APACHE CORP
Form DEFA14A
May 04, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant x 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

x Definitive Additional Materials

¨ Soliciting Material under Rule 14a-12

APACHE CORPORATION

(Name of registrant as specified in its charter)

(Name of person(s) filing proxy statement, if other than the registrant)

Payment of Filing Fee (Check the appropriate box):

x 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:

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8) Code	V	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) Amount	(A) or (D)	Price	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
Common Stock	05/12/2015		M		1,821	A	$ 0	34,198	D	
Common Stock	05/12/2015		M		12	A	$ 0	34,210	D	
Common Stock	05/12/2015		M		2,076	A	$ 0	36,286	D	
Common Stock	05/12/2015		D		12	D	$ 86.77	36,274	D	
Common Stock	05/12/2015		D		2,076	D	$ 86.77	34,198	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. P Der Sec (Ins
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares	
2014 Restricted Stock Units	$ 0 (1)	05/12/2015		M			1,821	(2)	(2)	Common Stock	1,821	
Notional Shares - Mandatory	$ 0 (3)	05/12/2015		M			12	(4)	(4)	Common Stock	12	
Notional Shares - Optional	$ 0 (5)	05/12/2015		M			2,076	(6)	(6)	Common Stock	2,076	

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
UNRUH JAMES A 751 BROAD STREET, 4TH FLOOR ATTN. CORPORATE COMPLIANCE NEWARK, NJ 07102	X			

Signatures

/s/John M. Cafiero, attorney-in-fact	05/14/2015
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Each restricted stock unit represents a contingent right to receive one share of PRU common stock.

(2) The restricted stock units vest the earlier of the annual meeting or in one year on May 13, 2015.

(3) Each notional share - mandatory represents a deferred stock unit and entitles the holder thereof with the right to receive one share of Issuer common stock under the Issuer's deferred compensation plan for non-employee directors.

(4) Such shares are issuable, at the election of the reporting person, to begin on either (i) a date prior to the reporting person's retirement date, provided that such date is no earlier than the January 1 in the year following the plan period during which such fees would otherwise have been payable to the reporting person, (ii) within 90 days following the reporting person's retirement date, or (iii) such later date as selected by the reporting person, provided however, that payment must commence in the year the reporting person attains age 70 1/2.

(5) Each notional share - optional represents a deferred stock unit and entitles the holder thereof with the right to receive one share of Issuer common stock or the cash value thereof under the Issuer's deferred compensation pof Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) The price reported in Column 4 is a weighted average price. These shares were sold in multiple transactions at prices ranging from $579.34 to $580.00, inclusive. he reporting person undertakes to provide to any security holder of Google Inc. or the staff of the Securities and Exchange Commission, upon request, full information regarding the number of shares sold at each separate price within the ranges set forth in footnotes (1) through (12) to this Form 4.

(2) The price reported in Column 4 is a weighted average price. These shares were sold in multiple transactions at prices ranging from $580.01 to $581.00, inclusive.

(3) The price reported in Column 4 is a weighted average price. These shares were sold in multiple transactions at prices ranging from $581.01 to $582.00, inclusive.

(4) The price reported in Column 4 is a weighted average price. These shares were sold in multiple transactions at prices ranging from $582.01 to $583.00, inclusive.

(5) The price reported in Column 4 is a weighted average price. These shares were sold in multiple transactions at prices ranging from $583.01 to $584.00, inclusive.

(6) The price reported in Column 4 is a weighted average price. These shares were sold in multiple transactions at prices ranging from $584.01 to $585.00, inclusive.

(7) The price reported in Column 4 is a weighted average price. These shares were sold in multiple transactions at prices ranging from $589.01 to $590.00, inclusive.

(8) The price reported in Column 4 is a weighted average price. These shares were sold in multiple transactions at prices ranging from $590.01 to $591.00, inclusive.

(9) The price reported in Column 4 is a weighted average price. These shares were sold in multiple transactions at prices ranging from $591.01 to $592.00, inclusive.

(10) The price reported in Column 4 is a weighted average price. These shares were sold in multiple transactions at prices ranging from $592.01 to $593.00, inclusive.

(11) The price reported in Column 4 is a weighted average price. These shares were sold in multiple transactions at prices ranging from $593.01 to $594.00, inclusive.

(12) The price reported in Column 4 is a weighted average price. These shares were sold in multiple transactions at prices ranging from $594.01 to $595.00, inclusive.

Remarks:
All of the transactions reported in this Form 4 were effected pursuant to Rule 10b5-1 trading plan adopted by the Reporting Person.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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xpressions or variations of such words are intended to identify forward-looking statements, but are not the exclusive means of identifying forward-looking statements in this report.

Forward-looking statements are subject to certain risks and uncertainties which could cause actual results to differ materially from those anticipated. Such risk and uncertainties include, without limitation: (1) if the Company is not able to obtain further financing, its business operations may fail, (2) the Company has not generated any meaningful revenues, and as a result, faces a high risk of business failure, (3) the Company's lack of diversification increases the risks associated with the Company's business and an investment in the Company, and the Company's financial condition may deteriorate rapidly if it fails to succeed in developing the Company's business, (4) the Company may not effectively execute the Company's business plan or manage the Company's potential future business development,

(5) the Company's business could be impaired if it fails to comply with applicable regulations, (6) the Company may not be able to attract and maintain key management personnel to manage the Company or laboratory scientists to carry out the Company's business operations, which could have a material adverse effect on the Company's business, (7) the ADGC Transaction, as described in the Company’s Form 8-K filed with the Securities and Exchange Commission on May 15, 2012, may not be consummated due to, among other potential reasons, an inability of the Company and ADGC to reach agreement on final terms, (8) the Company may expend a substantial amount of time and resources in connection with its review and restatement of its previously filed financial statements and other disclosures and the transactions related thereto, and in connection with responding to potential inquiries or legal actions by the Securities and Exchange Commission or stockholders, which may impair the Company's ability to raise capital and to operate its business, and (9) the Company is continuing to review its previously filed financial statements and other disclosures, which may result in findings that require additional financial statement adjustments and other disclosure amendments, and despite the Company's current efforts the Company cannot currently state when it will be able to provide reliable financial statements and other disclosures.

You are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date hereof. The Company undertakes no obligation to publish revised forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrences of unanticipated events. You are also urged to review and consider carefully the various disclosures made hereafter by the Company from time to time with the Securities and Exchange Commission filings.

SIGNATURES

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

SCIO DIAMOND TECHNOLOGY CORPORATION

By: /s/ Charles G. Nichols
Name: Charles G. Nichols
Title: Chief Financial Officer

Dated: June 1, 2012

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maximum TSR payout from 250% to
200% of target
Formalized company policy on double-trigger
requirement for accelerated vesting
Added a new independent director to the
MD&C Committee
Eliminated all tax gross ups for executive-only
benefits
Pre-2013 Improvements
Continued to increase target percentage of
performance-based equity awards from 50% to
67% for CEO at beginning of 2014
Implemented TSR share program maximum
payout limits at target for performance periods
with negative absolute TSR
Ended granting of stock options for CEO
CEO Pay Mix
Pre-2013
2014
2014-2015 Improvements
35%
30%
35%
33%
67%
Time-based shares
Time-based options
Performance shares

2014-2015 LEADERSHIP TRANSITION
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27 years with Apache
Corporation; 13 Years
as CEO
Retired on January 20,
2015

Agreed to remain as
Chairperson until May
1, 2015
Over 17 years with
Apache Corporation; 12
years in executive
positions of increasing
responsibility
Vice President of
Apache s largest North
American region prior
to becoming COO for
North America
Became CEO on January 20, 2015
Bachelor of Science in Petroleum Engineering
from the Colorado School of Mines
Masters of Business Administration from
Southern Methodist University
G. Steven Farris Retires After 27 Years
John J. Christmann, IV Promoted to CEO
Farris will remain available to Apache for 36
months to fulfill several duties in the transition
John Lowe is now the Board s independent
Chairperson

COMPENSATION FOR A SMOOTH TRANSITION
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Though Mr. Farris
consulting and transition agreement is structured over three years, his overall payout
level is consistent with comparable companies:
*Equilar surveyed CEO separations, excluding Change in Control, within Fortune 300 and/or S&P 300 companies since 2010
Components of Retirement Agreement

Current base salary ($1.75M) for 3 years
Payments of $2.63M for 3 years (equal to target bonus)
$1.4M cash severance payment
Continued vesting of equity
Potential
cash
payments
following
2015

2017,
equaling
market
value of shares under TSR program if targets are achieved
RSUs to be paid out under the 2014 Business Performance Share
program in 2016 and 2017
95% of components were governed under existing
agreements and practices, half of which were governed by
Mr. Farris
1988 employment agreement, and half of which
were governed by Apache s legacy severance practices
discontinued in February 2015
Remained as Chairperson of the Board until May 1 in
order to close key strategic divestments in Australia and
Canada
Australia and Canada LNG exits will help Apache ont: 10pt Times New Roman, Times, Serif">
(d) The Registrant undertakes that it will submit the Plan and any amendment thereto to the Internal Revenue Service (“IRS”) i

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant certifies that it has reasonable grounds t

Genie Energy Ltd.

By: /s/ Howard S. Jonas
Howard S. Jonas
Chief Executive Officer

The undersigned directors and officers hereby constitute and appoint Howard S. Jonas and Avi Goldin, and each of them with

Pursuant to the requirements of the Securities Act of 1933, as amended, this Form S-8 Registration Statement has been signed

Signature	**Titles**
/s/ Howard S. Jonas Howard S. Jonas	Chairman of the Board, Director and Chief Executive Officer (Principal Executive Officer)
/s/ Avi Goldin Avi Goldin	Chief Financial Officer and Treasurer (Principal Financial Officer and Principal Accounting Officer)
/s/ James A. Courter James A. Courter	Vice Chairman of the Board and Director
/s/ Allan Sass Allan Sass	Director
/s/ W. Wesley Perry W. Wesley Perry	Director
/s/ Alan Rosenthal Alan Rosenthal	Director

EXHIBIT INDEX

Exhibit No.	**Description**
* 4.1	Genie Energy Ltd. 2011 Stock Option and Incentive Plan (as Amended and Restated on March 10, 2015).
* 5.1	Legal Opinion of Schwell Wimpfheimer and Associates LLP.
* 23.1	Consent of Schwell Wimpfheimer and Associates LLP (included in Exhibit 5.1 hereto).
* 23.2	Consent of BDO USA, LLP, Independent Registered Public Accounting Firm.
* 23.3	Consent of Grant Thornton LLP, Independent Registered Public Accounting Firm
24.1	Power of Attorney (included in the Signature Pages to this Registration Statement).

* Filed herewith

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pensation in light of the
Company s strong compensation and governance practices as well as responsiveness to shareholder feedback
Compensation Practices
Corporate Governance

APPENDIX
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APACHE CORPORATION
BUSINESS OVERVIEW
10
Apache is an independent energy company that currently explores for, develops, and produces natural gas, crude oil, and natural
gas
liquids in the

US, Canada, Egypt, Australia, and the UK North Sea
Four Strategic
Goals Guide
Apache s Long-
Term Growth
Rigorous Portfolio Management
Conservative Capital Structure
Rate of Return Focus
Continuous Improvement in Operating and Capital Efficiency
Apache Operates in
Five Regions
United States:
45% of production and 52% of proved reserves
Canada:
12% of production and 17% of proved reserves
UK North Sea:
11% of production and 6% of proved reserves
Egypt:
23% of production and 12% of proved reserves
Australia:
9% of production and 13% of proved reserves
Four Main Types of
Commodities are
Produced by
Apache
North America oil and liquids:
33% of production
International oil and liquids:
27% of production
North America natural gas:
24% of production
International natural gas:
16% of production
Regional
Revenue Mix From
Continuing Operations
Note: All data is for FY2014
North
America
50%
International
50%
ical-align:bottom;border-bottom:1px solid
#000000;background-color:#cceeff;padding-left:2px;padding-top:2px;padding-bottom:2px;">
37.6

Total operating expenses
1,055.1

418.0

2,142.8

817.6

Operating income (loss)
15.4

(23.7
)

30.0

(19.7
)

Interest expense
29.5

15.0

59.4

30.3

Loss before income taxes and equity in earnings of unconsolidated entities
(14.1
)

(38.7
)

(29.4
)

(50.0
)

Income tax benefit
(3.6
)

(1.5
)

(10.8
)

(1.6
)

Loss before equity in earnings of unconsolidated entities
(10.5
)

(37.2
)

(18.6
)

(48.4
)

Equity in earnings of unconsolidated entities
0.3

1.6

1.1

4.3

Net loss
$
(10.2
)

$
(35.6
)

$
(17.5
)

$
(44.1
)

Net earnings attributable to noncontrolling interests
(0.1
)

(0.1
)

(0.1
)

(0.1
)

Net loss attributable to Quad/Graphics common shareholders
$
(10.3
)

$
(35.7
)

$
(17.6
)

$
(44.2
)

Loss per share attributable to Quad/Graphics common shareholders:

Basic and Diluted
$
(0.22
)

$
(1.27
)

$
(0.37
)

$
(1.57
)

Weighted average number of common shares outstanding:

Basic and Diluted
47.3

28.1

47.3

28.1

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

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QUAD/GRAPHICS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in millions)
(UNAUDITED)

	June 30, 2011	December 31, 2010
ASSETS		
Cash and cash equivalents	$16.6	$20.5
Receivables, less allowances for doubtful accounts of $78.5 at June 30, 2011 and $85.5 at December 31, 2010	649.0	786.4
Inventories	279.7	247.4
Prepaid expenses and other current assets	114.2	64.3
Deferred income taxes	90.6	76.8
Short-term restricted cash	3.1	16.0
Total current assets	1,153.2	1,211.4
Property, plant and equipment—net	2,286.7	2,317.8
Goodwill	803.7	814.7
Other intangible assets—net	335.8	368.3
Long-term restricted cash	80.1	84.5
Equity method investments in unconsolidated entities	85.5	82.5
Other long-term assets	58.4	67.8
Total assets	$4,803.4	$4,947.0
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable	$292.8	$332.4
Amounts owing in satisfaction of bankruptcy claims	23.3	26.1
Accrued liabilities	362.8	427.1
Short-term debt and current portion of long-term debt	88.1	102.6
Current portion of capital lease obligations	23.5	14.5
Total current liabilities	790.5	902.7
Long-term debt	1,424.9	1,418.4
Unsecured notes to be issued	44.5	52.5
Capital lease obligations	25.4	43.2
Deferred income taxes	464.3	433.8
Other long-term liabilities	561.2	603.8
Total liabilities	3,310.8	3,454.4
Commitments and contingencies (Note 10)		
Redeemable equity (Note 19)	10.0	10.6
Quad/Graphics common stock and other equity (Note 19)		
Preferred stock	—	—

Common stock, Class A	1.0	1.0
Common stock, Class B	0.4	0.4
Common stock, Class C	—	—
Additional paid-in capital	999.2	1,002.0
Treasury stock, at cost	(287.7)	(295.7)
Retained earnings	689.7	720.9
Accumulated other comprehensive income	79.5	52.7
Quad/Graphics common stock and other equity	1,482.1	1,481.3
Noncontrolling interests	0.5	0.7
Total common stock and other equity and noncontrolling interests	1,482.6	1,482.0
Total liabilities and shareholders' equity	$4,803.4	$4,947.0

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

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QUAD/GRAPHICS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)
(UNAUDITED)

	Six Months Ended June 30, 2011	2010
OPERATING ACTIVITIES		
Net loss	$(17.5)	$(44.1)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	178.2	97.5
Impairment charges	—	24.4
Amortization of debt issuance costs	5.6	—
Stock-based compensation charges	4.6	2.5
(Gain) loss on sales or disposal of property, plant and equipment	(0.2)	0.6
Deferred income taxes	9.4	(1.9)
Equity in earnings of unconsolidated entities	(1.1)	(4.3)
Dividends from unconsolidated entities	1.6	0.1
Changes in operating assets and liabilities	(63.9)	(0.5)
Net cash provided by operating activities	116.7	74.3
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(98.5)	(42.5)
Proceeds from the sale of property, plant and equipment	8.2	0.5
Equity investment in unconsolidated entities	—	(10.0)
Transfers from restricted cash	17.3	—
Net cash used in investing activities	(73.0)	(52.0)
FINANCING ACTIVITIES		
Payments of long-term debt	(43.6)	(19.7)
Payments of capital lease obligations	(8.8)	(7.1)
Borrowings on revolving credit facilities	389.5	217.4
Payments on revolving credit facilities	(360.9)	(175.5)
Payment of capitalized debt issuance costs	—	(13.7)
Proceeds from issuance of common stock	1.6	0.2
Tax benefit on exercise of stock options	0.8	—
Bankruptcy claim payments on unsecured notes to be issued	(8.0)	—
Payment of cash dividends	(9.4)	(14.0)
Payment of tax distributions	(4.2)	(9.1)
Net cash used in financing activities	(43.0)	(21.5)
Effect of exchange rates on cash and cash equivalents	(4.6)	(0.9)
Net decrease in cash and cash equivalents	(3.9)	(0.1)
Cash and cash equivalents at beginning of period	20.5	8.9

Cash and cash equivalents at end of period	$16.6	$8.8

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

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QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2011
(In millions, except share and per share data and unless otherwise indicated)

Note 1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements for Quad/Graphics, Inc. and its subsidiaries (the "Company" or "Quad/Graphics") have been prepared by the Company pursuant to the rules and regulations for interim financial information of the United States Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been omitted pursuant to such SEC rules and regulations. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated annual financial statements as of and for the year ended December 31, 2010 and notes thereto included in the Company's latest Annual Report on Form 10-K filed with the SEC on March 24, 2011.

The Company's business is seasonal, with the majority of historical net sales and operating income recognized in the second half of the fiscal year. Seasonality is driven by increased magazine advertising page counts and retail inserts and catalogs primarily due to back-to-school and holiday related advertising and promotions. Within any year, seasonality could adversely affect the Company's cash flow and results of operations on a quarterly basis. Further, the comparability of the Company's results of operations between the three and six months ended June 30, 2011 and 2010 was materially impacted by the acquisition of World Color Press Inc. ("World Color Press") on July 2, 2010. The results of operations for World Color Press are included in the Company's consolidated results prospectively from July 2, 2010.

The financial information contained herein reflects all adjustments, in the opinion of management, necessary for a fair presentation of the Company's results of operations for the three and six months ended June 30, 2011 and 2010. All significant intercompany transactions have been eliminated in consolidation. These unaudited condensed consolidated financial statements include estimates and assumptions of management that affect the amounts reported in the condensed consolidated financial statements. Actual results could differ from these estimates.

Note 2. Recent Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board ("FASB") issued new guidance on the presentation of comprehensive income. This new guidance requires the components of net income and other comprehensive income to be either presented in one continuous statement, referred to as the statement of comprehensive income, or in two separate, but consecutive statements. This new guidance eliminates the current option to report other comprehensive income and its components in the statement of shareholders' equity. While the new guidance changes the presentation of comprehensive income, there are no changes to the components that are recognized in net income or other comprehensive income under current accounting guidance. This new guidance is effective for the Company beginning January 1, 2012. As this guidance only amends the presentation of the components of comprehensive income, the adoption will not have an impact on our consolidated financial positions, results of operations or cash flows.

Note 3. Acquisitions

On July 2, 2010, the Company completed the acquisition of World Color Press, a provider of comprehensive print, digital and related services to retailers, catalogers, publishers, branded-goods companies and other businesses in North America and Latin American countries. The World Color Press acquisition was completed for $93.3 million in cash and $908.6 million in Company class A common stock. The Company also borrowed $950.0 million of debt to fund a portion of the transaction and to refinance the World Color Press debt, including a $250.0 million advance from a revolving credit facility and $700.0 million from a term loan. The historical World Color Press United States and Canadian operations are included within the North American Print and Related Services segment, and the historical World Color Press Latin American operations are included within the International segment. In connection with the closing of the acquisition, the Company registered its class A common stock with the SEC under the Securities Exchange Act of 1934, as amended, and on July 6, 2010, Quad/Graphics' class A common stock commenced trading on The New York Stock Exchange, LLC ("NYSE") under the symbol "QUAD".

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QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2011
(In millions, except share and per share data and unless otherwise indicated)

The following unaudited pro forma combined financial information presents the Company's results as though Quad/Graphics and World Color Press had combined at January 1, 2010. The pro forma information has been prepared with the following considerations:

(1) The unaudited pro forma condensed consolidated financial information has been prepared using the acquisition method of accounting under existing GAAP. Quad/Graphics is the acquirer for accounting purposes.

(2) World Color Press historical amounts have been converted from Canadian generally accepted accounting principles to GAAP.

(3) The pro forma combined financial information does not reflect any operating synergy savings that the combined company may achieve as a result of the acquisition, the costs necessary to achieve these operating synergy savings or additional charges necessary as a result of the integration, or the tax effects for the Company's transition to a C corporation.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011 (actual)	2010 (pro forma)	2011 (actual)	2010 (pro forma)
Pro forma net sales	$1,070.5	$1,075.3	$2,172.8	$2,170.9
Pro forma net loss attributable to common shareholders	(10.3)	(5.3)	(17.6)	(23.1)
Pro forma diluted loss per share attributable to common shareholders	(0.22)	(0.11)	(0.37)	(0.49)

Note 4. Restructuring, Impairment and Transaction-Related Charges

The Company recorded restructuring, impairment and transaction-related charges for the three and six months ended June 30, 2011 and 2010 as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Employee terminations	$5.1	$1.2	$20.2	$1.2
Impairment charges	—	24.4	—	24.4
Transaction-related charges	1.0	2.7	1.0	8.9
Integration costs	8.9	2.2	16.1	2.2
Other restructuring charges	8.4	0.8	20.9	0.9
Total	$23.4	$31.3	$58.2	$37.6

The restructuring charges recorded are based on restructuring plans that have been committed to by management and are, in part, based upon management's best estimates of future events. Changes to the estimates may require future restructuring charges and adjustments to the restructuring liabilities. The costs related to restructuring activities have been recorded on the condensed consolidated statements of operations as restructuring, impairment and transaction-related charges. For restructuring, impairment and transaction-related charges by segment, see Note 21.

2011 Restructuring Events

For the three and six months ended June 30, 2011, the Company recorded: (1) $5.1 million and $20.2 million, respectively, of employee termination costs related to headcount reductions of 523 and 904, respectively, for plant closures and other workforce reductions announced through the second quarter of 2011, as well from workforce reductions that commenced in 2010, (2) $1.0 million of transaction costs incurred primarily in connection with the transaction with Transcontinental Inc. ("Transcontinental") (see Note 22), (3) $8.9 million and $16.1 million, respectively, of World Color Press integration costs and (4) $8.4 million and $20.9 million, respectively, of various other restructuring charges including costs to maintain and exit

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closed facilities, as well as lease exit charges. The $16.1 million of integration costs recognized during the six months ended June 30, 2011 included a $7.1 million gain on the collection of a previously written off note receivable for the June 2008 sale of World Color Press' European operations.

On January 17, 2011, the Company announced the closure of the St. Laurent plant located in Quebec, Canada resulting in 107 headcount reductions. As part of this initiative, the Company recognized $0 and $1.3 million of employee termination costs for the three and six months ended June 30, 2011, respectively. The Company has also recognized $0.5 million and $0.7 million of other restructuring charges related to equipment removal costs and facility carrying costs for the three and six months ended June 30, 2011, respectively.

On March 15, 2011, the Company announced the closure of the Mt. Morris, Illinois plant resulting in 490 headcount reductions (441 of which were previously included in a workforce reduction initiative during November 2010 and 49 of which were attributable to the March 2011 plant closure). As part of this initiative, the Company recognized $0.4 million and $2.8 million of employee termination costs for the three and six months ended June 30, 2011, respectively. The Company has also recognized $0.5 million and $0.9 million of other restructuring charges related to equipment removal costs and facility carrying costs for the three and six months ended June 30, 2011, respectively. The Company expects to incur additional restructuring charges for the Mt. Morris plant closure in the future.

On April 18, 2011, the Company announced the closure of the Buffalo, New York plant resulting in 414 headcount reductions. As part of this initiative, the Company recognized $0.8 million of employee termination costs for the three and six months ended June 30, 2011. The Company has also recognized $0.2 million of other restructuring charges related to equipment removal costs for the three and six months ended June 30, 2011. The Company expects to incur additional restructuring charges for the Buffalo plant closure in the future.

In addition to these plant closures, the Company continued to execute various workforce reduction and other restructuring initiatives related to the integration of the operations of World Color Press as well as certain corporate and administrative functions, resulting in 109 and 334 additional headcount reductions during the three and six months ended June 30, 2011, respectively. Severance costs also continue to be incurred related to previously announced plant closures and workforce reductions. Due to these initiatives, the Company has recognized the following charges for the three and six months ended June 30, 2011: (1) $3.9 million and $15.3 million of employee termination costs, respectively, (2) $2.2 million and $6.1 million of facility carrying costs, respectively, (3) $2.1 million and $6.0 million of estimated lease exit charges, respectively, and (4) $2.9 million and $7.0 million of other restructuring charges. The Company expects to incur additional restructuring charges related to these and other initiatives in the future.

2010 Restructuring Events

For the three and six months ended June 30, 2010, the Company recorded: (1) $1.2 million of employee termination costs related to 707 headcount reductions for the closure of the Pila, Poland plant, (2) $24.4 million of impairment charges on assets related to the closure of the Pila, Poland plant, (3) $2.7 million and $8.9 million, respectively, of transaction costs incurred primarily in connection with the World Color Press acquisition, (4) $2.2 million of integration costs incurred related to the acquisition of World Color Press and (5) $0.8 million and $0.9 million, respectively, of lease exit charges.

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Restructuring Reserve

Activity impacting the Company's restructuring reserve for the six months ended June 30, 2011 was as follows:

	Employee Terminations	Impairment Charges	Transaction-Related Charges	Integration Costs	Other Restructuring Charges	Total
Balance at December 31, 2010	$24.7	$—	$ —	$1.1	$42.6	$68.4
Reserve provisions	20.2	—	1.0	16.1	20.9	58.2
Cash payments	(37.7)	—	—	(13.9)	(26.3)	(77.9)
Non-cash adjustments	—	—	—	(1.6)	(0.5)	(2.1)
Balance at June 30, 2011	$7.2	$—	$ 1.0	$1.7	$36.7	$46.6

The restructuring reserves are classified as current accrued liabilities in the condensed consolidated balance sheets, as the Company expects the restructuring reserves to be paid within the next twelve months.

Note 5. Goodwill and Other Intangible Assets

Goodwill is tested annually for impairment as of October 31 or more frequently if events or changes in circumstances indicate that it is more likely than not that the fair value of a reporting unit is below its carrying value. Goodwill at June 30, 2011 and December 31, 2010 did not include any accumulated impairment losses. No goodwill impairment was recorded during the six months ended June 30, 2011 or 2010.

Goodwill at June 30, 2011 and December 31, 2010 was as follows:

	North America Print and Related Services	International	Total
Balance at December 31, 2010	$796.5	$18.2	$814.7
World Color Press acquisition	(12.6)	—	(12.6)
Translation adjustment	1.2	0.4	1.6
Balance at June 30, 2011	$785.1	$18.6	$803.7

The Company completed the World Color Press purchase price allocation during the second quarter of 2011 resulting in a $12.6 million reduction in the North America Print and Related Services segment goodwill.

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The components of other intangible assets at June 30, 2011 and December 31, 2010 were as follows:

	June 30, 2011					December 31, 2010				
	Weighted Average Amortization Period (Years)	Gross Carrying Amount	Accumulated Amortization and Foreign Exchange	Impairment	Net Book Value	Weighted Average Amortization Period (Years)	Gross Carrying Amount	Accumulated Amortization and Foreign Exchange	Impairment	Net Book Value
Finite-lived intangible assets:										
Trademarks, patents, licenses and agreements	5	$10.0	$(9.3)	$—	$0.7	5	$10.0	$(9.0)	$—	$1.0
Customer relationships	6	393.8	(63.6)	—	330.2	6	393.7	(32.3)	—	361.4
Capitalized software	5	4.1	(1.4)	—	2.7	5	4.1	(1.0)	—	3.1
Acquired technology	5	5.3	(3.3)	—	2.0	5	5.3	(2.7)	—	2.6
Total finite-lived intangible assets		413.2	(77.6)	—	335.6		413.1	(45.0)	—	368.1
Other indefinite-lived intangible assets		0.2	—	—	0.2		1.2	—	(1.0)	0.2
Total		$413.4	$(77.6)	$—	$335.8		$414.3	$(45.0)	$(1.0)	$368.3

Amortization expense for other intangible assets was $17.1 million and $33.8 million for the three and six months ended June 30, 2011, respectively, as compared to $0.6 million and $1.2 million for the three and six months ended June 30, 2010, respectively. The following table outlines the estimated amortization expense related to intangible assets as of June 30, 2011:

Remainder of 2011	$34.3
2012	68.0
2013	67.2
2014	66.8
2015	66.0
2016	33.3
Total	$335.6

Note 6. Inventories

The components of the Company's inventories at June 30, 2011 and December 31, 2010 were as follows:

	June 30, 2011	December 31, 2010

Raw materials and manufacturing supplies	$155.8	$164.4
Work in process	77.3	52.7
Finished goods	46.6	30.3
Total	$279.7	$247.4

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Note 7. Property, Plant and Equipment

The components of the Company's property, plant and equipment at June 30, 2011 and December 31, 2010 were as follows:

	June 30, 2011	December 31, 2010
Land	$135.7	$136.4
Buildings	914.9	919.1
Machinery and equipment	3,431.2	3,344.0
Other	195.0	182.4
Construction in progress	60.1	45.2
	4,736.9	4,627.1
Less: Accumulated depreciation	(2,450.2)	(2,309.3)
Total	$2,286.7	$2,317.8

Other consists of computer equipment, vehicles, furniture and fixtures, leasehold improvements and communication related equipment.

The Company recognized depreciation expense of $70.6 million and $144.4 million for the three and six months ended June 30, 2011, respectively. Depreciation expense of $47.6 million and $96.3 million was recorded for the three and six months ended June 30, 2010, respectively.

Assets Held for Sale

Certain closed World Color Press facilities are considered held for sale. The net book value of the assets held for sale was $20.0 million as of June 30, 2011 and December 31, 2010. Assets held for sale are included in prepaid expenses and other current assets in the condensed consolidated balance sheets.

Note 8. Restricted Cash

The components of the Company's restricted cash at June 30, 2011 and December 31, 2010 were as follows:

	June 30, 2011	December 31, 2010
Defeasance of unsecured notes to be issued (see Note 11)	$81.2	$89.2
Other	2.0	11.3
Total restricted cash	$83.2	$100.5
Less: short-term restricted cash	(3.1)	(16.0)
Long-term restricted cash	$80.1	$84.5

Note 9. Equity Method Investments in Unconsolidated Entities

The Company has a 49% ownership interest in Plural Editora e Gráfica ("Plural"), a commercial printer based in São Paulo, Brazil, and a 50% ownership interest in World Color Chile S.A. ("Chile"), a commercial printer based in Santiago, Chile. The Company's ownership interest in Plural is accounted for using the equity method of accounting for all periods presented. The Company's ownership interest in Chile is accounted for using the equity method of accounting since July 2, 2010, when the Company acquired its ownership interest in Chile as part of the World Color Press acquisition.

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The Company's percentage of Plural's and Chile's net results of operations is recorded in the line item entitled equity in earnings of unconsolidated entities in the Company's condensed consolidated statements of operations, and is included within the International segment.

The combined condensed statements of operations for Plural for the three and six months ended June 30, 2011 and 2010, and for Chile for the three and six months ended June 30, 2011 are presented below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Net sales	$49.1	$23.2	$103.1	$46.2
Operating income	1.6	4.0	3.8	11.1
Net earnings	0.6	2.5	2.0	8.0

Note 10. Commitments and Contingencies

Commitments

The Company had firm commitments of $38.7 million to purchase press and finishing equipment at June 30, 2011.

Litigation

In the normal course of business, the Company is named as a defendant in various lawsuits in which claims are asserted against the Company. In the opinion of management, the liabilities, if any, which ultimately result from such lawsuits are not expected to have a material adverse effect on the condensed consolidated financial statements of the Company.

Environmental Reserves

The Company is subject to various laws, regulations and government policies relating to health and safety, to the generation, storage, transportation, and disposal of hazardous substances, and to environment protection in general. The Company provides for expenses associated with environmental remediation obligations when such amounts are probable and can be reasonably estimated. Such reserves are adjusted as new information develops or circumstances change. The environmental reserves are not discounted. The Company believes it is in compliance with such laws, regulations and government policies in all material respects. Furthermore, the Company does not anticipate that maintaining compliance with such environmental statutes will have a material adverse effect upon the Company's competitive or consolidated financial position.

Note 11. World Color Press Insolvency Proceedings

The Company continues to manage the bankruptcy claim settlement process for the Quebecor World Inc. ("QWI") bankruptcy proceedings in the United States and Canada (QWI changed its name to "World Color Press Inc." upon emerging from bankruptcy on July 21, 2009). To the extent claims are allowed, the holders of such claims are entitled to receive recovery, with the nature of such recovery dependent upon the type and classification of such claims. In this regard, with respect to certain types of claims, the holders thereof are entitled to receive cash and/or unsecured notes, while the holders of certain other types of claims are entitled to receive a combination of Quad/Graphics common stock and cash, in accordance with the terms of the World Color Press acquisition agreement.

With respect to claims asserted by the holders thereof as being entitled to a priority cash recovery, the Company has estimated that approximately $23.3 million and $26.1 million of such recorded claims have yet to be paid as of June 30, 2011 and December 31, 2010, respectively, and this obligation is classified as amounts owing in satisfaction of bankruptcy claims in the condensed consolidated balance sheets.

With respect to unsecured claims held by creditors of the operating subsidiary debtors of Quebecor World (USA) Inc. (the "Class 3 Claims"), each allowed Class 3 Claim will be entitled to receive an unsecured note in an amount not to exceed 50% of such creditor's allowed Class 3 Claim, provided, however, that the aggregate principal amount of all such unsecured

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notes cannot exceed $75.0 million. In the event that the total of all allowed Class 3 Claims exceeds $150.0 million, each creditor holding an allowed Class 3 Claim will receive its pro rata share of $75.0 million of the unsecured notes issued, together with accrued interest and a 5% prepayment redemption premium thereon (the total of which is $89.2 million). In connection with the World Color Press acquisition, the Company was required to deposit the maximum potential payout to the Class 3 claim creditors of $89.2 million with a trustee, and that amount will remain with the trustee until either (1) it is paid to a creditor for an allowed Class 3 claim or (2) upon all Class 3 claims being resolved any excess amount will revert to the Company. In the six months ended June 30, 2011, $8.0 million was paid to Class 3 claim creditors, therefore $81.2 million remains at June 30, 2011 and is classified as restricted cash in the condensed consolidated balance sheet (see Note 8). Based on the Company's analysis of the outstanding claims, the Company has recorded a liability, classified as unsecured notes to be issued in the condensed consolidated balance sheet, of $44.5 million at June 30, 2011.

	Restricted Cash	Unsecured Notes to be Issued
Balance at December 31, 2010	$89.2	$52.5
Class 3 Claim Payments	(8.0)	(8.0)
Balance at June 30, 2011	$81.2	$44.5

While the liabilities recorded for any bankruptcy matters are based on management's current assessment of the amount likely to be paid, it is not possible to identify the final amount of priority cash claims or the amount of Class 3 Claims that will ultimately be allowed by the U.S. Bankruptcy Court. Therefore, amounts owing in satisfaction of bankruptcy claims on the condensed consolidated balance sheet could be materially higher than the amounts estimated, which would require additional cash payments to be made for the amount exceeding the Company's estimate. Amounts payable related to the unsecured notes could reach the maximum aggregate principal amount of $75.0 million, which would not require an additional cash payment as the maximum potential exposure has already been funded in trust, but would require additional liability and expense to be recorded as the Company's June 30, 2011 estimate of total Class 3 Claim payments is $44.5 million. In light of the substantial number and amount of claims filed, the claims resolution process will take considerable time to complete.

Note 12. Debt

Long-term debt consisted of the following as of June 30, 2011 and December 31, 2010:

	June 30, 2011	December 31, 2010
Master note and security agreement	$645.1	$672.0
Term loan—$700.0 million	684.0	686.5
Revolving credit facility—$530.0 million	85.7	57.0
International term loan	76.0	72.1
International revolving credit facility	16.4	14.9
Domestic term loan	—	11.3
Domestic revolving credit agreement	—	1.0
Other	5.8	6.2
Total debt	$1,513.0	$1,521.0
Less: short-term and current portion of long-term debt	(88.1)	(102.6)

Long-term debt	$1,424.9	$1,418.4

Based upon the interest rates available to the Company for borrowings with similar terms and maturities, the fair value of the Company's total debt was approximately $1.5 billion at June 30, 2011.

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As of June 30, 2011, the Company's various lending arrangements included certain financial covenants (all financial terms, numbers and ratios are as defined in the Company's debt agreements). Among these covenants, the Company was required to maintain the following (for each covenant, the most restrictive measurement has been included below):

- On a rolling twelve-month basis, the total leverage ratio, defined as total consolidated debt to consolidated EBITDA, shall not exceed 3.75 to 1.00 (for the twelve months ended June 30, 2011, the Company's leverage ratio was 2.39 to 1.00).

- On a rolling twelve-month basis, the minimum interest coverage ratio, defined as consolidated EBITDA to consolidated cash interest expense, shall not be less than 3.00 to 1.00 (for the twelve months ended June 30, 2011, the Company's interest coverage ratio was 6.05 to 1.00).

- On a rolling twelve-month basis, the fixed charge coverage ratio, defined as consolidated EBITDA and rent expense to interest and rent expense, shall not be less than 1.50 to 1.00 (for the twelve months ended June 30, 2011, the Company's fixed charge coverage ratio was 3.01 to 1.00).

- Consolidated net worth of at least $745.8 million plus 40% of positive consolidated net income cumulatively for each year (as of June 30, 2011, the Company's consolidated net worth under the most restrictive covenant per the various lending arrangements was $1.41 billion).

The covenants also included certain limitations on acquisitions, indebtedness, liens, dividends and repurchases of capital stock. As of and for the rolling twelve-month period ended June 30, 2011, the Company was in compliance with all debt covenants.

Note 13. Income Taxes

The Company records income tax expense on an interim basis. The estimated annual effective income tax rate is adjusted quarterly and items discrete to a specific quarter are reflected in tax expense for that interim period. The estimated annual effective income tax rate reflects the change in a valuation allowance due to expected current year earnings or loss. A valuation allowance is established when necessary to reduce deferred tax assets to the amount more likely than not to be realized. There was no material change in unrecognized tax benefits in the six month period ending June 30, 2011, and the Company does not anticipate a material change in total unrecognized tax benefits within the next 12 months.

Note 14. Financial Instruments and Fair Value Measurements

Certain assets and liabilities are required to be recorded at fair value on a recurring basis, while other assets and liabilities are recorded at fair value on a nonrecurring basis, generally as a result of acquisitions or impairment charges. Fair value is determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. The Company records the fair value of its forward contracts, pension plans and other postretirement plans on a recurring basis. Assets measured at fair value on a nonrecurring basis include property, plant and equipment, assets held for sale, goodwill and other intangible assets. The fair value of cash and cash equivalents, receivables, restricted cash, accounts payable, accrued liabilities and amounts owing in satisfaction of bankruptcy claims approximate their carrying values as of June 30, 2011 and December 31, 2010. See Note 12 for further discussion on the fair value of the Company's debt.

The Company has operations in countries that have transactions outside their functional currencies and periodically enters into foreign exchange contracts. These contracts are used to hedge the net exposures of changes in foreign currency exchange rates and are designated as either cash flow hedges or fair value hedges. Gains or losses on net foreign currency hedges are intended to offset losses or gains on the underlying net exposures in an effort to reduce the earnings volatility resulting from fluctuating foreign currency exchange rates.

The Company also periodically enters into foreign exchange contracts against firm equipment purchase contracts denominated in foreign currencies and natural gas forward purchase contracts to hedge against increases in these costs. Estimated market values were determined based upon quoted market prices.

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There were no open foreign currency exchange contracts at June 30, 2011 or December 31, 2010. During the three and six months ended June 30, 2011 and 2010, the Company's commodity contracts qualified for the exception related to normal purchases and sales as the Company takes delivery in the normal course of business. For the three and six months ended June 30, 2011 and 2010, hedge ineffectiveness was not material.

Note 15. Other Long-Term Liabilities

Other long-term liabilities consisted of the following as of June 30, 2011 and December 31, 2010:

	June 30, 2011	December 31, 2010
Single employer pension and postretirement obligations	$294.6	$330.7
Multiemployer pension plans—withdrawal liability	100.1	100.1
Tax-related liabilities	34.8	34.8
Employee-related liabilities	49.5	53.2
Other	82.2	85.0
Total	$561.2	$603.8

Note 16. Pension and Other Postretirement Benefits

The Company assumed multiple defined benefit pension and postretirement benefit plans as part of the World Color Press acquisition. Prior to the acquisition, the Company did not have defined benefit plans and the resulting pension and postretirement obligations. The components of the estimated pension expense and postretirement benefits income for the three and six months ended June 30, 2011 were as follows:

	Three Months Ended June 30, 2011	Six Months Ended June 30, 2011
Pension expense		
Service cost	$1.4	$2.8
Interest cost	12.2	24.4
Expected return on assets	(11.5)	(22.9)
Net pension expense	$2.1	$4.3
Postretirement benefits income		
Service cost	$0.2	$0.4
Interest cost	0.5	1.0
Amortization of deferred gains, net	(0.8)	(1.6)
Net postretirement benefits income	$(0.1)	$(0.2)

Note 17. Loss Per Share Attributable to Quad/Graphics Common Shareholders

Basic loss per share attributable to Quad/Graphics common shareholders is computed by dividing net loss attributable to Quad/Graphics common shareholders by the weighted average common shares outstanding of 47.3 million for the three and six months ended June 30, 2011, respectively, and 28.1 million shares for the three and six months ended June 30, 2010, respectively. The calculation of a diluted earnings per share amount includes the effect of any dilutive equity incentive instruments. The Company uses the treasury stock method to calculate the effect of outstanding dilutive equity incentive instruments, which requires the Company to compute total proceeds as the sum of (1) the amount the employee must pay upon exercise of the award, (2) the amount of unearned stock-based compensation costs attributed to future services and (3) the amount of tax benefits, if any, that would be credited to additional paid-in capital assuming exercise of the award. Equity incentive instruments for which the total employee proceeds from exercise exceed the average fair value of the same equity incentive instrument over the period have an anti-dilutive effect on earnings per share, and accordingly, the Company excludes

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them from the calculation. Due to the net loss attributable to Quad/Graphics common shareholders incurred during the three and six months ended June 30, 2011 and 2010, the assumed exercise of all equity incentive instruments was anti-dilutive and, therefore, not included in the diluted loss per share attributable to Quad/Graphics common shareholders calculation.

Reconciliations of the numerator and the denominator of the basic and diluted per share computations for the Company's common stock are summarized as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Numerator:				
Net loss attributable to Quad/Graphics common shareholders	$(10.3)	$(35.7)	$(17.6)	$(44.2)
Denominator:				
Basic weighted average number of common shares outstanding for all classes of common shares	47.3	28.1	47.3	28.1
Plus: effect of dilutive equity incentive instruments	—	—	—	—
Diluted weighted average number of common shares outstanding for all classes of common shares	47.3	28.1	47.3	28.1
Net loss attributable to Quad/Graphics common shareholders per share:				
Basic and Diluted	$(0.22)	$(1.27)	$(0.37)	$(1.57)
Cash dividends paid per common share for all classes of common shares	$0.20	$—	$0.20	$0.50

Note 18. Equity Incentive Programs

The Company recognizes compensation expense, based on estimated grant date fair values, for all share-based awards issued to employees and non-employee directors using the Black-Scholes option pricing model. The total compensation expense recognized related to all equity incentive programs was $2.0 million and $4.6 million for the three and six months ended June 30, 2011, respectively, and $1.2 million and $2.5 million for the three and six months ended June 30, 2010 and was recorded in selling, general and administrative expenses. The Company recognizes compensation costs for only those awards expected to vest on a straight-line basis over the requisite service period of the awards, which is generally the vesting term. The Company estimated the number of awards expected to vest based, in part, on historical forfeiture rates and also based on management's expectations of employee turnover within the specific employee groups receiving each type of award. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods, if actual forfeitures differ from those estimates.

For grants made prior to January 1, 2011, equity incentive compensation expense only included the Company's 1999 Nonqualified Stock Option Plan and the 1990 Stock Option Plan. For grants beginning January 1, 2011, the shareholders of the Company approved the Quad/Graphics Inc. 2010 Omnibus Incentive Plan for two complimentary purposes: (1) to attract and retain outstanding individuals to serve as directors, officers and employees and (2) to increase shareholder value. Concurrent with the July 2, 2010 closing of the World Color Press acquisition, an additional 2.3 million shares of Class A common stock were approved for issuance under the Company's Omnibus

Plan. Within the framework of the Omnibus Plan, the Company's board of directors approved the form of a new stock option award agreement, a restricted stock award agreement, a restricted stock unit award agreement and a deferred stock unit award agreement. The first grants of any of these newly approved equity incentive instruments were made January 1, 2011 at an exercise price of $41.26. Each equity incentive instrument granted has an exercise price of no less than 100% of the fair market value of the class A common stock on the date of grant.

At June 30, 2011, the Company has authorized a total of 6.1 million shares of its class A common stock for grants under all of the Company's equity incentive plans, and 1.7 million shares were remaining for future grants.

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Stock Options

Options granted prior to 2011 generally vest at a rate of 5% to 10% per year and expire 90 days after the respective employee's termination from the Company. For new option grants beginning January 1, 2011, options vest over four years, with no vesting in the first year and one-third vesting upon the second, third and fourth anniversary dates. As defined in the individual grant agreements, acceleration of vesting may occur under a change in control, death, disability or normal retirement of the grantee. For the new option grants beginning January 1, 2011, options expire upon the earliest of the tenth anniversary of the grant date, twenty-four months after termination for death, thirty-six months after termination for normal retirement or disability and 90 days after termination of employment for any other reason. While stock options granted prior to 2011 were credited with dividend declarations, the new option grants after that time are not credited with dividend declarations. Stock options are only to be granted to employees and will only be granted under the new option grant terms from January 1, 2011 forward.

The Company granted 448,154 stock options under the new stock option plan on January 1, 2011, and the Company granted 495,000 options under the pre-2011 stock option plans on January 1, 2010. The grant date fair value of options was $13.19 and $18.78 for the grants during the six months ended June 30, 2011 and 2010, respectively. The fair value of each stock option grant is estimated on the date of grant with the following weighted average assumptions:

	Six Months Ended June 30,			
	2011		2010	
Expected volatility	36.0	%	27.0	%
Risk-free interest rate	2.3	%	3.8	%
Expected life (years)	7.0		9.8	
Dividend yield	2.0	%	—	%

The Company determined expected volatility based on the volatility of comparable company stock. The average risk-free interest rate is based on the United States treasury security rate in effect as of the grant date over the term of the expected life. The expected life is based on the term and vesting period of each grant adjusted for historical experience in vesting. Prior to 2011, no dividend yield is included because dividends were credited to the option holders.

Compensation expense recognized related to stock options was $1.6 million and $3.2 million for the three and six months ended June 30, 2011, respectively, and $1.2 million and $2.5 million for the three and six months ended June 30, 2010, respectively. Total future compensation expense for all stock options granted as of June 30, 2011 is approximately $33.2 million, which is expected to be recognized over the weighted-average vesting period of 3.6 years.

Cash received from option exercises was $0 and $1.6 million for the three and six months ended June 30, 2011, respectively, and $0.1 million and $0.2 million for the three and six months ended June 30, 2010, respectively.

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QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2011
(In millions, except share and per share data and unless otherwise indicated)

The following table is a summary of the stock option activity for the six months ended June 30, 2011:

	Shares Under Option (thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (millions)
Outstanding at December 31, 2010	3,736	$ 13.12	6.9	$105.1
Granted	448	41.26	7.0	0.6
Exercised	(94)	(1.74)		(3.1)
Cancelled/forfeited/expired	(14)	16.28		(0.2)
Outstanding at June 30, 2011	4,076	$ 16.37	6.1	$92.7
Vested and expected to vest at June 30, 2011	3,700	$ 13.21	6.0	$85.4
Exercisable at June 30, 2011	1,577	$ 9.92	5.9	$45.6

The intrinsic value of options exercisable and options outstanding at June 30, 2011 and December 31, 2010 is based on the fair value of the stock price.

Share-based compensation activity for the three and six months ended June 30, 2011 and 2010 is noted below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Total intrinsic value of stock options exercised	$—	$0.2	$3.1	$0.3
Cash received from stock option exercises	—	0.1		