

RR Donnelley & Sons Co
Form DEF 14A
April 18, 2008
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NOTICE & PROXY STATEMENT

SCHEDULE 14A INFORMATION

**Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934 (Amendment No.)**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

CONFIDENTIAL, FOR USE OF THE COMMISSION ONLY
(AS PERMITTED BY RULE 14A-6(E)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Section 240.14a-11(c) or Section 240.14a-12

R. R. Donnelley & Sons Company

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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No fee required

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

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Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form of Schedule and the date of its filing.

(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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2008

ANNUAL MEETING OF STOCKHOLDERS

Meeting Notice

Proxy Statement

111 South Wacker Drive

Chicago, Illinois 60606-4301

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2008 ANNUAL MEETING OF STOCKHOLDERS

Meeting Notice

WHERE

Renaissance Chicago O Hare

Suites Hotel

8500 Bryn Mawr Avenue

Chicago, Illinois 60631

WHEN

Wednesday, May 28, 2008 at

9:00 a.m. Chicago time

WHY

To elect the directors of the Company for a one-year term

To vote to ratify the appointment by the Audit Committee of Deloitte & Touche LLP as the Company's independent registered public accounting firm

To approve the Company's Amended 2004 Performance Incentive Plan

To vote on two stockholder proposals set out in the proxy statement, if such proposals are properly introduced at the meeting

To conduct any other business if properly raised

RECORD DATE

The close of business on April 2, 2008

You will find more information on the matters for voting in the proxy statement on the following pages. If you are a stockholder of record, you may vote by mail, by toll-free telephone number, by using the Internet or in person at the meeting.

Your vote is important! Please sign, date and return the enclosed proxy card in the envelope provided, call the toll-free number or log on to the Internet even if you plan to attend the meeting. You may revoke your proxy at any time before it is voted.

You will find instructions on how to vote on page 20. Most stockholders vote by proxy and do not attend the meeting in person. However, as long as you were a stockholder on April 2, 2008, you are invited to attend the meeting, or to send a representative. Please note that only persons with an admission ticket or evidence of stock ownership or who are guests of the Company will be admitted to the meeting.

By Order of the Board of Directors

Suzanne S. Bettman

Secretary

April 18, 2008

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting To Be Held on May 28, 2008. This proxy statement and our annual report to stockholders are available on the internet at www.rrdonnelley.com/proxymaterials. On this site, you will be able to access our 2008 proxy statement, our 2007 annual report which includes our annual report on Form 10-K for the fiscal year ended December 31, 2007, and any amendments or supplements to the foregoing material that is required to be furnished to stockholders.

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2008 ANNUAL MEETING OF STOCKHOLDERS

Proxy Statement

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Proposals

Proposal 1: Election of Directors

The following information about the business background of each person nominated by the Board has been furnished to the Company by the nominees for director. In accordance with the terms of the combination agreement between the Company and Moore Wallace Incorporated (Moore Wallace) dated November 8, 2003 (the Combination Agreement), Messrs. Pope and Riordan were appointed to the board effective February 27, 2004. In the following descriptions, director service includes service as a director of the Company, Moore Wallace, Moore Corporation Limited (Moore) and Wallace Computer Services, Inc.

Each director will serve until the next annual meeting of stockholders or until a successor is elected and qualified, or until earlier resignation, removal, or death.

Thomas J. Quinlan III Chief executive officer of the Company since April 2007; group president, Global Services of the Company from October 2006 to April 2007; chief financial officer of the Company from April 2006 to October 2007; executive vice president, operations of the Company from February 2004 to October 2006; various capacities at Moore Wallace (and its predecessor, Moore) that included: executive vice president-business integration from May 2003 to February 2004; executive vice president-office of the chief executive from January 2003 until May 2003; and executive vice president and treasurer from December 2000 until December 2002; executive vice president and treasurer of Walter Industries, Inc., a homebuilding industrial conglomerate, in 2000; various positions, including vice president and treasurer, at World Color Press, Inc. from 1994 until 1999.

Age: 45

Director since: 2007

Stephen M. Wolf Chairman of Board of Directors of the Company; chairman of Lehman Brothers Private Equity Advisory Board, July 2005 to present; managing partner of Alpillis, LLC, a private investment Company, April 2003 to present; non-executive chairman of US Airways Group, Inc., an air carrier holding company, and its subsidiary US Airways, Inc., an air carrier, 2003; chairman of US Airways Group, Inc. and US Airways, Inc., 1996 to 2002; chief executive officer of US Airways Group, Inc. and US Airways, Inc., 1996 to 1998 and 2001 to 2002; previously and from 1994, senior advisor in Lazard Frères & Co. LLC, an investment banking firm; chairman and chief executive officer UAL Corporation and United Airlines, Inc., 1987-1994.

Directorships: Altria Group, Inc.

Age: 66

Director since: 1995

Lee A. Chaden Nonexecutive chairman of Hanesbrands Inc. (spun off from Sara Lee Corporation September 2006), a global consumer goods company, January 2008-present; former executive chairman of Hanesbrands, April 2006 to December 2007; chief executive officer of Sara Lee Branded Apparel, a division of Sara Lee Corporation, a

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global manufacturer and marketer of brand-name products for consumers, 2004 to 2006; prior thereto, various positions at Sara Lee Corporation since 1991.

Directorships: Carlson Companies, Inc.; Hanesbrands Inc.

Age: 66

Director since: 2008

E.V. (Rick) Goings

Chairman and chief executive officer of Tupperware Brands Corporation, a global manufacturer and seller of kitchen, beauty and personal care products, 1997 to present; president and chief operating officer of Tupperware Corporation, 1992-1997.

Directorships: Tupperware Brands Corporation

Age: 62

Director since: 2008

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| | |
|--------------------|--|
| Judith H. Hamilton | <p>Former president and chief executive officer of Classroom Connect Inc., a provider of materials integrating the Internet into the education process, January 1999 to 2002; former president and chief executive officer of FirstFloor Software, an Internet software publisher, April 1996 through July 1998; former chief executive officer of Dataquest, a market research firm for technology, 1992-1996.</p> <p>Directorships: Artistic Media Partners, Inc.; MarketTools, Inc.</p> <p>Age: 63</p> <p>Director since: 1995</p> |
| Thomas S. Johnson | <p>Retired chairman and chief executive officer of GreenPoint Financial Corp., a bank holding company, and its subsidiary, GreenPoint Bank, a New York chartered savings bank, 1993 to 2004.</p> <p>Directorships: Alleghany Corporation; The Phoenix Companies, Inc.; Federal Home Loan Mortgage Corp. (Freddie Mac)</p> <p>Age: 67</p> <p>Director since: 1990</p> |
| John C. Pope | <p>Chairman of PFI Group, LLC, a private investment company; Chairman of Waste Management, Inc., a NYSE-listed waste collection and disposal firm since 2004; chairman of MotivePower Industries, Inc., a NYSE-listed manufacturer and remanufacturer of locomotives and locomotive components, from December 1995 to November 1999; president, chief operating officer and a director of UAL Corporation and United Air Lines from May 1992 to July 1994 and prior thereto, various positions since 1988.</p> <p>Directorships: Con-way, Inc.; Dollar Thrifty Automotive Group, Inc.; Kraft Foods, Inc.; Waste Management, Inc.</p> <p>Age: 59</p> <p>Director since: 1996</p> |
| Michael T. Riordan | <p>Former chairman, president and chief executive officer of Paragon Trade Brands, Inc., a manufacturer of diapers and other absorbent products, from May 2000 to February 2002; former president and chief operating officer of Fort James Corporation from August 1997 to August 1998 and, prior to that, chairman, president and chief executive officer of Fort Howard Corporation.</p> <p>Directorships: Potlatch, Inc.</p> <p>Age: 57</p> <p>Director since: 1999</p> |
| Oliver R. Sockwell | <p>Former president and chief executive officer of Construction Loan Insurance Corporation (Connie Lee) and its subsidiary, Connie Lee Insurance Company, financial guarantee insurance companies, 1987 to 1997.</p> <p>Directorships: Liz Claiborne, Inc.; Wilmington Trust Corporation</p> |

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Age: 64

Director since: 1997

The Board recommends that stockholders vote for each of our nominees. Only directors that receive more FOR than AGAINST votes will be elected. In the event that an incumbent director is not reelected, the company's Principles of Corporate Governance require that director to promptly tender his or her resignation. The Board will accept this resignation unless it determines that the best interests of the Company and its stockholders would not be best served by doing so.

If any nominee does not stand for election, proxies voting for that nominee may be voted for a substitute nominee selected by the Board. The Board may also choose to reduce the number of directors to be elected at the meeting.

In 2007, the Board met 10 times. Each director of the Company during 2007 was present for at least 75% of the total number of meetings of the Board and those committees of which the director was a member during the period he or she served as a director.

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Proposal 2: Ratification of Auditors

Proposal 2 is the ratification of the Audit Committee's appointment of Deloitte & Touche LLP as the independent registered public accounting firm to audit the financial statements of the Company for fiscal year 2008. In the event the stockholders fail to ratify the appointment, the Audit Committee will reconsider this appointment. The Audit Committee, in its discretion, may direct the appointment of a different independent registered public accounting firm at any time during the year if the Audit Committee determines that such a change would be in the Company's and its stockholders' best interests. Representatives of Deloitte & Touche LLP will be present at the meeting. They will be available to respond to your questions and may make a statement if they desire.

The affirmative vote of the holders of a majority of the shares of the Company's common stock present in person or by proxy at the 2008 Annual Meeting and entitled to vote on the ratification of the appointment of Deloitte & Touche LLP as independent registered public accounting firm for 2008 is required to approve the proposal.

The Board of Directors and the Audit Committee recommend that the stockholders vote FOR the ratification of the appointment of Deloitte & Touche LLP as independent registered public accounting firm for 2008.

Proposal 3: Approval of the Amended 2004 Performance Incentive Plan

The RR Donnelley board of directors has approved, subject to stockholder approval, an amended version of the RR Donnelley 2004 Performance Incentive Plan (the Amended 2004 PIP). Stockholder approval of the Amended 2004 PIP will effectuate the following changes:

1. An increase of 10,000,000 in the aggregate number of shares of common stock of the Company authorized for issuance under the 2004 PIP; and
2. No more than 7,000,000 of such shares may be issued with respect to restricted stock, restricted stock units (RSUs) or other stock-based awards. Any shares not used for these awards may be used for awards of stock options and stock appreciation rights.

If the Amended 2004 PIP is approved, the approximately 999,379 shares of Company common stock available for future awards under the 2004 PIP as of March 15, 2008, will be rolled over into the Amended 2004 PIP. Additionally, the 4,916,083 RSUs that, as of March 15, 2008, remain available for future awards under the 2003 Moore Wallace Incorporated Long Term Incentive Plan (the 2003 LTIP) will be cancelled. Because of the cancellation of the 4,916,083 shares available under the 2003 LTIP, the increase described in number 1 above is effectively an increase of only 5,083,917 shares available for issuance under all of the Company's equity plans. Shares under the 2003 LTIP are available for awards to employees of the Company who were employed by Moore Wallace immediately prior to the Company's acquisition of Moore Wallace in February 2004. Awards outstanding under the 2004 PIP and the 2003 LTIP will continue to be governed by the 2004 PIP and 2003 LTIP, respectively.

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We are asking stockholders to approve the Amended 2004 PIP, as it will allow the Company to continue to attract, retain, and motivate talented employees who are critical to our long-term success and growth. The Company believes that the requested increase in the number of shares available under the Amended 2004 PIP will, on the basis of current assumptions, ensure that enough shares remain available for issuance under the Amended 2004 PIP until the 2013 Annual Meeting.

Approval of the Amended 2004 PIP will also constitute re-approval, for purposes of Section 162(m) of the Internal Revenue Code, of the performance goals contained in the Amended 2004 PIP (described below) that are to be used in connection with awards under the Amended 2004 PIP that are intended to qualify as performance-based compensation for purposes of Section 162(m). Regulations under Section 162(m) require that performance goals be approved by stockholders every five years.

If stockholders do not approve the Amended 2004 PIP, then (i) the number of shares available for issuance under the 2004 PIP will not be increased, (ii) the number of shares that may be issued under the 2004 PIP for restricted stock, RSUs or other stock-based awards will not be changed, (iii) the 2003 LTIP will not be cancelled and (iv) no Bonus awards will be made under the Section II of the 2004 PIP after our annual meeting in 2009, absent subsequent shareholder approval of the performance goals contained in the 2004 PIP.

Purposes of the 2004 PIP.

The 2004 PIP was initially adopted by the Company's stockholders at the Special Meeting of the

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Proposals

Stockholders held on February 23, 2004 and is intended to provide incentives:

- (i) to 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.

Summary Description of the Amended 2004 PIP.

Under the Amended 2004 PIP, 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. The following description of the Amended 2004 PIP is a summary, as it is proposed to be amended, and is qualified in its entirety by reference to the complete text of the Amended 2004 PIP, which is attached as Appendix A to this proxy statement.

Participants. The Company's non-employee directors (who will number eight following the Annual Meeting) and employees (approximately 65,000) are eligible to participate in the Amended 2004 PIP.

Administration. The Amended 2004 PIP 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 is 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 Amended 2004 PIP 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 has, with respect to awards to directors under the Amended 2004 PIP, all of the authority, and is subject to the same limitations, as is described below with respect to the Plan Committee.

Subject to the express provisions of the Amended 2004 PIP, 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 Amended 2004 PIP and to determine all terms and conditions of each grant and award. All stock option awards, SARs, restricted stock awards and stock unit awards have a minimum vesting period of at least three 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 Amended 2004 PIP). 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 Amended 2004 PIP.

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Each grant and award is evidenced by a written agreement containing such provisions not inconsistent with the Amended 2004 PIP as the Plan Committee approves. The Plan Committee also has authority to establish rules and regulations for administering the Amended 2004 PIP and to decide questions of interpretation of any provision of the Amended 2004 PIP. The Plan Committee does not have authority to reprice any stock option or other award granted under the Amended 2004 PIP, except in the case of adjustments described in the following paragraph. 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 Amended 2004 PIP to the chief executive officer or other executive officer of RR Donnelley.

Available Shares. Approximately 11,000,000 shares of RR Donnelley common stock would be available under the Amended 2004 PIP, following approval by the stockholders, for grants and awards to officers and other employees and non-employee directors of, and other persons who provide services to, RR Donnelley and its affiliates, 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, may be granted under the

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Amended 2004 PIP, following approval by stockholders, is 7,000,000 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 Amended 2004 PIP 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 would again be available for grant under the Amended 2004 PIP. Shares tendered or withheld upon exercise of an option, vesting of restricted stock or restricted stock units, settlement of an SAR or upon any other event to pay exercise price or tax withholding will not, however, be available for future issuance under the Amended 2004 PIP. In addition, upon exercise of an SAR, the total number of shares remaining available for issuance under the Amended 2004 PIP will be reduced by the gross number of shares for which the SAR is exercised.

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.

Termination and Amendment. The Amended 2004 PIP will terminate on the date on which no shares remain available for grants or awards under the Amended 2004 PIP, unless terminated earlier by the RR Donnelley board of directors, provided that, assuming that the Amended 2004 PIP itself has not previously terminated, the provision of the Amended 2004 PIP relating to awards to non-employee directors will terminate on February 23, 2014. The RR Donnelley board of directors may amend the Amended 2004 PIP 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 Amended 2004 PIP or permit repricing of awards made under the Amended 2004 PIP.

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 SAR or the option, but not both, or SARs may be granted independently of stock options. 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 April 1, 2008 was \$31.34.

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 cannot be exercisable for 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 on the date of grant.

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Upon exercise, the option exercise price may be paid in cash, by the delivery of previously owned shares of RR Donnelley common stock, by authorizing the company to withhold shares of stock that would otherwise be delivered having a fair market value equal to the aggregate exercise price or, to the extent expressly authorized by the Plan Committee, via a cashless exercise arrangement with RR Donnelley.

The Amended 2004 PIP 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 Amended 2004 PIP 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 Amended 2004 PIP, 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 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 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.

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Awards to Non-Employee Directors. Since 2004, on the date of each annual meeting of RR Donnelley shareholders, RR Donnelley has made, and on the date of each subsequent annual meeting prior to the termination of the section of the Amended 2004 PIP providing for director awards, RR Donnelley will make, an award under the Amended 2004 PIP 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 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.

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. The number of stock options and other forms of awards that will be granted under the Amended 2004 PIP is not currently determinable.

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 Amended 2004 PIP. This discussion does not address all aspects of the U.S. federal income tax consequences of participating in the Amended 2004 PIP 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 Amended 2004 PIP. 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. 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.

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

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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. If such election is made, a participant will recognize compensation taxable as ordinary income at the time the forfeiture conditions on the restricted stock lapse 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.

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 other four most highly compensated executive officers (other than the chief financial officer) as reported in the corporation's proxy statement. 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 regulations issued by the U.S. Department of the Treasury, certain compensation under the Amended 2004 PIP, 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 Amended 2004 PIP, such as any restricted stock award which is not subject to a performance condition to vesting, would be subject to such limit.

Section 409A. Awards made under the 2004 PIP that are considered to include deferred compensation for purposes of Section 409A of the Internal Revenue Code must satisfy the requirements of Section 409A to avoid adverse tax consequences to recipients, which could include the inclusion of amounts not payable currently in income and interest and an additional tax on any amount included in income, subject to

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withholding by the Company. The Company intends to structure any awards under the Amended 2004 PIP so that the requirements under Section 409A are either satisfied or are not applicable.

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The affirmative vote of the holders of a majority of the shares of the Company's common stock present in person or by proxy at the 2008 Annual Meeting and entitled to vote on the proposal is required to approve the Amended 2004 PIP.

The Board of Directors unanimously recommends a vote FOR this proposal.

Equity Compensation Plan Information

Information as of December 31, 2007 concerning compensation plans under which the company's equity securities are authorized for issuance is as follows:

Equity Compensation Plan Information

| Plan Category ⁽¹⁾ | Number of Securities to Be Issued upon Exercise of Outstanding Options, Warrants and Rights (in thousands) | Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights ⁽⁴⁾ | Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (in thousands) |
|--|---|---|--|
| | (a) | (b) | (c) |
| Equity compensation plans approved by security holders ⁽²⁾ | 3,341.1 | \$ 32.07 | 2,500.3 ⁽⁵⁾ |
| Equity compensation plans not approved by security holders ⁽³⁾ | 1,337.6 | 24.74 | 5,011.7 |
| Total | 4,678.7 | \$ 30.01 | 7,512.0 |

¹ Upon the acquisition of Moore Wallace on February 27, 2004, stock options and units outstanding under various Moore Wallace plans, other than the Moore Wallace 2003 Long-Term Incentive Plan, (pursuant to which no subsequent awards may be made) were exchanged for or converted into stock options and units with respect to common stock of the company. As of December 31, 2007, 246,127 shares were issuable upon the exercise of stock options with a weighted average exercise price per share of \$12.92. Information regarding these awards is not included in the table.

² Includes 1,073,542 shares issuable upon the vesting of restricted stock units and 275,000 shares issuable upon the vesting of performance units (assuming that maximum performance levels are achieved) issued under the 2004 PIP.

³ Represents the 2000 Broad-Based Incentive Plan and the 2003 LTIP. Includes 557,234 shares issuable upon the vesting of restricted stock units issued under the 2003 LTIP.

⁴ Restricted stock units and performance units were excluded when determining the weighted-average exercise price of outstanding options, warrants and rights.

⁵ All of these shares are available for issuance under the 2004 PIP. The 2004 PIP allows grants in the form of cash or bonus awards, stock options, stock appreciation rights, restricted stock, stock units or combinations thereof. The maximum number of shares of common stock that may be granted with respect to bonus awards, including performance awards or fixed awards in the form of restricted stock or other form, is 3,000,000 in the aggregate, excluding any such awards made pursuant to an employment agreement with a newly-hired chief executive officer of the company, of which 1,711,787 remain available for issuance. The number of available shares assumes that, with respect to outstanding performance units, maximum performance levels will be achieved.

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Moore Wallace 2003 Long-Term Incentive Plan

Upon acquiring Moore Wallace, the Company assumed the Moore Wallace 2003 Long-Term Incentive Plan (2003 LTIP) pursuant to which subsequent awards can be made. The shareholders of Moore Wallace previously had approved the 2003 LTIP. Under the 2003 LTIP, all employees of Moore Wallace and its subsidiaries who have demonstrated significant management potential or who have the capacity for contributing in a substantial measure to the successful performance of Moore Wallace are eligible to participate in the plan. Awards under the 2003 LTIP may consist of restricted stock or restricted stock units, and also pursuant to the plan, a one-time grant of 85,000 options to purchase common shares of Moore Wallace was issued to a particular employee. The 2003 LTIP is administered by the Board of Directors of the Company which may delegate any or all of its responsibilities to the human resources committee of the Board of Directors.

There are 6,300,000 shares of common stock of the Company reserved and authorized for issuance under the 2003 LTIP (as adjusted to reflect the conversion ratio used in the acquisition of Moore Wallace). As of December 31, 2007, there were 557,234 restricted stock units outstanding and 5,011,716 shares available for future issuance under the 2003 LTIP. The time period during which these shares will be available for issuance will not be extended beyond the period when they would have been available under the plan absent the acquisition of Moore Wallace. The restricted stock units generally vest equally over a period of four years and are forfeited upon termination of employment prior to vesting (subject in some cases to early vesting upon specified events, including death or permanent disability of the grantee, termination of the grantee's employment under certain circumstances or a change in control). No awards may be granted under the 2003 LTIP to any individual who was not an employee of Moore Wallace at the date of its acquisition by the Company.

2000 Broad-Based Stock Incentive Plan

In 2000, the Board of Directors approved the adoption of the 2000 Broad-Based Stock Incentive Plan (2000 Broad-Based Plan) to provide incentives to key employees of the Company and its subsidiaries. Awards under the 2000 Broad-Based Plan were generally not restricted to any specific form or structure and could include, without limitation, stock options, stock units, restricted stock awards, cash or stock bonuses and stock appreciation rights. The 2000 Broad-Based Plan is administered by the human resources committee of the Board of Directors, which may delegate its responsibilities to the chief executive officer or another executive officer. The 2000 Broad-Based Plan was terminated in February 2004 and no new awards may be made under the plan.

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. As of December 31, 2007, options to purchase 780,399 shares of common stock were outstanding under the 2000 Broad-Based Plan. These options have a purchase price equal to the fair market value of a share of 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, including the death or permanent disability of the optionee, termination of the optionee's employment under specified circumstances or a change in control) and generally expire 10 years after the date of grant. No awards other than options were made under the 2000 Broad-Based Plan.

Proposal 4: Stockholder Proposal

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We have been notified that Domini Social Investments, 536 Broadway, 7th Floor, New York, New York 10012-3915, who has provided certification indicating that, as of December 11, 2007, it was the beneficial owner of 128,918 shares of the Company's common stock, of which it has held 2,118 for more than one year, and that it intends to maintain such ownership through the date of the 2008 Annual Meeting, expects to introduce and support the following proposal at the 2008 Annual Meeting. Based on the information above, the stockholder proponent owns a total of approximately 0.06% of the total shares of the Company's common stock outstanding.

Whereas: As a global provider of printing services, paper products provide significant raw materials for RR Donnelley's products. Forests are rapidly declining at a rate of 33 soccer fields per minute according to the United Nations and only about 20% of the world's original forests remain undisturbed.

A 2007 report, *Consuming Canada's Boreal Forest*, tracks the supply chain of our company's paper to Canada's Boreal Forest, the largest remaining ancient

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forest left in North America. The Boreal is home to more than 30% of North America's bird species and contains the largest remaining populations of woodland caribou and wolverines. These and other species have declined significantly due to habitat loss, in part, from unsustainable logging.

The Boreal region also plays a vital role in mitigating climate change impacts by storing extensive amounts of carbon. Forests store the equivalent of 175 years of global fossil fuel emissions, with Boreal forests storing the largest percentage of carbon. Forest loss is responsible for 20-25% of total carbon dioxide (CO₂) emission globally.

The Intergovernmental Panel on Climate Change (IPCC), the leading international network of climate scientists, has concluded that global warming is unequivocal. The Stern Review on the Economics of Climate Change states greenhouse gas emissions from deforestation are greater than emissions for the global transportation sector. Action to preserve the remaining areas of natural forest is needed urgently, is one of the report's conclusions.

Our company can reduce its impact on global warming by increasing the use of recycled paper and purchasing virgin paper that is certified by the Forest Stewardship Council (FSC). FSC is the only independent certification system in the world accepted by the conservation, aboriginal and business communities. FSC is the world's largest and fastest growing certification system, by hectares.

Protests across North America and Europe have targeted various companies' fiber sourcing practices. Although our company offers FSC-certified paper to those customers requesting it, our company can protect its reputation by phasing out purchases of non-FSC certified papers. Companies such as Staples, Office Depot, Corporate Express and FedEx/Kinko's already have FSC-certified paper procurement preferences. Major banks, such as JP Morgan Chase and Bank of America, have expressed a preference for FSC and adopted policies limiting or prohibiting investment in companies and industries that negatively impact ancient forests.

RESOLVED: Shareholders request the Board to prepare a report, at reasonable cost and omitting proprietary information, by November 30, 2008, assessing the feasibility of phasing out our company's use of non-FSC certified fiber and increasing the use of postconsumer recycled fiber as a means to reduce our company's impact on greenhouse gas emissions.

Supporting Statement:

The study should discuss the Company's goals and timeframes with respect to:

Increasing the use of FSC-certified fiber;

Increasing the use of recycled fiber as a means to reduce reliance on virgin materials; and

Estimating avoided greenhouse gas emissions from these activities.

Position of the Board of Directors

The Board of Directors recommends that the stockholders support the Board of Directors and vote AGAINST the stockholder proposal.

As a provider of print and print-related services, we are a custom contract manufacturer of products. These products are designed by our customers and produced on paper specified by them. While we typically use paper provided or requested by our customers, we encourage the use of recycled or FSC-certified paper to the greatest extent practicable and offer environmentally-conscious paper to our customers through our supply chain. We are proud to report that we have certified the majority of our print operations for Forest Stewardship Council (FSC). With more than 100 FSC-certified facilities in the United States, Canada, Mexico and Asia, we believe we have the strongest adoption of FSC principles of any printer in the world. In addition, we demonstrate our commitment to the policies underlying FSC by using FSC-certified paper on internal printed documents including our Annual Report.

The Company has a long history of responsible use of natural resources. We are committed to the promotion of sustainable forestry and frequently review our environmental policies and practices to improve our efforts to encourage ecological practices on a global level. We are proud of our commitment to sustainable forest management and highlight this capability and our improvement of the environment on our website, which makes available to the public our Corporate Social Responsibility report and our Environmental, Health & Safety Policy. These materials highlight our efforts to continuously improve and utilize practices that endeavor to reduce greenhouse gas emissions, develop pollution prevention and recycling opportunities, and use paper, energy and other resources more efficiently. Please review these materials at www.rrdonnelley.com for more detailed descriptions of our practices.

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The affirmative vote of the holders of a majority of the shares of the Company's common stock present in person or by proxy at the 2008 Annual Meeting and entitled to vote on the stockholder proposal is required to approve it.

The Board of Directors recommends that the stockholders vote AGAINST the stockholder proposal.

Proposal 5: Stockholder Proposal

We have been notified that William Steiner, 112 Abbottsford Gate, Piermont, New York 10968, who has provided certification indicating that as of November 30, 2007 he was the beneficial owner of 4,500 shares of the Company's common stock and that he intends to maintain such ownership through the date of the 2008 Annual Meeting, expects to introduce and support the following proposal at the 2008 Annual Meeting. Based on the information above, the stockholder proponent owns a total of approximately 0.002% of the total shares of the Company's common stock outstanding.

5 Special Shareholder Meetings

RESOLVED: Special Shareholder Meetings, Shareholders ask our board to amend our bylaws and any other appropriate governing documents in order that there is no restriction on the shareholder right to call a special meeting, compared to the standard allowed by applicable law on calling a special meeting.

Special meetings allow investors to vote on important matters, such as a takeover offer, that can arise between annual meetings. If shareholders cannot call special meetings, management may become insulated and investor returns may suffer.

Shareholders should have the ability to call a special meeting when they think a matter is sufficiently important to merit expeditious consideration. Shareholder control over timing is especially important regarding a major acquisition or restructuring, when events unfold quickly and issues may become moot by the next annual meeting.

Eighteen (18) proposals on this topic averaged 56%-support in 2007 including 74%-support at Honeywell (HON) according to RiskMetrics (formerly Institutional Shareholder Services). Fidelity and Vanguard support a shareholder right to call a meeting. The proxy voting guidelines of many public employee pension funds, including the New York City Employees Retirement System, also favor this right.

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In the past year our company has made progress in completely adopting simple majority voting standards and in initiating annual election of each director starting with our 2008 annual meeting.

However the merits of this proposal should be considered in the context of the progress that remains to be made in our company's overall corporate governance structure and individual director performance. For instance in 2007 the following structure and performance issues were identified:

We had no shareholder right to:

1. Cumulative voting.
2. Act by written consent.
3. Call a special meeting.

Poison Pill: Our directors can adopt a poison pill and prevent us from ever voting on it.

Mr. Pope was still the Chairman of our key Audit Committee and was rated a Problem Director by The Corporate Library <http://www.thecorporatelibrary.com>, an independent investment research firm because he was on the Chapter 11-tainted Federal-Mogul board.

Two directors were designated Accelerated Vesting directors by the Corporate Library due to a director's involvement with a board that sped up stock option vesting to avoid recognizing the corresponding cost:
Mr. Pope

Mr. Wesley

Mr. Pope also served on six boards Overextension concern.

Additionally:

Three of our directors also served on boards rated D or lower by The Corporate Library:

- | | |
|----------------|---|
| 1. Mr. Pope | Federal-Mogul (FDMLQ.OB) Kraft Foods (KFT) |
| 2. Mr. Johnson | Freddie Mac (FRE) Alleghany Corp. (Y) |
| 3. Mr. Wolf | Altria (MO) |

