately prior to the Effective Time divided by the Exchange Ratio, divided by (y) the Currency Exchange Rate for United States dollars on the Effective Date, or
- (ii) with an exercise price denominated in United States dollars, such Replacement Option shall provide for an exercise price per share of Parent Common Stock in United States dollars equal to the exercise price per Company Common Share of such Company Option immediately prior to the Effective Time divided by the Exchange Ratio;

provided that in no circumstance shall the exercise price per share of Parent Common Stock be less than \$.01 and if the calculation results in an exercise price less than \$.01, the exercise price shall be deemed to be \$.01 per share of Parent Common Stock. If the foregoing calculation results in a Replacement Option (A) being exercisable for a fraction of a share of Parent Common Stock, then the number of shares of Parent Common Stock subject to such Replacement Option shall be rounded down to the next whole number of shares of Parent Common Stock or (B) having an exercise price per share of Parent Common Stock that is a fraction of a cent, then the exercise price per share of Parent Common Stock under such Replacement Option shall be rounded up to the next whole cent; provided, however, that with respect to any Company Option which is an incentive stock option, within the meaning of Section 422 of the Code, or which is held by a person who is a resident of Canada within the meaning of the ITA, the provisions provided in this paragraph 2(c) shall, if applicable, be modified in a manner so that (i) the excess of the aggregate fair market value of the shares of Parent Common Stock subject to the Replacement Option immediately after the issuance of the Replacement Option over the aggregate option exercise price of such shares does not exceed the excess of the aggregate fair market value of all Company Common Shares subject to the Company Option immediately before the issuance of the Replacement Option over the aggregate option exercise price of such shares, and, with respect only to a Company Option that is an incentive stock option within the meaning of Section 422 of the Code, (ii) on a share by share comparison, the ratio of the option exercise price to the fair market value of the shares of Parent Common Stock subject to the Replacement Option immediately after the issuance of the Replacement Option will not be more favorable to the option holder than the ratio of the option exercise price to the fair market value of the Company Common Shares subject to the Company Option immediately before the issuance of the Replacement Option. The term to expiry, conditions to and manner of exercising, vesting schedule and all other terms and conditions of such Replacement Option will be the same as the terms and conditions of such Company Option. Any document or agreement previously evidencing such Company Option shall thereafter evidence and be deemed to evidence such Replacement Options.

- (d) Each Company RSU outstanding under the Company Stock Plans as of the Effective Time, shall be deemed to be exchanged for or converted into a right (a Replacement RSU) to acquire or receive (as the case may be) that number of shares of Parent Common Stock equal to the number of Company Common Shares subject to such Company RSU multiplied by the Exchange Ratio; provided that for the purposes of this paragraph (d) only, in the case of a holder or participant under the relevant Company Stock Plan who is a resident of Canada for purposes of the ITA, the Exchange Ratio shall be modified in a manner such that the aggregate fair market value of the shares of Parent Common Stock to be acquired or received under the Replacement RSU immediately after the issuance of the Replacement RSU will not exceed the aggregate fair market value of the Company Common Shares immediately before the issuance of the Replacement RSU that would have been acquired or received under the Company RSU under the relevant Company Stock Plan. If the foregoing calculation results in a Replacement RSU being exercisable for a fraction of a share of Parent Common Stock, then the number of shares of Parent Common Stock subject to such Replacement RSU shall be rounded down to the next whole number of shares of Parent Common Stock. Such Replacement RSUs shall otherwise be subject to the same terms and conditions applicable to the Company RSUs under the relevant Company Stock Plan. Any document or agreement previously evidencing such Company RSUs shall thereafter evidence and be deemed to reference Replacement RSUs.

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2.3 Adjustments to Exchange Ratio

Except as set forth in Section 1.6(b) of the Combination Agreement, in the event that the Company changes the number of Company Common Shares or securities convertible or exchangeable into or exercisable for Company Common Shares, or Parent changes the number of shares of Parent Common Stock or securities convertible or exchangeable into or exercisable for shares of Parent Common Stock, issued and outstanding prior to the Effective Time as a result of a reclassification, stock split (including reverse split), dividend or distribution, recapitalization, merger, subdivision, combination, issuer tender or exchange offer, or other similar transaction, the Exchange Ratio will be adjusted appropriately to provide the holders of Company Common Shares the same economic effect as contemplated by the Combination Agreement and the Plan of Arrangement prior to such reclassification, split, dividend, distribution, recapitalization, merger, subdivision, combination, tender or exchange offer or similar transaction.

ARTICLE 3

RIGHTS OF DISSENT

3.1 Rights of Dissent

Holders of Company Common Shares may exercise rights of dissent with respect to such Company Common Shares pursuant to and in the manner set forth in section 190 of the CBCA and this Section 3.1 (the **Dissent Rights**) in connection with the Arrangement, provided that notwithstanding subsection 190(5) of the CBCA, the written objection to the Arrangement Resolution referred to in subsection 190(5) of the CBCA must be received by the Company not later than 5:00 p.m. (Toronto time) on the Business Day preceding the Company Meeting. Holders of Company Common Shares who duly exercise such rights of dissent and who:

- (a) are ultimately determined to be entitled to be paid fair value for their Company Common Shares shall be deemed to have transferred such Company Common Shares as of the Effective Time, without any further act or formality and free and clear of all liens, claims and encumbrances, to the Company for cancellation in consideration for a payment of cash from the Company equal to such fair value; or
- (b) are ultimately determined not to be entitled, for any reason, to be paid fair value for their Company Common Shares shall be deemed to have participated in the Arrangement as of the Effective Time, on the same basis as a non-dissenting holder of Company Common Shares and shall receive Parent Common Stock on the same basis as holders of Company Common Shares,

but in no case shall Parent, Parent SubCo, the Company or any other Person be required to recognize any Dissenting Shareholder as a holder of Company Common Shares after the Effective Time, and the names of each Dissenting Shareholder shall be deleted from the register of holders of Company Common Shares at the Effective Time.

ARTICLE 4

CERTIFICATES AND FRACTIONAL SHARES

4.1 Issuance of Certificates Representing Parent Common Stock

At or as promptly as practicable after the Effective Time, Parent SubCo shall deposit with the Depositary, for the benefit of the holders of Company Common Shares who will receive Parent Common Stock in connection with the Arrangement, certificates representing the Parent Common Stock (and associated Parent Rights) issuable under the Arrangement. Upon surrender to the Depositary for transfer to Parent SubCo of a certificate which immediately prior to or upon the Effective Time represented Company Common Shares in respect of which the holder is entitled to receive Parent Common Stock (and associated Parent Rights) under the Arrangement,

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together with a duly completed Letter of Transmittal and such other documents and instruments as would have been required to effect the transfer of the Company Common Shares formerly represented by such certificate under the CBCA and the by-laws of the Company, and such additional documents and instruments as the Depositary may reasonably require, the holder of such surrendered certificate shall be entitled to receive in exchange therefor, and after the Effective Time the Depositary shall deliver to such holder, a certificate representing that number (rounded down to the nearest whole number) of shares of Parent Common Stock (and associated Parent Rights) which such holder has the right to receive (together with any dividends or distributions with respect thereto pursuant to Section 4.2 and any cash in lieu of fractional shares of Parent Common Stock pursuant to Section 4.3) and any certificate so surrendered shall forthwith be transferred to Parent SubCo. No interest shall be paid or accrued on the cash in lieu of fractional shares, if any, payable to holders of certificates that formerly represented Company Common Shares. In the event of a transfer of ownership of Company Common Shares that was not registered in the securities register of the Company, a certificate representing the proper number of shares of Parent Common Stock may be issued to the transferee if the certificate representing such Company Common Shares is presented to the Depositary as provided above, accompanied by all documents required to evidence and effect such transfer. Until surrendered as contemplated by this Section 4.1, each certificate which immediately prior to or upon the Effective Time represented one or more Company Common Shares, under the Arrangement, that were exchanged or were deemed to be exchanged for shares of Parent Common Stock (and associated Parent Rights) pursuant to Section 2.2(b) shall be deemed at all times at and after the Effective Time, but subject to Section 4.5, to represent only the right to receive upon such surrender (i) a certificate representing that number of shares of Parent Common Stock (and associated Parent Rights) which such holder has the right to receive as contemplated by this Section 4.1, (ii) a cash payment in lieu of any fractional shares of Parent Common Stock as contemplated by Section 4.3, and (iii) any dividends or distributions with a record date after the Effective Time therefor paid or payable with respect to the shares of Parent Common Stock as contemplated by Section 4.2.

4.2 Distributions with Respect to Unsurrendered Certificates

No dividends or other distributions paid, declared or made with respect to Parent Common Stock with a record date after the Effective Time, shall be paid to the holder of any unsurrendered certificate which immediately prior to the Effective Time represented outstanding Company Common Shares that were exchanged for Parent Common Stock pursuant to Section 2.2(b) unless and until the holder of such certificate shall comply with the provisions of Section 4.1. Subject to applicable law, at the time such holder shall have complied with the provisions of Section 4.1 (or, in the case of clause (iii) below, at the appropriate payment date), there shall be paid to the holder of the certificates formerly representing Company Common Shares, without interest, (i) the amount of any cash payable in lieu of a fractional share of Parent Common Stock to which such holder is entitled pursuant to Section 4.3, (ii) the amount of dividends or other distributions with a record date after the Effective Time therefor paid with respect to the Parent Common Stock, to which such holder is entitled pursuant hereto and (iii) on the appropriate payment date, the amount of dividends or other distributions with a record date after the Effective Time but prior to the date of compliance by such holder with the provisions of Section 4.1 and a payment date subsequent to the date of such compliance and payable with respect to shares of Parent Common Stock.

4.3 No Fractional Shares

No certificates representing fractional shares of Parent Common Stock shall be issued upon compliance with the provisions of Section 4.1 and no dividend, stock split or other change in the capital structure of Parent shall relate to any such fractional security and such fractional interests shall not entitle the owner thereof to exercise any rights as a security holder of Parent. In lieu of any such fractional securities, each holder otherwise entitled to a share of Parent Common Stock will be entitled to receive a cash payment in United States currency from the Depositary equal to the product of such fractional interest and the Closing Trading Price of Parent Common Stock, such amount to be provided to the Depositary by Parent SubCo upon request. Such payment with respect to fractional shares is merely intended to provide a mechanical rounding off of, and is not separately bargained for, consideration. If more than one certificate formerly representing Company Common Shares are surrendered

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for the account of the same holder, the number of shares of Parent Common Stock for which such certificates have been surrendered shall be computed on the basis of the aggregate number of Company Common Shares represented by the certificates so surrendered.

4.4 Lost Certificates

In the event any certificate which immediately prior to the Effective Time represented one or more outstanding Company Common Shares that were exchanged pursuant to Section 2.2(b) shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the holder of Company Common Shares claiming such certificate to be lost, stolen or destroyed, the Depositary will issue in exchange for such lost, stolen or destroyed certificate, one or more certificates representing one or more shares of Parent Common Stock (and associated Parent Rights) pursuant to Section 4.1 and such holders Letter of Transmittal, in each case deliverable in accordance with Section 2.2, and cash in lieu of any fractional shares pursuant to Section 4.3. When authorizing such payment in exchange for any lost, stolen or destroyed certificate, the holder to whom certificates representing shares of Parent Common Stock are to be issued shall, as a condition precedent to the issuance thereof, give a bond satisfactory to the Company, Parent and Parent SubCo, and their respective transfer agents in such sum as the Company, Parent and Parent SubCo may direct or otherwise indemnify the Company, Parent and Parent SubCo in a manner satisfactory to the Company, Parent and Parent SubCo against any claim that may be made against the Company, Parent and Parent SubCo with respect to the certificate alleged to have been lost, stolen or destroyed.

4.5 Extinguishment of Rights

Any certificate which immediately prior to the Effective Time represented outstanding Company Common Shares that are not held by a Dissenting Shareholder who is ultimately entitled to be paid fair value of the Company Common Shares held by such Dissenting Shareholder, but was exchanged or was deemed to have been exchanged pursuant to Section 2.2(b), that has not been deposited with all other instruments required by Section 4.1, on or prior to the fifth anniversary of the Effective Date shall cease to represent a claim or interest of any kind or nature to Parent Common Stock (and associated Parent Rights). On such date, shares of Parent Common Stock (and associated Parent Rights) (and any dividends or distributions with respect thereto) to which the former holder of the certificate referred to in the preceding sentence was ultimately entitled shall be deemed to have been surrendered for no consideration to Parent SubCo, together with all entitlements to dividends, distributions, cash and interest in respect thereof held for such former holder. None of Parent, Parent SubCo, the Company or the Depositary shall be liable to any Person in respect of any Parent Common Stock (and associated Parent Rights) (or dividends, distributions and/or cash in lieu of fractional shares) delivered to a public official pursuant to and in compliance with any applicable abandoned property, escheat or similar law.

4.6 Withholding Rights

The Company, Parent, Parent SubCo, and the Depositary shall be entitled to deduct and withhold from any dividend or consideration otherwise payable to any holder of Company Common Shares, or Parent Common Stock, such amounts as the Company, Parent or Parent SubCo or the Depositary is required or entitled to deduct and withhold with respect to such payment under the ITA, the Code or any provision of federal, provincial, territorial, state, local or foreign tax law, in each case, as amended. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes hereof as having been paid to the holder of the shares in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate taxing authority. To the extent that the amount so required or entitled to be deducted or withheld from any payment to a holder exceeds the cash portion, if any, of the consideration otherwise payable to the holder, the Company, Parent, Parent SubCo and the Depositary are hereby authorized to sell or otherwise dispose of, on behalf of such holder, such portion of the consideration as is necessary to provide sufficient funds to the Company, Parent or Parent SubCo or the Depositary, as the case may be, to enable it to comply with such deduction or withholding requirement and the Company, Parent, Parent SubCo or the Depositary shall notify the holder thereof and remit any unapplied balance of the proceeds of such sale less any costs or expenses

incurred by the Company, Parent, Parent SubCo or the Depositary in connection with such sale.

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ARTICLE 5

AMENDMENTS

5.1 Amendments to Plan of Arrangement

(a) The Company and Parent reserve the right to amend, modify and/or supplement this Plan of Arrangement at any time and from time to time prior to the Effective Date, provided that each such amendment, modification and/or supplement must be (i) set out in writing, (ii) approved by the Company and Parent, (iii) filed with the Court and, if made following the Company Meeting, approved by the Court, and (iv) communicated to Company Securityholders if and as required by the Court.

(b) Any amendment, modification or supplement to this Plan of Arrangement consented to by the Company and Parent at any time prior to the Company Meeting, with or without any other prior notice or communication, and accepted by the Persons voting at the Company Meeting (other than as may be required under the Interim Order), shall become part of this Plan of Arrangement for all purposes.

(c) Any amendment, modification or supplement to this Plan of Arrangement that is approved or directed by the Court following the Company Meeting shall be effective only if (i) it is consented to by the Company and Parent, and (ii) if required by the Court, it is consented to by Company Securityholders voting in the manner directed by the Court.

(d) Subject to applicable law, any amendment, modification or supplement to this Plan of Arrangement may be made following the Effective Date unilaterally by Parent, provided that it concerns a matter which, in the reasonable opinion of Parent, is of an administrative nature required to better give effect to the implementation of this Plan of Arrangement and is not adverse to the financial or economic interests of any Company Securityholder.

ARTICLE 6

FURTHER ASSURANCES

6.1 Further Assurances

Notwithstanding that the transactions and events set out herein shall occur and be deemed to occur in the order set out in this Plan of Arrangement without any further act or formality, each of the parties to the Combination Agreement shall make, do and execute, or cause to be made, done and executed, all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required by any of them in order further to document or evidence any of the transactions or events set out herein.

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ANNEX D

Commercial List Court File No. 04-CL-5279

ONTARIO

SUPERIOR COURT OF JUSTICE

COMMERCIAL LIST

THE HONOURABLE	}	FRIDAY, THE 16TH DAY
JUSTICE E. MACDONALD		OF JANUARY, 2004

IN THE MATTER OF AN APPLICATION UNDER SECTION 192 OF THE *CANADA BUSINESS CORPORATIONS ACT*, R.S.C. 1985, c.

C-44, AS AMENDED

AND IN THE MATTER OF A PROPOSED PLAN OF ARRANGEMENT INVOLVING MOORE

WALLACE INCORPORATED AND ITS SECURITYHOLDERS

MOORE WALLACE INCORPORATED

Applicant

INTERIM ORDER

THIS MOTION, made by the Applicant, Moore Wallace Incorporated (*Moore Wallace*), pursuant to section 192(4) of the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended (the *CBCA*) for an Interim Order for advice and directions in connection with the within application (the *Application*) to approve an arrangement under section 192 of the *CBCA*, was heard this day at 393 University Avenue, Toronto, Ontario.

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ON READING the Notice of Application, the Notice of Motion, the Affidavit of Theodore J. Theophilos, sworn January 14, 2004, and the exhibits thereto (the Affidavit), and

ON HEARING the submissions of counsel for Moore Wallace and counsel for R.R. Donnelley & Sons Company (RR Donnelley), no one appearing for the Director appointed under the CBCA although duly served with notice of this motion.

Definitions

1. THIS COURT ORDERS that for the purposes of this Interim Order, all capitalized terms not otherwise defined in this Interim Order shall have the meaning ascribed in the Plan of Arrangement attached as Annex C to the draft Joint Management Information Circular of Moore Wallace and RR Donnelley (the Company Circular) attached as Exhibit A to the Affidavit.

The Company Meeting

2. THIS COURT ORDERS that Moore Wallace is authorized to call, hold and conduct the Company Meeting to, among other things, consider and, if deemed advisable, to pass, with or without variation, the Arrangement Resolution, a copy of which is attached as Annex A to the draft Company Circular, to approve the Arrangement in substantially the same form as the Plan of Arrangement attached as Annex C to the draft Company Circular.

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3. THIS COURT ORDERS that the Company Meeting shall be called, held and conducted in accordance with the notice of the Company Meeting forming part of the Company Circular (the Notice of Company Meeting), the CBCA and the articles and by-laws of Moore Wallace (including quorum requirements) subject to the terms of this Interim Order or any further Order of this Honourable Court.

Amendments

4. THIS COURT ORDERS that Moore Wallace is authorized to make such amendments, revisions and/or supplements to the Plan of Arrangement as it may determine, subject to the terms of the Combination Agreement and without any additional notice to Company Securityholders, and that the Plan of Arrangement as so amended, revised or supplemented shall be the Plan of Arrangement submitted to the Company Meeting and the subject of the Arrangement Resolution.

Adjournments and Postponements

5. THIS COURT ORDERS that Moore Wallace, if it deems advisable, is authorized to adjourn or postpone the Company Meeting on one or more occasions, without the necessity of first convening the Company Meeting or first obtaining any vote of the Company Securityholders respecting the adjournment or postponement. Moore Wallace shall provide notice of any such adjournment or postponement by means of press release or newspaper advertisement, without any additional notice to Company Securityholders.

Record Date for Notice

6. THIS COURT ORDERS that the record date (the Record Date) for determining Company Securityholders entitled to receive the Notice of Meeting, the Company Circular (including the forms of proxy for use by such securityholders) shall be the close of business on January 15, 2004, as previously approved by the Board of Directors of Moore Wallace and published by Moore Wallace.

Notice of the Company Meeting, the Application and Distribution of Company Circular

7. THIS COURT ORDERS that the Notice of Application, the Notice of Company Meeting, the Company Circular and forms of proxy (collectively the Meeting Materials) in substantially the same form attached as Exhibits A and H to the Affidavit (subject to Moore Wallace's ability to change dates and make amendments or provide such additional communications or documents thereto as counsel for Moore Wallace may advise are necessary or desirable, provided that such changes, amendments, communications or documents are not inconsistent with the terms of this Interim Order) and this Interim Order shall be distributed to Company Securityholders, the directors of Moore Wallace, and the auditors of Moore Wallace, by one or more of the following methods not later than twenty-one (21) days prior to the Company Meeting:

- (a) in the case of the registered holders of Company Common Shares, by prepaid ordinary mail, by expedited parcel post, by courier or by delivery in person, addressed to each such holder at his, her or its address, as shown on the books or records of Moore Wallace as of the Record Date;

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- (b) in the case of non-registered holders of Company Common Shares, by providing multiple copies of the Meeting Materials to intermediaries and registered nominees in a timely manner;
- (c) in the case of holders of outstanding Company Options and holders of outstanding Company RSUs, by delivery through Moore Wallace's inter-office mail system to the holder's address for delivery at Moore Wallace, by prepaid ordinary mail, by expedited parcel post, by courier or by delivery in person, addressed to each such holder at his, her or its address, as shown on the books or records of Moore Wallace as of the Record Date;
- (d) in the case of the directors of Moore Wallace, by prepaid ordinary mail, by expedited parcel post, by courier or by delivery in person, addressed to the individual directors;

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- (e) in the case of the auditors of Moore Wallace, by courier or by delivery in person, addressed to the firm of auditors;

and that such mailing, delivery and distribution shall constitute good and sufficient notice of the Application and the Company Meeting and the hearing in respect of the Application upon such persons.

Deemed Receipt of Notice

8. THIS COURT ORDERS that the Meeting Materials shall be deemed for the purposes of this Interim Order to have been received,

- (a) in the case of mailing, three (3) days after delivery thereof to the post office; and
- (b) in the case of delivery in person, upon receipt thereof at the intended recipient's address, or, in the case of delivery by courier, by inter-office mail or expedited parcel post, one (1) Business Day after receipt by the courier, inter-office system or post office.

9. THIS COURT ORDERS that the accidental failure or omission to give notice of the Company Meeting or distribute the Meeting Materials in accordance with paragraph [7] above, or the non-receipt of such notice or the Meeting Materials shall not constitute a breach of this Interim Order or a defect in the calling of the Company Meeting or invalidate any resolution passed or proceedings taken at the Company Meeting, but if any such failure or omission is brought to the attention of Moore Wallace, then Moore Wallace shall use its best efforts to rectify it by the method and in the time most reasonably practicable in the circumstances.

10. THIS COURT ORDERS that no other form of service of the Meeting Materials or any portion thereof need be made or notice given or other material served in respect of these proceedings or the Company Meeting, except as may be directed by a further Order of this Honourable Court.

Solicitation of Proxies

11. THIS COURT ORDERS that Moore Wallace is authorized to use the forms of proxy, in substantially the same forms attached as Exhibit H to the Affidavit, subject to Moore Wallace's ability to insert dates and other relevant information in the final forms of proxy. Moore Wallace is authorized, at its expense, to solicit proxies, directly and through its officers, directors and employees, and through such agents or representatives as it may retain for the purpose, and by mail or such other forms of personal or electronic communication as it may determine. Moore Wallace may waive, in its discretion, the time limits for the deposit of proxies by the Company Securityholders if Moore Wallace deems it advisable to do so.

12. THIS COURT ORDERS that Company Securityholders shall be entitled to revoke their proxies in accordance with section 148(4) of the *CBCA* (except as the procedures of that section are varied by this paragraph and the Plan of Arrangement) provided any instruments in writing delivered pursuant to s.148(4)(a)(i) of the *CBCA*: (a) may be deposited at the registered office of Moore Wallace, or with the authorized agent of Moore Wallace as set out in the Company Circular and that (b) any such instruments must be received by Moore Wallace by no later than 11 a.m. Eastern Standard Time on the day of the Company Meeting (or any adjournment or postponement thereof).

Permitted Attendees

13. THIS COURT ORDERS that the only persons entitled to attend the Company Meeting shall be: (a) registered holders of the Company Common Shares or their respective proxies; (b) holders of Company Options or their respective proxies; (c) holders of Company RSUs or their respective proxies; (d) the officers, directors, auditors and advisors of Moore Wallace; (e) the representatives and advisors of RR Donnelley; and (f) other persons who may receive the permission of the Chair of the Company Meeting.

Voting

14. THIS COURT ORDERS that, subject to further Order of this Honourable Court, the vote required to pass and approve the Arrangement Resolution shall be the affirmative vote of not less than 66 ²/₃% of the votes cast by Company Common Shareholders and holders of Company Options and Company RSUs, voting together as a class, present in person or represented by proxy at the Company Meeting.

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15. THIS COURT ORDERS that the votes shall be taken at the Company Meeting in respect of the Arrangement Resolution on the basis that:

- (a) each Company Common Shareholder is entitled to cast one vote for each Company Common Share held; and
- (b) each holder of outstanding Company Options and outstanding Company RSUs is entitled to cast one vote for each Company Common Share or Company RSU, as the case may be, that such holder would have received on valid exercise or vesting of such holder's Company Options or Company RSUs.

For this purpose any spoiled votes, illegible votes, defective votes and abstentions shall be deemed not to be votes cast. Proxies that are properly signed and dated but which do not contain voting instructions shall be voted in approval of the Arrangement Resolution and at the discretion of the proxy holder on any other matter that properly comes before the Company Meeting.

16. THIS COURT ORDERS that such votes shall be sufficient to authorize and direct Moore Wallace to do all such acts necessary or desirable to give effect to the Arrangement and Plan of Arrangement on a basis consistent with what is provided for in the Company Circular without the necessity of any further approval by Company Securityholders subject only to final approval of the Arrangement and the Plan of Arrangement by this Honourable Court.

17. THIS COURT ORDERS that the only holders of Company Common Shares entitled to vote at the Company Meeting shall be the registered holders of Company Common Shares as at the close of business on the Record Date for the Company Meeting.

18. THIS COURT ORDERS that the only holders of Company Options and the only holders of Company RSUs entitled to vote at the Company Meeting shall be the holders of Company Options or Company RSUs as at the close of business on the Record Date for the Company Meeting.

Dissent Rights

19. THIS COURT ORDERS that each registered holder of Company Common Shares shall be entitled to exercise rights of dissent in connection with the Arrangement Resolution in accordance with section 190 of the *CBCA* (except as the procedures of that section are varied by this paragraph and the Plan of Arrangement) provided that, notwithstanding subsection 190(5) of the *CBCA*, any holder of Company Common Shares who wishes to dissent must, as a condition precedent thereto, provide written objection to the Arrangement Resolution to Moore Wallace in the form required by section 190 of the *CBCA* which must be received by Moore Wallace not later than 5:00 p.m. (Eastern Standard Time) on the Business Day immediately preceding the Company Meeting (or any adjournment or postponement thereof) and otherwise strictly comply with the requirements of the *CBCA*. For purposes of these proceedings, the court referred to in section 190 of the *CBCA* means this Honourable Court.

20. THIS COURT ORDERS that registered holders of Company Common Shares who duly exercise such rights of dissent set out in paragraph 19 above and who:

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- (a) are ultimately entitled to be paid fair value for their Company Common Shares, shall be deemed to have transferred such Company Common Shares as of the Effective Time, without any further act or formality and free and clear of all liens, claims and encumbrances, to Moore Wallace for cancellation in consideration for a payment of cash from Moore Wallace equal to such fair value; or
- (b) are ultimately not to be entitled, for any reason, to be paid fair value for their Company Common Shares, shall be deemed to have participated in the Arrangement as of the Effective Time, on the same basis as a non-dissenting holder of Company Common Shares and shall receive shares of common stock of RR Donnelley on the same basis as holders of Company Common Shares;

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but in no case shall Moore Wallace, RR Donnelley or any other person or entity be required to recognize such dissenting shareholders as holders of Company Common Shares after the Effective Time, and the names of such dissenting shareholders shall be deleted from the registers of the holders of Company Common Shares at the Effective Time.

Hearing of Application for Approval of Arrangement

21. THIS COURT ORDERS that upon approval by the Company Securityholders in the manner set forth in this Interim Order, Moore Wallace may apply to this Honourable Court for final approval of the Arrangement and the Plan of Arrangement.

22. THIS COURT ORDERS that the only persons entitled to notice of any further proceedings herein, including the hearing of the within Application, and to appear and to be heard thereon, shall be:

- (a) Moore Wallace and its solicitors;
- (b) RR Donnelley and their solicitors; and
- (c) any person who has delivered a Notice of Appearance herein in accordance with the *Rules of Civil Procedure*.

23. THIS COURT ORDERS that any Notice of Appearance served in response to the Notice of Application shall be served on counsel for Moore Wallace at the following address: Osler, Hoskin & Harcourt LLP, P.O. Box 50, 1 First Canadian Place, Toronto, Ontario M5X 1B8, Attention: Christopher P. Naudie.

24. THIS COURT ORDERS that in the event the within Application for final approval does not proceed on the date set forth in the Notice of Application, and is adjourned, that only those parties having previously filed a Notice of Appearance shall be entitled to be given notice of the adjourned date.

Precedence

25. THIS COURT ORDERS that, to the extent of any inconsistency or discrepancy with respect to the matters provided for in this Interim Order, between this Interim Order and the terms of any instrument creating, governing or collateral to the Company Common Shares, Company Options and Company RSUs, or the articles or by-laws of Moore Wallace, this Interim Order shall govern.

Extra-Territorial Assistance

26. THIS COURT seeks and requests the aid and recognition of any court or any judicial, regulatory or administrative body in any Province of Canada and any judicial, regulatory or administrative tribunal or other court constituted pursuant to the Parliament of Canada or the legislature of any province and any court or any judicial, regulatory or administrative body of the United States to act in aid of and to assist this Court in carrying out the terms of this Interim Order.

Variance

27. THIS COURT ORDERS that Moore Wallace shall be entitled to seek leave to vary this Order.

Local Registrar

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Commercial List Court File No. 04-CL-5279

ONTARIO

SUPERIOR COURT OF JUSTICE

COMMERCIAL LIST

**IN THE MATTER OF AN APPLICATION UNDER SECTION 192 OF THE *CANADA BUSINESS CORPORATIONS ACT*, R.S.C.
1985, c. C-44, AS AMENDED**

AND IN THE MATTER OF A PROPOSED PLAN OF ARRANGEMENT INVOLVING MOORE

WALLACE INCORPORATED AND ITS SECURITYHOLDERS

MOORE WALLACE INCORPORATED

Applicant

NOTICE OF APPLICATION

TO THE RESPONDENTS

A LEGAL PROCEEDING HAS BEEN COMMENCED by the applicant. The claim made by the applicant appears on the following page.

THIS APPLICATION will come on for a hearing before a Judge presiding over the Commercial List on February 25, 2004, or as soon after that time as the Application may be heard at 393 University Avenue, Toronto, Ontario.

IF YOU WISH TO OPPOSE THIS APPLICATION, to receive notice of any step in the application or to be served with any documents in the application, you or an Ontario lawyer acting for you must forthwith prepare a notice of appearance in Form 38A prescribed by the rules of court, serve it on the applicant's lawyer or, where the applicant does not have a lawyer, serve it on the applicant, and file it, with proof of service, in this court office, and you or your lawyer must appear at the hearing.

IF YOU WISH TO PRESENT AFFIDAVIT OR OTHER DOCUMENTARY EVIDENCE TO THE COURT OR TO EXAMINE OR CROSS-EXAMINE WITNESSES ON THE APPLICATION, you or your lawyer must, in addition to serving your notice of appearance, serve a copy of the evidence on the applicant's lawyer or, where the applicant does not have a lawyer, serve it on the applicant, and file it, with proof of service, in the court office where the application is to be heard as soon as possible, but not later than 2 p.m. on the day before the hearing.

IF YOU FAIL TO APPEAR AT THE HEARING, JUDGMENT MAY BE GIVEN IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU.

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If you wish to defend this proceeding but are unable to pay legal fees, legal aid may be available to you by contacting a local Legal Aid office.

Date: January 7, 2004

Local Registrar

Local Registrar

Address of court office:
393 University Avenue
Toronto, ON M5G 1E6

TO: ALL HOLDERS OF COMMON SHARES OF MOORE WALLACE INCORPORATED

AND TO: ALL HOLDERS OF OPTIONS TO PURCHASE COMMON SHARES OF MOORE WALLACE INCORPORATED

AND TO: ALL HOLDERS OF RESTRICTED STOCK UNITS IN RESPECT OF COMMON SHARES OF MOORE WALLACE INCORPORATED

AND TO: DIRECTORS OF MOORE WALLACE INCORPORATED

AND TO: DELOITTE & TOUCHE LLP
Auditors for Moore Wallace Incorporated

AND TO: THE DIRECTOR APPOINTED PURSUANT TO SECTION 260 OF THE *CANADA BUSINESS CORPORATIONS ACT*

Corporations Directorate, Industry Canada

9th Floor, Jean Edmonds Tower South

365 Laurier Avenue West

Ottawa, ON K1A 0C8

Attention: Jean Turner

AND TO: STIKEMAN ELLIOT LLP
5300 Commerce Court West

199 Bay Street

Toronto, Ontario

M5L 1B9

Eliot N. Kolers

Tel: (416) 869-5500

Fax: (416) 947-0866

Solicitors for R.R. Donnelley & Sons Company

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APPLICATION

1. THE APPLICANT, MOORE WALLACE INCORPORATED, MAKES APPLICATION FOR:

- (a) An Interim Order for advice and directions pursuant to section 192(4) of the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended (the *CBCA*);
- (b) A final Order pursuant to section 192(4) of the *CBCA* approving a plan of arrangement (the *Arrangement*) involving Moore Wallace Incorporated and certain of its securityholders;
- (c) An Order for abridged or abbreviated service, if necessary, on the Director appointed under Section 260 of the *CBCA*; and
- (d) Such further and other relief as counsel may request and this Honourable Court consider fit.

2. THE GROUNDS FOR THE APPLICATION ARE:

- (a) Section 192 of the *CBCA*;
- (b) All statutory requirements under the *CBCA* have been fulfilled;
- (c) The *Arrangement* is fair and reasonable;
- (d) Certain securityholders are resident outside Ontario and will be served with the Notice of Application at their addresses as they appear on the books and records of Moore Wallace Incorporated at the close of business on the record date established by Moore Wallace Incorporated, pursuant to Rules 17.02(n) and 17.02(o) of the *Rules of Civil Procedure* and/or as this Honourable Court may direct in an Interim Order;
- (e) Rules 14.01, 14.05(2), 14.05(3)(f) and 38 of the *Rules of Civil Procedure*; and
- (f) Such further and other grounds as counsel may advise and this Honourable Court may consider.

3. If made, the Order approving the Plan of Arrangement will constitute the basis for an exemption from the registration requirements under s. 3(a)(10) of the *United States Securities Act of 1933*, as amended, with respect to the common shares of R.R. Donnelley & Sons Company to be issued to certain holders of common shares of Moore Wallace Incorporated pursuant to the *Arrangement*.

4. THE FOLLOWING DOCUMENTARY EVIDENCE WILL BE USED AT THE HEARING OF THE APPLICATION:

- (a) Such Interim Order as may be granted by this Honourable Court;

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- (b) Affidavits to be sworn on behalf of Moore Wallace Incorporated and the exhibits thereto; and
- (c) Such further and other material as counsel may advise and this Honourable Court may permit.

January 7, 2004

OSLER, HOSKIN & HARCOURT LLP
P.O. Box 50

1 First Canadian Place

Toronto, ON M5X 1B8

Larry P. Lowenstein (LSUC# 23120C)

(416) 862-6454

Laura K. Fric (LSUC# 36545Q)

(416) 862-5899

(416) 862-6666 (fax)

Solicitors for the Applicant,

Moore Wallace Incorporated

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ANNEX E

One Financial Place
440 South Lasalle Street
Chicago, IL 60605

November 8, 2003

Board of Directors

R.R. Donnelley & Sons Company

77 West Wacker Drive

Chicago, IL 60601-1696

Members of the Board:

We understand that R.R. Donnelley & Sons Company ("Parent") and Moore Wallace Incorporated (the "Company") propose to enter into a Combination Agreement, substantially in the form of the draft dated November 8, 2003 (the "Agreement"), which provides for a direct wholly-owned subsidiary of Parent to acquire the outstanding common shares of the Company pursuant to a plan of arrangement (the "Arrangement"). Pursuant to the Arrangement, the Company will become an indirect wholly-owned subsidiary of Parent and each outstanding common share ("Company Common Shares") of the Company, other than shares held by the Company or any of its subsidiaries or as to which dissenters' rights have been perfected, will be exchanged for 0.63 shares (the "Exchange Ratio") of common stock, par value \$1.25 per share of Parent, together with the associated preferred share purchase rights ("Parent Common Stock"). The terms and conditions of the Arrangement are more fully set forth in the Agreement.

You have asked for our opinion as to whether the Exchange Ratio pursuant to the Agreement is fair from a financial point of view to Parent.

For purposes of the opinion set forth herein, we have:

- (i) reviewed certain publicly available financial statements and other business and financial information of Parent and the Company, respectively;
- (ii) reviewed certain internal financial statements and other financial and operating data concerning Parent and the Company, respectively;
- (iii) reviewed certain financial forecasts of Parent prepared by the management of Parent;

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- (iv) reviewed certain financial forecasts for the Company prepared by the managements of Parent and the Company, respectively;
- (v) reviewed information relating to certain strategic, financial and operational benefits anticipated from the Arrangement, prepared by the managements of Parent and the Company, respectively;
- (vi) discussed the past and current operations and financial condition and the prospects of the Company, including information relating to certain strategic, financial and operational benefits anticipated from the Arrangement, with management of the Company;
- (vii) discussed the past and current operations and financial condition and the prospects of Parent, including information relating to certain strategic, financial and operational benefits anticipated from the Arrangement, with management of Parent;
- (viii) reviewed the *pro forma* impact of the Arrangement on Parent's earnings per share, cash flow, consolidated capitalization and other financial ratios;
- (ix) reviewed the reported prices and trading activity for the Parent Common Stock and the Company Common Shares;
- (x) compared the financial performance of Parent and the Company and the prices and trading activity of the Parent Common Stock and the Company Common Shares with that of certain publicly-traded companies comparable with Parent and the Company, respectively, and their securities;

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- (xi) reviewed the financial terms, to the extent publicly available, of certain comparable acquisition transactions;
- (xii) participated in discussions and negotiations among representatives of Parent, their legal advisors and representatives of the Company and their financial and legal advisors;
- (xiii) reviewed the Agreement and certain related documents; and
- (xiv) performed such other analyses and considered such other factors as we have deemed appropriate.

We have assumed and relied upon without independent verification the accuracy and completeness of the information supplied or otherwise made available to us by Parent and the Company for the purposes of this opinion. With respect to the financial forecasts and other financial and operating data, including information relating to certain strategic, financial and operational benefits anticipated from the Arrangement, we have assumed that they have been reasonably prepared on bases reflecting the best currently available estimates and judgments of the future financial performance of Parent and the Company, as the case may be. In addition, we have relied upon the assessment by the managements of Parent and the Company of: (i) their ability to achieve such forecasts within the time periods discussed with management including the strategic, financial and operational benefits expected to result from the Arrangement and (ii) the timing and risks associated with the integration of the Company with Parent. We have assumed that in connection with the receipt of all necessary regulatory approvals for the proposed Arrangement, no restrictions will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived in the proposed Arrangement. We have not made any independent valuation or appraisal of the assets or liabilities of Parent or the Company, nor have we been furnished with any such appraisals. In addition, we have assumed that the Arrangement will be consummated in accordance with the terms of the Agreement including, among other things, that the Arrangement will be treated as a tax-free reorganization pursuant to the Internal Revenue Code of 1986. Our opinion is necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to us as of, the date hereof.

We have acted as financial advisor to the Board of Directors of Parent in connection with the Arrangement and will receive a fee for our services. In the past, Morgan Stanley & Co. Incorporated and its affiliates have provided financial advisory and financing services to Parent and the Company and have received fees for the rendering of these services.

It is understood that this letter is for the information of the Board of Directors of Parent, except that a copy of this opinion may be included in its entirety in any filing made by Parent in respect of the transaction with the U.S. Securities and Exchange Commission and any governmental entity under any Canadian federal, provincial or territorial law, and may not be disclosed or referred to publicly or used for any other purpose without our prior written consent. In addition, this opinion does not in any manner address the prices at which Parent Common Stock will trade following the Arrangement, and we express no opinion or recommendation as to how the shareholders of Parent or the Company should vote at the shareholders' meetings held in connection with the Arrangement.

Based upon and subject to the foregoing, we are of the opinion on the date hereof that the Exchange Ratio pursuant to the Agreement is fair from a financial point of view to Parent.

Very truly yours,

MORGAN STANLEY & CO. INCORPORATED

By: /s/ William H. Strong

William H. Strong

Managing Director

Vice Chairman

Investment Banking

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ANNEX F

PERSONAL AND CONFIDENTIAL

November 8, 2003

Board of Directors

Moore Wallace Incorporated

375 Park Avenue

New York, NY 10152

USA

Madame and Gentlemen:

You have requested our opinion as to the fairness from a financial point of view to the holders of the outstanding common shares (the "Shares") of Moore Wallace Incorporated (the "Company") of the exchange ratio of 0.630 shares of common stock, par value \$1.25 per share (the "Donnelley Common Stock"), of R.R. Donnelley & Sons Company ("Donnelley") to be received for each Share (the "Exchange Ratio") pursuant to the Arrangement, as defined in, and contemplated by, the Combination Agreement (and the related Plan of Arrangement), dated as of November 8, 2003 (the "Agreement"), between Donnelley and the Company.

Goldman, Sachs & Co. and its affiliates, as part of their investment banking business, are continually engaged in performing financial analyses with respect to businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and other transactions as well as for estate, corporate and other purposes. We have acted as financial advisor to the Company in connection with, and have participated in certain of the negotiations leading to, the transaction contemplated by the Agreement (the "Transaction"). We expect to receive fees for our services in connection with the Transaction, the principal portion of which fees are contingent upon consummation of the Transaction, and the Company has agreed to reimburse our expenses and indemnify us against certain liabilities arising out of our engagement. We also may provide investment banking and other services to the Company and Donnelley in the future for additional compensation. In addition, Goldman, Sachs & Co. is a full service securities firm engaged, either directly or through its affiliates, in securities trading, investment management, financial planning and benefits counseling, financing and brokerage activities for both companies and individuals. In the ordinary course of their trading, investment management, financing and brokerage activities, Goldman, Sachs & Co. and its affiliates may actively trade the debt and equity securities (or related derivative securities) of the Company and Donnelley for their own account and for the accounts of their customers and may at any time hold long and short positions of such securities.

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In connection with this opinion, we have reviewed, among other things, the Agreement; annual reports to stockholders and Annual Reports on Form 10-K of Moore Corporation Limited (Moore), Wallace Computer Services, Inc. (Wallace) and Donnelley for the five years ended December 31, 2002; the Registration

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Statement on Form S-4 of Moore, dated April 14, 2003, filed in connection with its merger with Wallace; certain interim reports to stockholders and Quarterly Reports on Form 10-Q of the Company, Donnelley, Moore and Wallace; certain other communications from the Company and Donnelley to their respective stockholders; certain internal financial analyses and forecasts for Donnelley prepared by its management, as adjusted by the management of the Company, and certain internal financial analyses and forecasts for the Company prepared by its management (the "Forecasts"); and certain cost savings and operating synergies projected by the management of the Company to result from the Transaction (the "Synergies"). We also have held discussions with members of the senior managements of the Company and Donnelley regarding their assessments of the strategic rationale for, and the potential benefits of, the Transaction and the past and current business operations, financial condition and future prospects of their respective companies. In addition, we have reviewed the reported price and trading activity for the Shares and the shares of Donnelley Common Stock, compared certain financial and stock market information for the Company and Donnelley with similar information for certain other companies the securities of which are publicly traded, reviewed the financial terms of certain recent business combinations in the commercial printing industry specifically and in other industries generally and performed such other studies and analyses as we considered appropriate.

We have relied upon the accuracy and completeness of all of the financial, accounting, tax and other information discussed with or reviewed by us and have assumed such accuracy and completeness for purposes of rendering this opinion. In that regard, we have assumed with your consent that the Forecasts and the Synergies have been reasonably prepared on a basis reflecting the best currently available estimates and judgments of the Company. In addition, we have not made an independent evaluation or appraisal of the assets and liabilities (including any derivative or off-balance-sheet assets and liabilities) of the Company or Donnelley or any of their respective subsidiaries and we have not been furnished with any such evaluation or appraisal. We also have assumed that all governmental, regulatory or other consents and approvals necessary for the consummation of the Transaction will be obtained without any adverse effect on the Company or Donnelley or on the expected benefits of the Transaction in any way material to our analysis.

Our opinion does not address the underlying business decision of the Company to engage in the Transaction. In addition, we are not expressing any opinion herein as to the prices at which the Shares or shares of Donnelley Common Stock will trade at any time. Our advisory services and the opinion expressed herein are provided for the information and assistance of the Board of Directors of the Company in connection with its consideration of the Transaction and such opinion does not constitute a recommendation as to how any holder of Shares should vote with respect to the Transaction.

Based upon and subject to the foregoing and based upon such other matters as we consider relevant, it is our opinion that, as of the date hereof, the Exchange Ratio pursuant to the Agreement is fair from a financial point of view to the holders of the Shares.

Very truly yours,

(Goldman, Sachs & Co.)

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ANNEX G

SECTION 190 OF THE CANADA BUSINESS CORPORATIONS ACT

190. (1) **Right to dissent** Subject to sections 191 and 241, a holder of shares of any class of a corporation may dissent if the corporation is subject to an order under paragraph 192(4)(d) that affects the holder or if the corporation resolves to

- (a) amend its articles under section 173 or 174 to add, change or remove any provisions restricting or constraining the issue, transfer or ownership of shares of that class;
 - (b) amend its articles under section 173 to add, change or remove any restriction on the business or businesses that the corporation may carry on;
 - (c) amalgamate otherwise than under section 184;
 - (d) be continued under section 188;
 - (e) sell, lease or exchange all or substantially all its property under subsection 189(3); or
 - (f) carry out a going-private transaction or a squeeze-out transaction.
2. **Further right** A holder of shares of any class or series of shares entitled to vote under section 176 may dissent if the corporation resolves to amend its articles in a manner described in that section.
- 2.1 **If one class of shares** The right to dissent described in subsection (2) applies even if there is only one class of shares.
3. **Payment for shares** In addition to any other right the shareholder may have, but subject to subsection (26), a shareholder who complies with this section is entitled, when the action approved by the resolution from which the shareholder dissents or an order made under subsection 192(4) becomes effective, to be paid by the corporation the fair value of the shares in respect of which the shareholder dissents, determined as of the close of business on the day before the resolution was adopted or the order was made.
4. **No partial dissent** A dissenting shareholder may only claim under this section with respect to all the shares of a class held on behalf of any one beneficial owner and registered in the name of the dissenting shareholder.
5. **Objection** A dissenting shareholder shall send to the corporation, at or before any meeting of shareholders at which a resolution referred to in subsection (1) or (2) is to be voted on, a written objection to the resolution, unless the corporation did not give notice to the shareholder of the purpose of the meeting and of their right to dissent.
- 6.

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Notice of resolution The corporation shall, within ten days after the shareholders adopt the resolution, send to each shareholder who has filed the objection referred to in subsection (5) notice that the resolution has been adopted, but such notice is not required to be sent to any shareholder who voted for the resolution or who has withdrawn their objection.

7. **Demand for payment** A dissenting shareholder shall, within twenty days after receiving a notice under subsection (6) or, if the shareholder does not receive such notice, within twenty days after learning that the resolution has been adopted, send to the corporation a written notice containing

- (a) the shareholder's name and address;
- (b) the number and class of shares in respect of which the shareholder dissents; and
- (c) a demand for payment of the fair value of such shares.

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8. **Share certificate** A dissenting shareholder shall, within thirty days after sending a notice under subsection (7), send the certificates representing the shares in respect of which the shareholder dissents to the corporation or its transfer agent.
9. **Forfeiture** A dissenting shareholder who fails to comply with subsection (8) has no right to make a claim under this section.
10. **Endorsing certificate** A corporation or its transfer agent shall endorse on any share certificate received under subsection (8) a notice that the holder is a dissenting shareholder under this section and shall forthwith return the share certificates to the dissenting shareholder.
11. **Suspension of rights** On sending a notice under subsection (7), a dissenting shareholder ceases to have any rights as a shareholder other than to be paid the fair value of their shares as determined under this section except where
 - (a) the shareholder withdraws that notice before the corporation makes an offer under subsection (12),
 - (b) the corporation fails to make an offer in accordance with subsection (12) and the shareholder withdraws the notice, or
 - (c) the directors revoke a resolution to amend the articles under subsection 173(2) or 174(5), terminate an amalgamation agreement under subsection 183(6) or an application for continuance under subsection 188(6), or abandon a sale, lease or exchange under subsection 189(9),in which case the shareholder's rights are reinstated as of the date the notice was sent.
12. **Offer to pay** A corporation shall, not later than seven days after the later of the day on which the action approved by the resolution is effective or the day the corporation received the notice referred to in subsection (7), send to each dissenting shareholder who has sent such notice
 - (a) a written offer to pay for their shares in an amount considered by the directors of the corporation to be the fair value, accompanied by a statement showing how the fair value was determined; or
 - (b) if subsection (26) applies, a notification that it is unable lawfully to pay dissenting shareholders for their shares.
13. **Same terms** Every offer made under subsection (12) for shares of the same class or series shall be on the same terms.
14. **Payment** Subject to subsection (26), a corporation shall pay for the shares of a dissenting shareholder within ten days after an offer made under subsection (12) has been accepted, but any such offer lapses if the corporation does not receive an acceptance thereof within thirty days after the offer has been made.
15. **Corporation may apply to court** Where a corporation fails to make an offer under subsection (12), or if a dissenting shareholder fails to accept an offer, the corporation may, within fifty days after the action approved by the resolution is effective or within such further period as a court may allow, apply to a court to fix a fair value for the shares of any dissenting shareholder.
16. **Shareholder application to court** If a corporation fails to apply to a court under subsection (15), a dissenting shareholder may apply to a court for the same purpose within a further period of twenty days or within such further period as a court may allow.

17. **Venue** An application under subsection (15) or (16) shall be made to a court having jurisdiction in the place where the corporation has its registered office or in the province where the dissenting shareholder resides if the corporation carries on business in that province.

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18. **No security for costs** A dissenting shareholder is not required to give security for costs in an application made under subsection (15) or (16).
19. **Parties** On an application to a court under subsection (15) or (16),
 - (a) all dissenting shareholders whose shares have not been purchased by the corporation shall be joined as parties and are bound by the decision of the court; and
 - (b) the corporation shall notify each affected dissenting shareholder of the date, place and consequences of the application and of their right to appear and be heard in person or by counsel.
20. **Powers of court** On an application to a court under subsection (15) or (16), the court may determine whether any other person is a dissenting shareholder who should be joined as a party, and the court shall then fix a fair value for the shares of all dissenting shareholders.
21. **Appraisers** A court may in its discretion appoint one or more appraisers to assist the court to fix a fair value for the shares of the dissenting shareholders.
22. **Final order** The final order of a court shall be rendered against the corporation in favour of each dissenting shareholder and for the amount of his shares as fixed by the court.
23. **Interest** A court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective until the date of payment.
24. **Notice that subsection (26) applies** If subsection (26) applies, the corporation shall, within ten days after the pronouncement of an order under subsection (22), notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares.
25. **Effect where subsection (26) applies** If subsection (26) applies, a dissenting shareholder, by written notice delivered to the corporation within thirty days after receiving a notice under subsection (24), may
 - (a) withdraw their notice of dissent, in which case the corporation is deemed to consent to the withdrawal and the shareholder is reinstated to their full rights as a shareholder; or
 - (b) retain a status as a claimant against the corporation, to be paid as soon as the corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders.
26. **Limitation** A corporation shall not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that
 - (a) the corporation is or would after the payment be unable to pay its liabilities as they become due; or
 - (b) the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities.

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ANNEX H

R.R. DONNELLEY & SONS COMPANY

2004 PERFORMANCE INCENTIVE PLAN

(as adopted by the Board of Directors)

I. General

1. *Plan.* To provide incentives to officers, other employees and other persons providing services to R.R. Donnelley & Sons Company (the Company) through rewards based upon the ownership or performance of the common stock, par value \$1.25 per share, of the Company (common stock) or other performance measures, the Committee hereinafter designated may grant cash or bonus awards, stock options, stock appreciation rights (SARs), restricted stock, stock units or combinations thereof, to eligible participants, on the terms and subject to the conditions stated in this 2004 Performance Incentive Plan (the Plan). In addition, to provide incentives to members of the Board of Directors (the Board) who are not employees of the Company (non-employee directors), such non-employee directors are eligible to receive awards as set forth in Article V of the Plan. For purposes of the Plan, references to employment by or service to the Company also means employment by or service to a direct or indirect majority-owned subsidiary of the Company and employment by or service to any other entity designated by the Board or the Committee in which the Company has a direct or indirect equity interest.

2. *Eligibility.* Officers and other employees of, and other persons providing services to the Company (participants) shall be eligible, upon selection by the Committee, to receive cash or bonus awards, stock options, SARs, restricted stock and stock units, either singly or in combination, as the Committee, in its discretion, shall determine. In addition, non-employee directors shall receive awards on the terms and subject to the conditions stated in the Plan.

3. *Limitation on Shares to be Issued.* Subject to adjustment as provided in Section 5 of this Article I, 7,000,000 shares of common stock shall be available under the Plan, reduced by the aggregate number of shares of common stock which become subject to outstanding bonus awards, stock options, SARs which are not granted in tandem with or by reference to a stock option (free-standing SARs), restricted stock awards and stock unit awards. Shares subject to a grant or award under the Plan which are not issued or delivered, by reason of the expiration, termination, cancellation or forfeiture of all or a portion of the grant or award or by reason of withholding of shares to pay all or a portion of the exercise price or to satisfy tax withholding obligations shall again be available for future grants and awards under the Plan; *provided, however*, that for purposes of this sentence, stock options and SARs granted in tandem with or by reference to a stock option granted prior to the grant of such SARs (tandem SARs) shall be treated as one grant. For the purpose of complying with Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code), and the rules and regulations thereunder, the maximum number of shares of common stock with respect to which options or SARs or a combination thereof may be granted during any calendar year to any person shall be 1,000,000, subject to adjustment as provided in Section 5 of this Article I; *provided, however*, that for purposes of this sentence, stock options and tandem SARs shall be treated as one grant. The maximum number of shares of common stock with respect to which bonus awards, including performance awards or fixed awards in the form of restricted stock or other form, may be granted hereunder is 3,000,000 in the aggregate, subject to adjustment as provided in Section 5 of this Article I and excluding any such awards made pursuant to an employment agreement with a newly-hired chief executive officer of the Company. If the Plan becomes effective, no new grants shall be made under any equity plan of the Company that is in effect as of the date immediately prior to the date of stockholder approval of the Plan (the Existing Company Plans) and all such Existing Company Plans shall be terminated, *provided, however*, that such termination shall have no effect on any outstanding awards granted under any Existing Company Plan.

Shares of common stock to be issued may be treasury shares reacquired by the Company or authorized and unissued shares, or a combination of both.

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4. *Administration of the Plan.* The Plan shall be administered by a Committee designated by the Board (the "Committee"), provided that the Board may designate a separate committee, also meeting the requirements set forth in the following sentence, to administer Article V hereof. Each member of the Committee shall be a director that the Board has determined to be (i) an "outside director" within the meaning of Section 162(m) of the Code and (ii) a "Non-Employee Director" within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Committee shall, subject to the terms of the Plan, select eligible participants for grants and awards; determine the form of each grant and award, either as cash, bonus awards, stock options, SARs, restricted stock awards, stock unit awards or a combination thereof; and determine the number of shares or units subject to the grant or award, the fair market value of the common stock or units when necessary, the timing and conditions of vesting, exercise or settlement, whether dividends or dividend equivalents accrue under any award, and all other terms and conditions of each grant and award, including, without limitation, the form of instrument evidencing the grant or award. Notwithstanding the foregoing, all stock option awards, SARs, restricted stock awards and stock unit awards shall have a minimum vesting period of at least three years from the date of grant (such vesting may, in the discretion of the Committee, occur in full at the end of such period or may occur in specified installments over such period, provided that no more than 40% of any particular award may vest by the end of the first year following the date of grant and no more than 80% of any particular award may vest by the end of the second year following the date of grant); *provided, however*, that the Committee may provide for early vesting upon the death, permanent and total disability, retirement or termination of service of the award recipient. The Committee may also waive this minimum vesting-period requirement (A) with respect to awards made to newly hired employees, (B) to accelerate vesting of awards made to existing employees affected by workforce reductions, (C) in similar circumstances, as determined by the Committee in the exercise of its discretion and (D) as otherwise required by law or the terms of the Plan. The Committee may establish rules and regulations for the administration of the Plan, interpret the Plan, and impose, incidental to a grant or award, conditions with respect to competitive employment or other activities not inconsistent with the Plan. All such rules, regulations, interpretations and conditions shall be conclusive and binding on all parties. Notwithstanding the foregoing, the Committee shall not have authority to reprice any stock option award or other award granted hereunder.

Each grant and award shall be evidenced by a written instrument and no grant or award shall be valid until an agreement is executed by the Company and such grant or award shall be effective as of the effective date set forth in the agreement. The Committee may delegate some or all of its power and authority hereunder to the chief executive officer or other executive officer of the Company as the Committee deems appropriate; *provided, however*, that the Committee may not delegate its power and authority with regard to (i) the selection for participation in the Plan of (A) a person who is a "covered employee" within the meaning of Section 162(m) of the Code or who, in the Committee's judgment, is likely to be a covered employee at any time during the period a grant or award hereunder to such participant would be outstanding, (B) an officer or other person subject to Section 16 of the Exchange Act or (C) a person who is not an employee of the Company or (ii) decisions concerning the time, pricing or amount of a grant or award to a participant, officer or other person described in clause (i) above. A majority of the Committee shall constitute a quorum. The acts of the Committee shall be either (i) acts of a majority of the members of the Committee present at any meeting at which a quorum is present or (ii) acts approved in writing by all of the members of the Committee without a meeting.

5. *Adjustments.* In the event of any stock split, stock dividend, recapitalization, reorganization, merger, consolidation, combination, exchange of shares, liquidation, spin-off or other similar change in capitalization or event, or any distribution to holders of common stock other than a regular cash dividend, the number and class of securities available under the Plan, the specific share limitations otherwise set forth in the Plan, the number and class of securities subject to each outstanding bonus award, the number and class of securities subject to each outstanding stock option and the purchase price per security and the terms of each outstanding SAR shall be appropriately adjusted by the Committee, such adjustments to be made in the case of outstanding stock options and SARs without an increase in the aggregate purchase price or base price, provided that no such adjustment shall be made with respect to the transaction contemplated by the Combination Agreement, dated as of November 8, 2003, between the Company and Moore Wallace Incorporated. If any such adjustment would result in a fractional security being (i) available under the Plan, such fractional security shall be disregarded, or

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(ii) subject to an outstanding grant or award under the Plan, the Company shall pay the holder thereof, in connection with the first vesting, exercise or settlement of such grant or award, in whole or in part, occurring after such adjustment, an amount in cash determined by multiplying (i) the fraction of such security (rounded to the nearest hundredth) by (ii) the excess, if any, of (A) the fair market value on the vesting, exercise or settlement date over (B) the exercise or base price, if any, of such grant or award; *provided, however*, that if the fair market value of such fractional security immediately after such adjustment is less than fair market value of one share of common stock immediately prior to such adjustment, such fractional security shall be disregarded and no payment shall be made. For purposes of the Plan, the fair market value of the common stock on a specified date shall be determined by reference to the average of the high and low transaction prices in trading of the common stock on such date as reported in the New York Stock Exchange-Composite Transactions, or, if no such trading in the common stock occurred on such date, then on the next preceding date when such trading occurred.

6. Effective Date and Term of Plan. The Plan shall be submitted to the stockholders of the Company for approval at the next meeting of stockholders held following the Board's adoption of the Plan and, if approved, shall become effective on the date of such stockholder approval. The Plan shall terminate on the date on which shares are no longer available for grants or awards under the Plan, unless terminated prior thereto by action of the Board; *provided, however* that if the Plan itself has not previously terminated, Section 1 of Article V shall terminate on the date that is ten years from the date of stockholder approval of the Plan. No further grants or awards shall be made under the Plan after termination, but termination shall not affect the rights of any participant under any grants or awards made prior to termination.

7. Amendments. The Plan may be amended or terminated by the Board in any respect except that no amendment may be made without stockholder approval if stockholder approval is required by applicable law, rule or regulation, including Section 162(m) of the Code, or such amendment would increase (subject to Section 5 of this Article I) the number of shares available under the Plan or would amend the prohibition on repricing of awards set forth in Section 4 of this Article I or otherwise permit the repricing of awards granted hereunder. No amendment may impair the rights of a holder of an outstanding grant or award without the consent of such holder.

II. Bonus Awards

1. Form of Award. Bonus awards, whether performance awards or fixed awards, may be made to eligible participants in the form of (i) cash, whether in an absolute amount or as a percentage of compensation, (ii) stock units, each of which is substantially the equivalent of a share of common stock but for the power to vote and, subject to the Committee's discretion, the entitlement to an amount equal to dividends or other distributions otherwise payable on a like number of shares of common stock, (iii) shares of common stock issued to the participant but forfeitable and with restrictions on transfer in any form as hereinafter provided or (iv) any combination of the foregoing.

2. Performance Awards. (a) Awards may be made in terms of a stated potential maximum dollar amount, percentage of compensation or number of units or shares, with such actual amount, percentage or number to be determined by reference to the level of achievement of corporate, sector, business unit, division, individual or other specific performance goals over a performance period of not less than one nor more than ten years, as determined by the Committee.

(b) In no event shall any participant receive a payment with respect to any performance award if the minimum threshold performance goals requirement applicable to the payment is not achieved during the performance period.

(c) If the Committee desires that compensation payable pursuant to performance awards be qualified performance-based compensation within the meaning of Section 162(m) of the Code, then with respect to such performance awards, for any calendar year (i) the maximum compensation payable pursuant to any such performance awards granted during such year, to the extent payment thereunder is determined by reference to

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shares of common stock (or the fair market value thereof), shall not exceed 900,000 shares of common stock (or the fair market value thereof), subject to adjustment as set forth in Section 5 of Article I, and (ii) the maximum compensation payable pursuant to any such performance awards granted during such year, to the extent payment is not determined by reference to shares of common stock, shall not exceed \$5,000,000.

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(d) The Committee may provide in any agreement evidencing a performance award under the Plan that the Committee shall retain sole discretion to reduce the amount of or eliminate any payment otherwise payable to a participant with respect to any performance award. If so provided in any agreement evidencing a performance award, the Committee may exercise such discretion by establishing conditions for payments in addition to the performance goals, including the achievement of financial, strategic or individual goals, which may be objective or subjective, as it deems appropriate.

(e) For purposes of the Plan, *performance goals* means the objectives established by the Committee which shall be satisfied or met during the applicable performance period as a condition to a participant's receipt of all or a part of a performance-based award under the Plan. The performance goals shall be tied to one or more of the following business criteria, determined with respect to the Company or the applicable sector, business unit or division: net sales, cost of sales, gross profit, earnings from operations, earnings before interest, taxes, depreciation and amortization, earnings before income taxes, earnings before interest and taxes, cash flow measures, return on equity, return on assets, return on net assets employed, net income per common share (basic or diluted), EVA (Economic Value Added, which represents the cash operating earnings of the Company after deducting a charge for capital employed), cost reduction objectives, or any other similar criteria established by the Committee for the applicable performance period. The Committee may provide in any agreement evidencing a performance award under the Plan that the Committee shall have the discretion to amend or adjust the performance goals or other terms or conditions of an outstanding award in recognition of unusual or nonrecurring events. If the Committee desires that compensation payable pursuant to any award subject to performance goals be *qualified performance-based compensation* within the meaning of Section 162(m) of the Code, the performance goals (i) shall be established by the Committee no later than 90 days after the beginning of the applicable performance period (or such other time designated by the Internal Revenue Service) and (ii) shall satisfy all other applicable requirements imposed under Treasury Regulations promulgated under Section 162(m) of the Code, including the requirement that such performance goals be stated in terms of an objective formula or standard.

3. *Fixed Awards.* Awards may be made which are not contingent on the achievement of specific objectives, but are contingent on the participant's continuing in the Company's employ for a period specified in the award.

4. *Rights with Respect to Restricted Shares.* If shares of restricted common stock are subject to an award, the participant shall have the right, unless and until such award is forfeited or unless otherwise determined by the Committee at the time of grant, to vote the shares and to receive dividends thereon from the date of grant and the right to participate in any capital adjustment applicable to all holders of common stock; *provided, however*, that a distribution with respect to shares of common stock, other than a regular quarterly cash dividend, shall be deposited with the Company and shall be subject to the same restrictions as the shares of common stock with respect to which such distribution was made.

During the restriction period, a certificate or certificates representing restricted shares shall be registered in the holder's name or the name of a nominee of the Company and may bear a legend, in addition to any legend which may be required under applicable laws, rules or regulations, indicating that the ownership of the shares of common stock represented by such certificate is subject to the restrictions, terms and conditions of the Plan and the agreement relating to the shares of restricted common stock. All such certificates shall be deposited with the Company, together with stock powers or other instruments of assignment (including a power of attorney), each endorsed in blank with a guarantee of signature if deemed necessary or appropriate, which would permit transfer to the Company of all or a portion of the shares of common stock subject to the award in the event such award is forfeited in whole or in part. Upon termination of any applicable restriction period, including, if applicable, the satisfaction or achievement of applicable objectives, and subject to the Company's right to require payment of any taxes, the requisite number of shares of common stock shall be delivered to the holder of such award.

5. *Rights with Respect to Stock Units.* If stock units are credited to a participant pursuant to an award, then, subject to the Committee's discretion, amounts equal to dividends and other distributions otherwise payable on a

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like number of shares of common stock after the crediting of the units (unless the record date for such dividends or other distributions precedes the date of grant of such award) shall be credited to an account for the participant and held until the award is forfeited or paid out and interest shall be credited on the account at a rate determined by the Committee.

6. *Events Upon Vesting.* At the time of vesting of an award made pursuant to this Article II, (i) the award (and any dividend equivalents, other distributions and interest which have been credited), if in units, shall be paid to the participant either in shares of common stock equal to the number of units, in cash equal to the fair market value of such shares, or in such combination thereof as the Committee shall determine, (ii) the award, if a cash bonus award, shall be paid to the participant either in cash, or in shares of common stock with a then fair market value equal to the amount of such award, or in such combination thereof as the Committee shall determine and (iii) shares of restricted common stock issued pursuant to an award shall be released from the restrictions.

III. Stock Options

1. *Options for Eligible Participants.* Options to purchase shares of common stock may be granted to such eligible participants as may be selected by the Committee. These options may, but need not, constitute incentive stock options under Section 422 of the Code. To the extent that the aggregate fair market value (determined as of the date of grant) of shares of common stock with respect to which options designated as incentive stock options are exercisable for the first time by an optionee during any calendar year (under the Plan or any other plan of the Company, or any parent or subsidiary) exceeds the amount (currently \$100,000) established by the Code, such options shall not constitute incentive stock options.

2. *Number of Shares and Purchase Price.* The number of shares of common stock subject to an option and the purchase price per share of common stock purchasable upon exercise of the option shall be determined by the Committee; *provided, however*, that the purchase price per share of common stock shall not be less than 100% of the fair market value of a share of common stock on the date of grant of the option; *provided, further*, that if an incentive stock option shall be granted to any person who, on the date of grant of such option, owns capital stock possessing more than ten percent of the total combined voting power of all classes of capital stock of the Company (or of any parent or subsidiary) (a Ten Percent Holder), the purchase price per share of common stock shall be the price (currently 110% of fair market value) required by the Code in order to constitute an incentive stock option.

3. *Exercise of Options.* The period during which options granted hereunder may be exercised shall be determined by the Committee; *provided, however*, that no stock option shall be exercised later than ten years after its date of grant; *provided further*, that if an incentive stock option shall be granted to a Ten Percent Holder, such option shall not be exercisable more than five years after its date of grant. The Committee may, in its discretion, establish performance measures which shall be satisfied or met as a condition to the grant of an option or to the exercisability of all or a portion of an option. The Committee shall determine whether an option shall become exercisable in cumulative or non-cumulative installments and in part or in full at any time. An exercisable option, or portion thereof, may be exercised only with respect to whole shares of common stock.

An option may be exercised (i) by giving written notice to the Company (or following other procedures designated by the Company) specifying the number of whole shares of common stock to be purchased and accompanied by payment therefor in full (or arrangement made for such payment to the Company's satisfaction) either (A) in cash, (B) in previously owned whole shares of common stock (which the optionee has held for at least six months prior to delivery of such shares or which the optionee purchased on the open market and for which the optionee has good title free and clear of all liens and encumbrances) having a fair market value, determined as of the date of exercise, equal to the aggregate purchase price payable by reason of such exercise, (C) in cash by a broker-dealer acceptable to the Company to whom the optionee has submitted an irrevocable notice of exercise, (D) to the extent expressly authorized by the Committee, via a cashless exercise arrangement with the Company or (E) a combination of (A) and (B), (ii) if applicable, by surrendering to the Company any

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SARs which are canceled by reason of the exercise of the option and (iii) by executing such documents as the Company may reasonably request. The Committee shall have the sole discretion to disapprove of an election pursuant to clause (C). Any fraction of a share of common stock which would be required to pay such purchase price shall be disregarded and the remaining amount due shall be paid in cash by the optionee. No shares of common stock shall be delivered until the full purchase price therefor has been paid.

IV. Stock Appreciation Rights

1. *Grants.* Free-standing SARs entitling the grantee to receive cash or shares of common stock having a fair market value equal to the appreciation in market value of a stated number of shares of common stock from the date of grant to the date of exercise of such SARs, or in the case of tandem SARs, from the date of grant of the related stock option to the date of exercise of such tandem SARs, may be granted to such participants as may be selected by the Committee. The holder of a tandem SAR may elect to exercise either the option or the SAR, but not both. Tandem SARs shall be automatically canceled upon exercise of the related stock option.

2. *Number of SARs and Base Price.* The number of SARs subject to a grant shall be determined by the Committee. Any tandem SAR related to an incentive stock option shall be granted at the same time that such incentive stock option is granted. The base price of a tandem SAR shall be the purchase price per share of common stock of the related option. The base price of a free-standing SAR shall be determined by the Committee; *provided, however*, that such base price shall not be less than 100% of the fair market value of a share of common stock on the date of grant of such SAR.

3. *Exercise of SARs.* The agreement relating to a grant of SARs may specify whether such grant shall be settled in shares of common stock (including restricted shares of common stock) or cash or a combination thereof. Upon exercise of an SAR, the grantee shall be paid the excess of the then fair market value of the number of shares of common stock to which the SAR relates over the base price of the SAR. Such excess shall be paid in cash or in shares of common stock having a fair market value equal to such excess or in such combination thereof as the Committee shall determine. The period during which SARs granted hereunder may be exercised shall be determined by the Committee; *provided, however*, no SAR shall be exercised later than ten years after the date of its grant; and *provided, further*, that no tandem SAR shall be exercised if the related option has expired or has been canceled or forfeited or has otherwise terminated. The Committee may, in its discretion, establish performance measures which shall be satisfied or met as a condition to the grant of an SAR or to the exercisability of all or a portion of an SAR. The Committee shall determine whether an SAR may be exercised in cumulative or non-cumulative installments and in part or in full at any time. An exercisable SAR, or portion thereof, may be exercised, in the case of a tandem SAR, only with respect to whole shares of common stock and, in the case of a free-standing SAR, only with respect to a whole number of SARs. If an SAR is exercised for restricted shares of common stock, the restricted shares shall be issued in accordance with Section 4 of Article II and the holder of such restricted shares shall have such rights of a stockholder of the Company as determined pursuant to such Section. Prior to the exercise of an SAR for shares of common stock, including restricted shares, the holder of such SAR shall have no rights as a stockholder of the Company with respect to the shares of common stock subject to such SAR.

A tandem SAR may be exercised (i) by giving written notice to the Company (or following other procedures designated by the Company) specifying the number of whole SARs which are being exercised, (ii) by surrendering to the Company any options which are canceled by reason of the exercise of such SAR and (iii) by executing such documents as the Company may reasonably request. A free-standing SAR may be exercised (i) by giving written notice to the Company specifying the whole number of SARs which are being exercised and (ii) by executing such documents as the Company may reasonably request.

V. Awards to Non-Employee Directors

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1. *Annual Grants to Non-Employee Directors.* On the date of the Company's 2004 annual meeting of stockholders, and on the date of each subsequent annual meeting prior to the termination of this Section 1, the

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Company shall make an award under the Plan to each individual who is, immediately following such annual meeting, a non-employee director.

Awards granted pursuant to this Section 1 of Article V shall be in the form of stock options, restricted stock, stock units or SARs. The form of such awards, and the number of shares subject to each such award, shall be determined by a committee meeting the requirements for the Committee described above in Section 4 of Article I in the exercise of its sole discretion, *provided, however* that (i) the dollar value to the recipient of any award shall not exceed three times the then current annual base cash retainer fee payable to non-employee directors and (ii) in determining the dollar value of any such award, the committee shall utilize the fair market value of a share of common stock on the date of grant.

2. Elective Options for Non-Employee Directors. Each non-employee director may from time to time elect, in accordance with procedures to be specified by the Committee, to receive in lieu of all or part of (i) the annual base cash retainer fee for services as a director of the Company, any fees for attendance at meetings of the Board or any committee of the Board and any fees for serving as a member or chairman of any committee of the Board that would otherwise be payable to such non-employee director (*Fees*) or (ii) the annual phantom stock award granted to such non-employee director pursuant to the Retirement Benefits and Phantom Stock Grants for Directors Policy (*Retirement Benefit*), an option to purchase shares of common stock, which option shall have a value (as determined in accordance with the Black-Scholes stock option valuation method) as of the date of grant of such option equal to the amount of such Fees or Retirement Benefit. Notwithstanding anything to the contrary set forth elsewhere in the Plan, an option granted to a non-employee director pursuant to this Section 2 of Article V shall become exercisable in full on the first anniversary of the date of grant.

VI. Other

1. Non-Transferability of Options and Stock Appreciation Rights. No option or SAR shall be transferable other than (i) by will, the laws of descent and distribution or pursuant to beneficiary designation procedures approved by the Company or (ii) as otherwise set forth in the agreement relating to such option or SAR. Each option or SAR may be exercised during the participant's lifetime only by the participant or the participant's guardian, legal representative or similar person or the permitted transferee of the participant. Except as permitted by the second preceding sentence, no option or SAR may be sold, transferred, assigned, pledged, hypothecated, encumbered or otherwise disposed of (whether by operation of law or otherwise) or be subject to execution, attachment or similar process. Upon any attempt to so sell, transfer, assign, pledge, hypothecate, encumber or otherwise dispose of any option or SAR, such award and all rights thereunder shall immediately become null and void.

2. Tax Withholding. The Company shall have the right to require, prior to the issuance or delivery of any shares of common stock or the payment of any cash pursuant to a grant or award hereunder, payment by the holder thereof of any federal, state, local or other taxes which may be required to be withheld or paid in connection therewith. An agreement may provide that (i) the Company shall withhold whole shares of common stock which would otherwise be delivered to a holder, having an aggregate fair market value determined as of the date the obligation to withhold or pay taxes arises in connection therewith (the *Tax Date*), or withhold an amount of cash which would otherwise be payable to a holder, in the amount necessary to satisfy any such obligation or (ii) the holder may satisfy any such obligation by any of the following means: (A) a cash payment to the Company, (B) delivery to the Company of previously owned whole shares of common stock (which the holder has held for at least six months prior to the delivery of such shares or which the holder purchased on the open market and for which the holder has good title, free and clear of all liens and encumbrances) having an aggregate fair market value determined as of the Tax Date, equal to the amount necessary to satisfy any such obligation, (C) authorizing the Company to withhold whole shares of common stock which would otherwise be delivered having an aggregate fair market value determined as of the Tax Date or withhold an amount of cash which would otherwise be payable to a holder, equal to the amount necessary to satisfy any such liability, (D) in the case of the exercise of an option, a cash payment by a broker-dealer acceptable to the Company to whom the

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optionee has submitted an irrevocable notice of exercise or (E) any combination of (A), (B) and (C); *provided, however*, that the Committee shall have sole discretion to disapprove of an election involving clause (D). An agreement relating to a grant or award hereunder may not provide for shares of common stock to be withheld having an aggregate fair market value in excess of the minimum amount of taxes required to be withheld. Any fraction of a share of common stock which would be required to satisfy such an obligation shall be disregarded and the remaining amount due shall be paid in cash by the holder.

3. Acceleration Upon Change in Control. If while (i) any performance award or fixed award granted under Article II is outstanding, (ii) any stock option granted under Article III of the Plan or SAR granted under Article IV of the Plan is outstanding or (iii) any award made to non-employee directors pursuant to Article V (non-employee director awards) is outstanding:

(a) any person, as such term is defined in Section 3(a)(9) of the Exchange Act, as modified and used in Section 13(d) and 14(d) thereof (but not including (i) the Company or any of its subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its subsidiaries, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, or (iv) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company) (hereinafter a Person) is or becomes the beneficial owner, as defined in Rule 13d-3 of the Exchange Act, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its affiliates, excluding an acquisition resulting from the exercise of a conversion or exchange privilege in respect of outstanding convertible or exchangeable securities) representing 50% or more of the combined voting power of the Company's then outstanding securities; or

(b) during any period of two (2) consecutive years beginning on the date that stockholders approve the Plan, individuals who at the beginning of such period constitute the Board and any new director (other than a director designated by a Person who has entered into any agreement with the Company to effect a transaction described in Clause (a), (c) or (d) of this Section) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or

(c) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation (hereinafter, a Corporate Transaction), other than (i) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving or acquiring entity), in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of the Company, at least 50% of the combined voting power of the voting securities of the Company or such surviving or acquiring entity outstanding immediately after such merger or consolidation, or (ii) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person acquires more than 50% of the combined voting power of the Company's then outstanding securities; or

(d) the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets,

(any of such events being hereinafter referred to as a Change in Control), then from and after the date on which public announcement of the acquisition of such percentage shall have been made, or the date on which the change in the composition of the Board set forth above shall have occurred, or the date of any such stockholder approval of a merger, consolidation, plan of complete liquidation or an agreement for the sale of the Company's assets as described above occurs (the applicable date being hereinafter referred to as the Acceleration Date), (i) with respect to such performance awards, the highest level of achievement specified in the award shall be deemed met and the award shall be immediately and fully vested, (ii) with respect to such fixed awards, the period of continued employment specified in the award upon which the award is contingent shall be deemed

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completed and the award shall be immediately and fully vested, (iii) with respect to such options and SARs, all such options and SARs, whether or not then exercisable in whole or in part, shall be immediately and fully exercisable and (iv) with respect to such non-employee director awards, all conditions with respect to vesting or exercisability shall be deemed to be satisfied and such awards shall be immediately and fully vested and exercisable.

4. *Restrictions on Shares.* Each grant and award made hereunder shall be subject to the requirement that if at any time the Company determines that the listing, registration or qualification of the shares of common stock subject thereto upon any securities exchange or under any law, or the consent or approval of any governmental body, or the taking of any other action is necessary or desirable as a condition of, or in connection with, the delivery of shares thereunder, such shares shall not be delivered unless such listing, registration, qualification, consent, approval or other action shall have been effected or obtained, free of any conditions not acceptable to the Company. The Company may require that certificates evidencing shares of common stock delivered pursuant to any grant or award made hereunder bear a legend indicating that the sale, transfer or other disposition thereof by the holder is prohibited except in compliance with the Securities Act of 1933, as amended, and the rules and regulations thereunder.

6. *No Right of Participation or Employment.* No person (other than non-employee directors to the extent provided in Article V) shall have any right to participate in the Plan. Neither the Plan nor any grant or award made hereunder shall confer upon any person any right to employment or continued employment by the Company, any subsidiary or any affiliate of the Company or affect in any manner the right of the Company, any subsidiary or any affiliate of the Company to terminate the employment of any person at any time without liability hereunder.

7. *Rights as Stockholder.* No person shall have any right as a stockholder of the Company with respect to any shares of common stock or other equity security of the Company which is subject to a grant or award hereunder unless and until such person becomes a stockholder of record with respect to such shares of common stock or equity security.

8. *Governing Law.* The Plan, each grant and award hereunder and the related agreement, and all determinations made and actions taken pursuant thereto, to the extent not otherwise governed by the Code or the laws of the United States, shall be governed by the laws of the State of Delaware and construed in accordance therewith without giving effect to principles of conflicts of laws.

9. *Foreign Participants.* Notwithstanding any provision of the Plan to the contrary the Committee may, with a view to both promoting achievement of the purposes of the Plan and complying with (i) provisions of laws in countries outside the United States in which the Company or its subsidiaries operate or have employees and (ii) the rules of any foreign stock exchange upon which the common stock may be listed, determine which persons outside the United States shall be eligible to participate in the Plan on such terms and conditions different from those specified in the Plan as may in the judgment of the Committee be necessary or advisable and, to that end, the Committee may establish sub-plans, modified option exercise procedures and other terms and procedures.

10. *Insider Limits.* Notwithstanding any other provision of the Plan, (i) the maximum number of shares of common stock which may be reserved for issuance to insiders (as defined in the Ontario Securities Act) under the Plan, together with any other previously established or proposed incentive plan, shall not exceed 10% of the outstanding shares of common stock, (ii) the maximum number of shares of common stock which may be issued to insiders under the Plan, together with any other previously established or proposed incentive plan, within any one year period shall not exceed 10% of the outstanding shares of common stock, and (iii) the maximum number of shares of common stock which may be issued to any one insider and his or her associates under the Plan, together with any other previously established or proposed incentive plan, within a one year period, shall not exceed 5% of the outstanding shares of common stock.

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11. *Approval of Plan.* The Plan and all grants and awards made hereunder shall be null and void if the adoption of the Plan is not approved by the affirmative vote of a majority of the shares of common stock present in person or represented by proxy at the next meeting of stockholders following the Board's adoption of the Plan.

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RR DONNELLEY

C/O EQUISERVE

P.O. BOX XXXX

EDISON, NJ XXXXX-XXXX

**The EquiServe Vote by Telephone and Vote by Internet systems can be accessed
24 hours a day, seven days a week until the day prior to the meeting.**

Your vote is important. Please vote immediately.

Vote-by-Internet [Computer graphic]

1. Log on to the Internet and go to

<http://www.eproxyvote.com/dny>

OR

Vote-by-Telephone [Telephone graphic]

1. Call toll-free

1-877-PRX-VOTE (1-877-779-8683)

If you vote over the Internet or by telephone, please do not mail your card.

FOLD AND DETACH HERE

x **Please mark**

votes as in

this example.

This proxy, when properly executed, will be voted in the manner directed herein. If no direction is made, this proxy will be voted FOR Items 1 and 2. Proxies are authorized to vote in their discretion upon any other matters that may properly come before the meeting or any adjournment or postponement thereof.

The R.R. Donnelley & Sons Company board of directors unanimously recommends that RR Donnelley shareholders vote FOR the share issuance proposal and FOR the performance incentive plan proposal.

<p>1. To approve the issuance of shares of RR Donnelley common stock as contemplated by the Combination Agreement, dated as of November 8, 2003, between RR Donnelley and Moore Wallace Incorporated and the Plan of Arrangement under Section 192 of the Canada Business Corporations Act involving RR Donnelley and Moore Wallace.</p>	<p>For Against Abstain</p> <p>.. </p>	<p>3. To transact such other business as may properly come before the special meeting or any adjournment or postponement thereof.</p>
		<p>CHANGE OF ADDRESS/COMMENTS ON REVERSE SIDE ..</p>
		<p>WILL ATTEND MEETING ..</p>
<p>2. To adopt the RR Donnelley 2004 Performance Incentive Plan.</p>	<p>For Against Abstain</p> <p>.. </p>	

SIGNATURE(S) _____ DATE: _____ SIGNATURE(S) _____ DATE: _____

Please sign exactly as your name(s) appear on the proxy. Joint owners should each sign. When signing as attorney, executor, administrator, trustee, guardian, officer, general partner, etc., please give full title as such.

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Admission Ticket

R.R. DONNELLEY & SONS COMPANY

Special Meeting of Shareholders

Monday, February 23, 2004 at 1:00 p.m.

Bank One Auditorium at One Bank One Plaza

Dearborn & Madison Streets

Chicago, Illinois 60602

This ticket admits the named shareholder(s) and one guest. Photocopies will not be accepted. You may be asked for identification at the time of admission.

FOLD AND DETACH HERE

PROXY
R.R. DONNELLEY
Chicago, Illinois

PROXY/VOTING INSTRUCTION CARD

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This proxy is solicited on behalf of the R.R. Donnelley & Sons Company board of directors for use at the special meeting on February 23, 2004 and at any adjournment or postponement of the special meeting.

The undersigned hereby revokes all prior proxies and appoints Gregory A. Stoklosa and Monica M. Fohrman, or either of them, proxies for the undersigned, each with full power of substitution, to attend the special meeting of RR Donnelley shareholders to be held on February 23 at 1:00 p.m., Chicago time, and at any adjournment or postponement thereof, and to vote as specified in this proxy all the shares of RR Donnelley common stock which the undersigned would be entitled to vote if personally present upon all subject that may properly come before the meeting, including the matters described in the joint management information circular and proxy statement furnished with this proxy.

In their discretion, Mr. Stoklosa and Ms. Fohrman also are authorized to vote upon such other matters as may properly come before the meeting. Management presently is not aware of any such matters to be presented for action. If specific voting instructions are not given with respect to matters to be acted upon and the signed card is returned, the proxies will vote in accordance with the directors' recommendations and at their discretion on any other matters that may properly come before the meeting. If you do not sign and return a proxy, submit a proxy by telephone or Internet or attend the meeting and vote by ballot, shares that you own directly cannot be voted.

The undersigned acknowledges receipt from RR Donnelley prior to the execution of this proxy of a Notice of Special Meeting of Shareholders and a joint management information circular and proxy statement furnished with this proxy card.

Your vote is important! Please sign and date on the reverse and return promptly in the enclosed postage-paid envelope.

This card also provides voting instructions for shares held in RR Donnelley's Dividend Reinvestment Plan and shares held for the benefit of RR Donnelley employees in RR Donnelley's Stock Fund, Tax credit Stock Ownership Plan and Employee Monthly Investment Plan.

Comments:

(If you have written in the space above, please mark the Comments box on the reverse side of this card.)

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[Blue Proxy Card]

Computershare Trust Company of Canada

9th Floor, 100 University Avenue

Toronto, Ontario M5J 2Y1

1-800-564-6253

www.computershare.com

MR SAM SAMPLE

123 SAMPLES STREET

SAMPLETOWN SS X9X 9X9

Security Class 123

Holder Account Number

C1234567890 X X X

Please print in ink. Print in CAPITAL letters inside the grey areas as shown in this example.

<u> </u>	<u> </u>	<u> </u>	<u> </u>
A B C	1 2 3	X	X
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Proxy - Moore Wallace Incorporated special meeting to be held on Monday, February 23, 2004

Notes to Proxy

1. Every holder has the right to appoint some other person of their choice, who need not be a holder, to attend and act on their behalf at the meeting. If you wish to appoint a person other than the persons whose names are printed herein, please insert the name of your chosen proxyholder in the space provided (see reverse).

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2. If the securities are registered in the name of more than one owner (for example, joint ownership, trustees, executors, etc.), then all those registered should sign this proxy. If you are voting on behalf of a corporation or another individual you may be required to provide documentation evidencing your power to sign this proxy with signing capacity stated.
3. This proxy should be signed in the exact manner as the name appears on the proxy.
4. If this proxy is not dated, it will be deemed to bear the date on which it is mailed by Management to the holder.
5. **The securities represented by this proxy will be voted as directed by the holder, however, if such a direction is not made in respect of any matter, this proxy will be voted as recommended by Management.**

Proxies submitted must be received by 11:00 a.m. (Eastern Standard Time) on Monday, February 23, 2004.

THANK YOU

002PGA

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MR SAM SAMPLE

C1234567890

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This Proxy is solicited by and on behalf of Management.

Appointment of Proxyholder

I/We being holder(s) of Moore
Wallace Incorporated (Moore Wallace)
hereby appoint(s):

OR

Print the name of the person
you are appointing if this person
is someone other than the
Chairman of the Moore Wallace
special meeting.

Mark A. Angelson, or failing him,
Thomas J. Quinlan III, or failing him,
Mark S. Hiltwein.

as my/our proxyholder with full power of substitution and to vote in accordance with the following direction (or if no directions have been given, as the proxyholder sees fit) and all other matters that may properly come before the Moore Wallace special meeting of securityholders to be held at the Stamford Marriott, Two Stamford Forum, Stamford, Connecticut 06901 on Monday, February 23, 2004 at 2:00 p.m. (local time) and at any adjournment or postponement thereof.

Resolutions

Management recommends a vote **FOR** the arrangement resolution (as defined below). Please read the resolutions in full in the accompanying joint management information circular and proxy statement.

	For	Against
A special resolution (the text of which is attached as Annex A to the joint management information circular and proxy statement) authorizing and approving an arrangement under Section 192 of the Canada Business Corporations Act involving the indirect acquisition by R.R. Donnelley & Sons Company of all of the outstanding common shares of Moore Wallace (the arrangement resolution).

The restricted stock units represented by this proxy will be voted in accordance with any specified choice. **IF NO CHOICE IS SPECIFIED, SUCH RESTRICTED STOCK UNITS WILL BE VOTED FOR THE ARRANGEMENT RESOLUTION.** In respect of amendments or variations to the matters noted above and upon such other business as may properly come before the Moore Wallace special meeting, the undersigned hereby confers discretionary authority on the undersigned's proxyholder to vote on such amendments or variations or such other matters in accordance with Management's recommendation.

A HOLDER OF RESTRICTED STOCK UNITS HAS THE RIGHT TO APPOINT A PERSON OTHER THAN THE ONES DESIGNATED ABOVE TO REPRESENT HIM/HER AT THE MEETING AND MAY DO SO BY INSERTING SUCH PERSON'S NAME IN THE BLANK SPACE PROVIDED FOR THAT PURPOSE.

To be used at the Moore Wallace special meeting, this proxy must be deposited by no later than 11:00 a.m. (Eastern Standard Time) on Monday, February 23, 2004 or, in the case of any adjournment or postponement of the Moore Wallace special meeting, by no later than 11:00 a.m. (Eastern Standard Time) on the date fixed for the adjourned or postponed meeting: (1) by mail to the address on the envelope provided herewith; or (2) by personal delivery to Computershare Trust Company of Canada, 9th Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1, Canada.

Authorized Signature(s) - Sign Here - This section must be completed for your instructions to be executed.

I/We authorize you to act in accordance with my/our instructions set out above. I/We hereby revoke any proxy previously given with respect to the Moore Wallace special meeting. **If no voting instructions are indicated above, this Proxy will be voted as recommended by Management.**

Signature(s)

Date - Day Month Year

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002PCA

Sample © Computershare 2004

Table of Contents

[Green Proxy Card]

Computershare Trust Company of Canada

9th Floor, 100 University Avenue

Toronto, Ontario M5J 2Y1

1-800-564-6253

www.computershare.com

MR SAM SAMPLE

123 SAMPLES STREET

SAMPLETOWN SS X9X 9X9

Security Class 123

Holder Account Number

C1234567890 X X X

Please print in ink. Print in CAPITAL letters inside the grey areas as shown in this example.

<u> </u>	<u> </u>	<u> </u>	<u> </u>
A B C	1 2 3	X	X
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Proxy - Moore Wallace Incorporated special meeting to be held on Monday, February 23, 2004

Notes to Proxy

1. Every holder has the right to appoint some other person of their choice, who need not be a holder, to attend and act on their behalf at the meeting. If you wish to appoint a person other than the persons whose names are printed herein, please insert the name of your chosen proxyholder in the space provided (see reverse).

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2. If the securities are registered in the name of more than one owner (for example, joint ownership, trustees, executors, etc.), then all those registered should sign this proxy. If you are voting on behalf of a corporation or another individual you may be required to provide documentation evidencing your power to sign this proxy with signing capacity stated.
3. This proxy should be signed in the exact manner as the name appears on the proxy.
4. If this proxy is not dated, it will be deemed to bear the date on which it is mailed by Management to the holder.
5. **The securities represented by this proxy will be voted as directed by the holder, however, if such a direction is not made in respect of any matter, this proxy will be voted as recommended by Management.**

Proxies submitted must be received by 11:00 a.m. (Eastern Standard Time) on Monday, February 23, 2004.

THANK YOU

002PIA

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MR SAM SAMPLE

C1234567890

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XXX 123

This Proxy is solicited by and on behalf of Management.**Appointment of Proxyholder**

I/We being holder(s) of Moore
Wallace Incorporated (Moore Wallace)
hereby appoint(s):

OR

Print the name of the person
you are appointing if this person
is someone other than the
Chairman of the Moore Wallace
special meeting.

Mark A. Angelson, or failing him,
Thomas J. Quinlan III, or failing him,
Mark S. Hiltwein.

as my/our proxyholder with full power of substitution and to vote in accordance with the following direction (or if no directions have been given, as the proxyholder sees fit) and all other matters that may properly come before the Moore Wallace special meeting of securityholders to be held at the Stamford Marriott, Two Stamford Forum, Stamford, Connecticut 06901 on Monday, February 23, 2004 at 2:00 p.m. (local time) and at any adjournment or postponement thereof.

Resolutions

Management recommends a vote **FOR** the arrangement resolution (as defined below). Please read the resolutions in full in the accompanying joint management information circular and proxy statement.

A special resolution (the text of which is attached as Annex A to the joint management information circular and proxy statement) authorizing and approving an arrangement under Section 192 of the Canada Business Corporations Act involving the indirect acquisition by R.R. Donnelley & Sons Company of all of the outstanding common shares of Moore Wallace (the arrangement resolution).

For Against

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..

The options represented by this proxy will be voted in accordance with any specified choice. **IF NO CHOICE IS SPECIFIED, SUCH OPTIONS WILL BE VOTED FOR THE ARRANGEMENT RESOLUTION.** In respect of amendments or variations to the matters noted above and upon such other business as may properly come before the Moore Wallace special meeting, the undersigned hereby confers discretionary authority on the undersigned's proxyholder to vote on such amendments or variations or such other matters in accordance with Management's recommendation.

A HOLDER OF OPTIONS HAS THE RIGHT TO APPOINT A PERSON OTHER THAN THE ONES DESIGNATED ABOVE TO REPRESENT HIM/HER AT THE MEETING AND MAY DO SO BY INSERTING SUCH OTHER PERSON'S NAME IN THE BLANK SPACE PROVIDED FOR THAT PURPOSE.

To be used at the Moore Wallace special meeting, this proxy must be deposited by no later than 11:00 a.m. (Eastern Standard Time) on Monday, February 23, 2004 or, in the case of any adjournment or postponement of the Moore Wallace special meeting, by no later than 11:00 a.m. (Eastern Standard Time) on the date fixed for the adjourned or postponed meeting: (1) by mail to the address on the envelope provided herewith; or (2) by personal delivery to Computershare Trust Company of Canada, 9th Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1, Canada.

Authorized Signature(s) - Sign Here - This section must be completed for your instructions to be executed.

I/We authorize you to act in accordance with my/our instructions set out above. I/We hereby revoke any proxy previously given with respect to the Moore Wallace special meeting. **If no voting instructions are indicated above, this Proxy will be voted as recommended by Management.**

Signature(s)

Date - Day Month Year

••

A S X

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002PDA

Table of Contents

[Yellow Proxy Card]

Computershare Trust Company of Canada

9th Floor, 100 University Avenue

Toronto, Ontario M5J 2Y1

1-800-564-6253

www.computershare.com

MR SAM SAMPLE

123 SAMPLES STREET

SAMPLETOWN SS X9X 9X9

Security Class 123

Holder Account Number

C1234567890 X X X

Please print in ink. Print in CAPITAL letters inside the grey areas as shown in this example.

<u> </u>	<u> </u>	<u> </u>	<u> </u>
A B C	1 2 3	X	X
<u> </u>	<u> </u>	<u> </u>	<u> </u>

Proxy - Moore Wallace Incorporated special meeting to be held on Monday, February 23, 2004

Notes to Proxy

1. Every holder has the right to appoint some other person of their choice, who need not be a holder, to attend and act on their behalf at the meeting. If you wish to appoint a person other than the persons whose names are printed herein, please insert the name of your chosen proxyholder in the space provided (see reverse).

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2. If the securities are registered in the name of more than one owner (for example, joint ownership, trustees, executors, etc.), then all those registered should sign this proxy. If you are voting on behalf of a corporation or another individual you may be required to provide documentation evidencing your power to sign this proxy with signing capacity stated.
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4. If this proxy is not dated, it will be deemed to bear the date on which it is mailed by Management to the holder.
5. **The securities represented by this proxy will be voted as directed by the holder, however, if such a direction is not made in respect of any matter, this proxy will be voted as recommended by Management.**

Proxies submitted must be received by 11:00 a.m. (Eastern Standard Time) on Monday, February 23, 2004.

THANK YOU

002PHA

Table of Contents

MR SAM SAMPLE

C1234567890

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XXX 123

This Proxy is solicited by and on behalf of Management.**Appointment of Proxyholder**

I/We being holder(s) of Moore
Wallace Incorporated (Moore Wallace)
hereby appoint(s):

OR

Print the name of the person
you are appointing if this person
is someone other than the
Chairman of the Moore Wallace
special meeting.

Mark A. Angelson, or failing him,
Thomas J. Quinlan III, or failing him,
Mark S. Hiltwein.

as my/our proxyholder with full power of substitution and to vote in accordance with the following direction (or if no directions have been given, as the proxyholder sees fit) and all other matters that may properly come before the Moore Wallace special meeting of securityholders to be held at the Stamford Marriott, Two Stamford Forum, Stamford, Connecticut 06901 on Monday, February 23, 2004 at 2:00 p.m. (local time) and at any adjournment or postponement thereof.

Resolutions

Management recommends a vote **FOR** the arrangement resolution (as defined below). Please read the resolutions in full in the accompanying joint management information circular and proxy statement.

A special resolution (the text of which is attached as Annex A to the joint management information circular and proxy statement) authorizing and approving an arrangement under Section 192 of the Canada Business Corporations Act involving the indirect acquisition by R.R. Donnelley & Sons Company of all of the outstanding common shares of Moore Wallace (the arrangement resolution).

For Against

..

..

The issuance of Moore Wallace common shares in connection with Moore Wallace's acquisition of Payment Processing Solutions, Inc., which Moore Wallace acquired on December 31, 2003 (the Moore Wallace share issuance proposal).

For Against

..

..

The Moore Wallace common shares represented by this proxy will be voted in accordance with any specified choice. **IF NO CHOICE IS SPECIFIED, SUCH SHARES WILL BE VOTED FOR THE ARRANGEMENT RESOLUTION. IF NO CHOICE IS SPECIFIED, SUCH SHARES WILL NOT BE VOTED WITH RESPECT TO THE MOORE WALLACE SHARE ISSUANCE PROPOSAL.** In respect of amendments or variations to the matters noted above and upon such other business as may properly come before the Moore Wallace special meeting, the undersigned hereby confers discretionary authority on the undersigned's proxyholder to vote on such amendments or variations or such other matters in accordance with Management's recommendation.

A HOLDER OF MOORE WALLACE COMMON SHARES HAS THE RIGHT TO APPOINT A PERSON OTHER THAN THE ONES DESIGNATED ABOVE TO REPRESENT HIM/HER AT THE MEETING AND MAY DO SO BY INSERTING SUCH OTHER PERSON'S NAME IN THE BLANK SPACE PROVIDED FOR THAT PURPOSE.

To be used at the Moore Wallace special meeting, this proxy must be deposited by no later than 11:00 a.m. (Eastern Standard Time) on Monday, February 23, 2004 or, in the case of any adjournment or postponement of the Moore Wallace special meeting, by no later than 11:00 a.m. (Eastern Standard Time) on the date fixed for the adjourned or postponed meeting: (1) by mail to the address on the envelope provided herewith; or (2) by personal delivery to Computershare Trust Company of Canada, 9th Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1, Canada.

Authorized Signature(s) - Sign Here - This section must be completed for your instructions to be executed.

I/We authorize you to act in accordance with my/our instructions set out above. I/We hereby revoke any proxy previously given with respect to the Moore Wallace special meeting. **If no voting instructions are indicated above, this Proxy will be voted as recommended by Management.**

Signature(s)

Date - Day Month Year

.. A S X 1 F F F 999999999999 +

002PBA