

VALASSIS COMMUNICATIONS INC

Form DEF 14A

March 30, 2010

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**SCHEDULE 14A INFORMATION  
PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

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 Rule 14a-11(c) or Rule 14a-12  
**VALASSIS COMMUNICATIONS, INC.**

Payment of filing fee (Check the appropriate box):

- 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:
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-

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**VALASSIS COMMUNICATIONS, INC.  
19975 VICTOR PARKWAY  
LIVONIA, MI 48152  
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
AND PROXY STATEMENT  
TO BE HELD MAY 6, 2010**

It is my pleasure to invite you to this year's annual meeting of stockholders of Valassis Communications, Inc., which will be held at Valassis Corporate Headquarters, 19975 Victor Parkway, Livonia, Michigan 48152 on the 6th day of May, 2010, at 9:00 a.m. (Eastern Daylight Time). The purpose of the annual meeting is to:

- (1) elect nine directors to our Board of Directors to hold office until our next annual meeting of stockholders or until their respective successors are duly elected and qualified;
- (2) ratify the appointment of Deloitte & Touche LLP as our independent auditors for the fiscal year ending December 31, 2010; and
- (3) consider any other appropriate matters as may properly come before the annual meeting.

Our Board of Directors has fixed the close of business on March 15, 2010 as the record date for the determination of the stockholders entitled to notice of, and to vote at, the annual meeting. Each share of our common stock is entitled to one vote on all matters presented at the annual meeting.

ALL HOLDERS OF OUR COMMON STOCK (WHETHER THEY EXPECT TO ATTEND THE ANNUAL MEETING OR NOT) ARE REQUESTED TO COMPLETE, SIGN, DATE AND RETURN PROMPTLY THE PROXY CARD ENCLOSED WITH THIS NOTICE OR VOTE BY TELEPHONE OR ON THE INTERNET ACCORDING TO THE INSTRUCTIONS ON THE PROXY CARD.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDERS MEETING TO BE HELD ON MAY 6, 2010:**

The proxy statement and our 2009 annual report are available on our Web site at [www.valassis.com](http://www.valassis.com) under Investor Relations/SEC Filings (with respect to the proxy statement) or Investor Relations/Annual Reports (with respect to the 2009 annual report).

By Order of the Board of Directors,  
TODD WISELEY  
Secretary  
March 30, 2010

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**VALASSIS COMMUNICATIONS, INC.  
PROXY STATEMENT  
ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD MAY 6, 2010  
INTRODUCTION**

This proxy statement is being furnished to stockholders of record of Valassis Communications, Inc. ( Valassis, the Company, we, us or our ) as of March 15, 2010 in connection with the solicitation by our Board of Directors of proxy for the 2010 annual meeting of stockholders to be held at Valassis Corporate Headquarters, 19975 Victor Parkway, Livonia, Michigan 48152 on May 6, 2010 at 9:00 a.m. (Eastern Daylight Time), or at any and all adjournments thereof, for the purposes stated in the notice of annual meeting. The approximate date of mailing of this proxy statement and the enclosed form of proxy is March 30, 2010.

**QUESTIONS AND ANSWERS  
ABOUT THE ANNUAL MEETING AND VOTING**

***What is the purpose of the annual meeting?***

At our annual meeting, stockholders will act upon the matters outlined in the notice of annual meeting on the cover page of this proxy statement, including the election of directors and the ratification of our independent auditors.

***Who is entitled to vote at the meeting?***

Only stockholders of record at the close of business on March 15, 2010 are entitled to receive notice of, and to participate in, the annual meeting. If you were a stockholder of record on that date, you will be entitled to vote all of the shares that you held on that date at the meeting, or at any postponements or adjournments of the meeting. We will publish the final voting results in a Current Report on Form 8-K to be filed with the United States Securities and Exchange Commission, or the SEC, within four business days after the conclusion of the annual meeting.

***What are the voting rights of the holders of our common stock?***

Each share of our common stock, par value \$.01 per share, outstanding on March 15, 2010 will be entitled to one vote on each matter considered at the annual meeting.

***Who can attend the annual meeting?***

All stockholders of our common stock as of March 15, 2010, or their duly appointed proxies, may attend the annual meeting, and each may be accompanied by one guest. Registration will begin at 8:00 a.m., and seating will begin at 8:30 a.m. If you attend, please note that you may be asked to present valid picture identification, such as a driver's license or passport.

Please also note that if you hold your shares in street name (that is, through a broker or other nominee), you will need to bring a copy of a brokerage statement reflecting your stock ownership as of March 15, 2010 and check in at the registration desk at the meeting.

***What constitutes a quorum?***

The presence at the meeting, in person or by proxy, of the holders of a majority of the shares of our common stock, issued and outstanding as of March 15, 2010, will constitute a quorum. As of March 15, 2010, we had 49,434,470 shares of our common stock outstanding. Therefore, the presence of the holders of our common stock representing at least 24,717,236 votes will be required to establish a quorum.

***What is broker discretionary voting?***

Under the rules of the New York Stock Exchange, or the NYSE, if you hold your shares through a broker, your broker is permitted to vote your shares on discretionary items, which includes proposal 2 (ratification of our independent registered public accounting firm), in its discretion if it has transmitted the proxy materials to you and has not received voting instructions from you on

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how to vote your shares before the deadline set by your broker. **Commencing this year, under the NYSE rules, the election of directors is a non-discretionary item. Therefore, your broker does not have discretionary authority to vote on proposal 1 (election of directors), so it is very important that you instruct your broker how to vote on this proposal.** A broker non-vote occurs where your broker has not received instructions from you as to how to vote your shares on a proposal and does not have discretionary authority to vote on the proposal.

### ***How do I vote?***

#### **By Mail**

Be sure to complete, sign and date the proxy card and return it to us in the prepaid envelope. If you are a stockholder and you return your signed proxy card but do not indicate your voting preferences, the persons named in the proxy card will vote the shares represented by that proxy as recommended by the Board of Directors.

#### **By Telephone or on the Internet**

Our telephone and Internet voting procedures for stockholders are designed to authenticate your identity, to allow you to give your voting instructions and to confirm that those instructions have been properly recorded.

You can vote by calling the toll-free telephone number on your proxy card. Please have your proxy card in hand when you call.

The Web site for Internet voting is [www.investorvote.com/VCI](http://www.investorvote.com/VCI). Please have your proxy card handy when you go online. As with telephone voting, you can confirm that your instructions have been properly recorded.

Telephone and Internet voting facilities for stockholders will be available 24 hours a day, 7 days a week until 12:00 a.m. (Eastern Standard Time) on May 6, 2010. If you vote by telephone or on the Internet, you do not have to return your proxy card.

#### **In Person at the Annual Meeting**

All stockholders may vote in person at the annual meeting. You may also be represented by another person at the annual meeting by executing a proper proxy designating that person. Street name stockholders who wish to vote at the meeting will need to obtain a proxy form from the institution that holds their shares.

Our Board of Directors has appointed Computershare Investor Services, our transfer agent and registrar, to serve as our Inspector of Election and tabulate and certify the votes at the annual meeting.

### ***Can I change my vote after I return my proxy card?***

Yes. Even after you have submitted your proxy, you may revoke or change your vote at any time before the proxy is exercised by filing with our Corporate Secretary either a notice of revocation or a duly executed proxy bearing a later date or by voting another proxy by telephone or on the Internet at a later date. The powers of the proxy holders will be suspended if you attend the meeting in person and so request, although attendance at the meeting will not by itself revoke a previously granted proxy.

### ***What are our Board of Directors' recommendations?***

Unless you give other instructions on your proxy card, or by telephone or on the Internet, the persons named as proxy holders on the proxy card will vote in accordance with the recommendations of our Board of Directors. Our Board of Directors' recommendation is set forth together with the description of each item in this proxy statement. In summary, our Board of Directors recommends a vote:

*for* election of the nominated slate of directors (see Item 1); and

*for* ratification of the appointment of Deloitte & Touche LLP as our independent auditors for fiscal year ending December 31, 2010 (see Item 2).

With respect to any other matter that properly comes before the annual meeting, the proxy holders will vote as recommended by our Board of Directors or, if no recommendation is given, in their own discretion.



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***What vote is required to approve each item?***

**Election of Directors (Proposal 1)/Majority Vote Policy.** Under our by-laws, directors must be elected by a majority of votes cast in uncontested elections. A majority of the votes cast means that the number of votes cast for a director nominee must exceed the number of votes cast against that director nominee. In contested elections, the vote standard would be a plurality of votes cast.

**Commencing this year, under the NYSE rules, brokers no longer have discretionary authority to vote shares with respect to the election of director nominees in an uncontested election without direction from the beneficial owner.** Abstentions and, if applicable, broker non-votes, are not counted as votes for or against this proposal. Therefore, a broker non-vote will have no effect in determining whether proposal 1 has been approved by the stockholders.

Our Corporate Governance Guidelines, which can be found on our Web site at [www.valassis.com](http://www.valassis.com), set forth our procedures if, in an uncontested election, a director nominee does not receive a majority of votes cast for his or her re-election. As required by our Corporate Governance Guidelines each nominee for director has tendered an irrevocable resignation that will become effective if he or she fails to receive the required vote in an uncontested election at the annual meeting and our Board of Directors accepts the tendered resignation. Our Corporate Governance/Nominating Committee is required to make recommendations to our Board of Directors with respect to any such resignation. Our Board of Directors is required to take action with respect to this recommendation and disclose its decision regarding whether to accept or reject the director's resignation. Full details of this policy are set forth in our Corporate Governance Guidelines and under Item 1 Election of Directors.

**Ratification of Auditors (Proposal 2).** For each other item, the affirmative vote of the holders of a majority of the votes cast will be required for approval, meaning the votes cast for must exceed the votes cast against. Abstentions are not counted as votes for or against this proposal.

**DIRECTORS AND EXECUTIVE OFFICERS**

Our Board of Directors presently is comprised of nine directors. Directors who are elected at the 2010 annual meeting, and any directors who are elected after the meeting to fill vacancies and newly created directorships, shall hold office until the next annual meeting of stockholders and until their successors are elected and qualified or until their earlier resignation or removal.

**ELECTION OF DIRECTORS (PROPOSAL 1)**

Set forth below is certain information with respect to each of our nominees for the office of director and each of our other executive officers. Shares represented by proxies returned duly executed will be voted, unless otherwise specified, in favor of the following nine nominees: Joseph B. Anderson, Jr., Patrick F. Brennan, Kenneth V. Darish, Dr. Walter H. Ku, Robert L. Recchia, Marcella A. Sampson, Alan F. Schultz, Wallace S. Snyder and Ambassador Faith Whittlesey. All of the nominees are currently serving as directors. Each nominee for director has consented to serve on our Board of Directors and will be elected by a majority of the votes cast, which means that the number of votes cast for a director nominee must exceed the number of votes cast against that director nominee. In contested elections (an election in which the number of nominees for director is greater than the number of directors to be elected) the vote standard will continue to be a plurality of votes cast.

In accordance with our Corporate Governance Guidelines, our Board of Directors will nominate for re-election as a director only incumbent directors who have previously delivered to the Company an irrevocable resignation that will become effective if: (1) such nominee does not receive a greater number of votes for his or her election than votes against at the next meeting of shareholders, and (2) our Board of Directors, in accordance with the procedures summarized below, determines to accept such resignation following the failure to be re-elected at the meeting. In addition, our Board of Directors will fill director vacancies and new directorships only with candidates who agree to tender, promptly following their appointment to our Board of Directors, the same form of resignation.

If an incumbent director fails to receive the required vote for re-election, then, within 90 days following certification of the stockholder vote, our Corporate Governance/Nominating Committee will consider whether to accept the director's resignation and will submit the recommendation for prompt consideration by our Board of Directors, and our Board of Directors will act on our Corporate Governance/Nominating Committee's recommendation. Our Corporate Governance/Nominating Committee and our Board of Directors may consider any

factors they deem relevant in deciding whether to accept a director's resignation. Thereafter, our Board of Directors will promptly disclose its decision regarding whether to accept or reject the director's resignation.

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Any director who has tendered his or her resignation pursuant to this provision of our Corporate Governance Guidelines shall not participate in our Corporate Governance/Nominating Committee recommendation or Board of Directors action regarding whether to accept the resignation. If each member of our Corporate Governance/Nominating Committee fails to receive the required vote in favor of his or her election in the same election, then those independent directors who did receive the required vote shall appoint a committee amongst themselves to consider the resignations and recommend to the Board of Directors whether to accept them.

**OUR BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF ALL OF THE NOMINEES NAMED IN THIS PROXY STATEMENT.**

**Directors**

The following paragraphs provide information about each director nominee. The information presented includes information each director has given us about his or her age, all positions he or she holds, his or her principal occupation and business experience for the past five years, and the names of other publicly-held companies of which he or she currently serves as a director or has served as a director during the past five years. In addition to the information presented below regarding each nominee's specific experience, qualifications, attributes and skills that led our Board of Directors to the conclusion that he or she should serve as a director, we also believe that all of our director nominees possess the highest personal and professional ethics, integrity and values. They each have demonstrated business acumen and an ability to exercise sound judgment, and are committed to representing the long-term interests of our stockholders. Finally, we value their significant experience on other public company boards of directors and board committees.

Information about the number of shares of common stock beneficially owned by each director appears above under the heading Security Ownership of Directors and Management. See also Certain Relationships and Related Transactions. There are no family relationships among any of our director nominees and executive officers.

*Joseph B. Anderson, Jr.*, 67, has served as our director since July 2006. Mr. Anderson serves as the Chairman and Chief Executive Officer of TAG Holdings, LLC, the parent company of a diverse range of businesses in the United States, Korea and China, including the manufacture of automotive parts, plumbing products and assembly and supply chain management services. Prior to joining TAG Holdings, Mr. Anderson was the Chairman and Chief Executive Officer of Chivas Industries, LLC, a manufacturer of products for the automotive industry, from 1994 until 2002. Mr. Anderson began his business career with General Motors in 1979 and in 1990 was appointed as General Director of a GM business. Mr. Anderson currently also serves on the boards of Rite Aid Corporation, Quaker Chemical Corporation, ArvinMeritor, Inc. and NV Energy, Inc. Mr. Anderson's professional and civic affiliations include director of the Original Equipment Suppliers Association, director of the Society of Automotive Engineers Foundation and executive committee member of the National Association of Black Automotive Suppliers. We believe Mr. Anderson's qualifications to sit on our Board of Directors include his CEO experience leading a large, international organization and his service on several additional public company boards.

*Patrick F. Brennan*, 78, has served as our director since August 1998. After serving for 33 years in the paper industry, he retired in December 1996 as the President and Chief Executive Officer of Consolidated Papers, Inc. (CPI), where under his leadership CPI was one of the nation's leading paper companies. Until November 2001, Mr. Brennan served as a member of the Board of Directors of Northland Cranberries, Inc., a juice manufacturing company. We believe Mr. Brennan's qualifications to sit on our Board of Directors include his extensive experience in the paper industry, including his tenure as CEO and leadership skills.

*Kenneth V. Darish*, 51, has served as our director since June 2001. From September 2001 until March 2010, he served as the Director of Business Operations of BBDO Detroit, a subsidiary of Omnicom, providing operational consulting services to the Creative Director. From February 2005 until March 2010, he served as the Chief Financial Officer of BBDO Windsor, Ontario. From September 1984 until July 2001, Mr. Darish served as the Chief Financial Officer and Senior Vice President of FCB Advertising-Detroit, a subsidiary of Interpublic Group of Companies. Mr. Darish is a certified public accountant. We believe Mr. Darish's qualifications to sit on our Board of Directors include his significant financial and operational experience.

*Dr. Walter H. Ku, Ph.D.*, 74, has served as our director since February 2003. Dr. Ku is an internationally known scientist in the fields of electronic circuits and systems, chip and integrated circuit (IC) designs, and wireless

communications systems. He is professor emeritus of electrical and computer engineering at the University of California, San Diego, La Jolla, CA, and is the founding Director of the National Science Foundation Industry/University Cooperative Research Center on Ultra High-Speed Integrated Circuits and Systems (ICAS). His extensive consulting activities and internationally recognized expertise have assisted businesses with developing high-level international relationships and opportunities. He was a full professor at Cornell University and the first occupant of the Naval Electronic Systems Command Research Chair Professorship at the Naval Post-Graduate School, Monterey, CA. Dr. Ku also consults and teaches in China and Taiwan. He is a visiting professor at the Tsinghua University, Beijing, China and Shanghai Jiaotong University, Shanghai, China. He is also an Honorary Professor at the National Chiao Tung University, Hsinchu, Taiwan, Republic of China. He has been a consultant to State Council's State Development and Reform Commission (SDRC). Over

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the years, he has been a consultant to the Department of Defense (Defense Advanced Research Laboratory and Naval Research Laboratory), TRW Electronic Systems Group, Rockwell Science Center, Qualcomm, Nokia, and AtBox Technology. We believe Mr. Ku's qualifications to sit on our Board of Directors include his considerable knowledge of the technology industry and knowledge of, and recognition within, the international markets.

*Robert L. Recchia*, 53, has been our Executive Vice President, Chief Financial Officer, Treasurer and our director since October 1991. During his tenure, Mr. Recchia has managed various functions at the Company, including operations, purchasing and information technology. His current responsibilities include the financial, accounting and purchasing areas of the Company. Mr. Recchia has been with us since 1982. Mr. Recchia is a certified public accountant with audit experience with Deloitte & Touche LLP. We believe Mr. Recchia's qualifications to sit on our Board of Directors include his 27 years in the media and marketing industry, including his 20 years as our Chief Financial Officer, as well as his extensive experience with public and financial accounting matters.

*Marcella A. Sampson*, 79, has served as our director since August 1998. She retired in 1999 from Central State University in Wilberforce, Ohio. During her 35 years of service to Central State, she served as Dean of Students and directed the Central State University Career Services Center since 1975. She has received awards and honors for her work in the field of education and is a recognized expert in college student placement, particularly experiential opportunities. Ms. Sampson currently acts as a consultant to Sinclair Community College Career Center and she serves as a member of the Cedarville University Career Advisory Board. We believe Ms. Sampson's qualifications to sit on our Board of Directors include her leadership, academic, human resources and corporate governance experience.

*Alan F. Schultz*, 51, has served as our director since December 1995. He is Chairman of our Board of Directors, President and Chief Executive Officer. Mr. Schultz was elected Chief Executive Officer and President in June 1998 and appointed Chairman of the Board of Directors in December 1998. He served as our Executive Vice President and Chief Operating Officer from 1996 through 1998 and served as our Executive Vice President of Sales and Marketing from 1992 through 1996. Mr. Schultz has held positions as our Director of Insert Operations and Vice President of the Central Sales Division beginning in 1984. Mr. Schultz is a certified public accountant with audit experience with Deloitte & Touche LLP and currently serves on the Board of Directors for Dex One Corporation. We believe Mr. Schultz's qualifications to sit on our Board of Directors include his 25 years in the media and marketing industry, including his 12 years as our Chief Executive Officer, as well as his extensive leadership and management experience.

*Wallace S. Snyder*, 67, has served as our director since January 2008. Mr. Snyder served as the President and Chief Executive Officer of the American Advertising Federation (the AAF) from January 1992 to November 2008. Mr. Snyder joined the AAF in October 1985 as Senior Vice President, Government Relations, was promoted to Executive Vice President, Government Relations in June 1990 and became President and Chief Executive Officer on January 1, 1992. Representing nearly 50,000 members including 130 corporate members, 210 local ad federations and 210 college chapters Mr. Snyder often testified before federal and state lawmakers on issues of importance to the advertising industry. Mr. Snyder also served the industry as a board member of several national organizations, including the Advertising Council, Inc., the Advertising Educational Foundation and the National Advertising Review Council, which oversees advertising self-regulation. Prior to joining the AAF, Mr. Snyder was associate director for advertising practices at the Federal Trade Commission's (FTC) Bureau of Consumer Protection, where he served as principal adviser to the FTC on advertising issues. Mr. Snyder also served as the FTC's liaison officer to the Food and Drug Administration and worked on a number of congressional proceedings involving the FTC. Mr. Snyder is a graduate of the University of Iowa, and received his Juris Doctor degree from the University of Iowa College of Law. He is a member of the bar of the District of Columbia. We believe Mr. Snyder's qualifications to sit on our Board of Directors include his noteworthy service in the advertising industry, leadership experience, service as a board member on several national organizations and public policy expertise.

*Ambassador Faith Whittlesey*, 71, has served as our director since January 1992. Ambassador Whittlesey has had a long career in law, diplomacy and government at local, state, and national levels. She currently serves as Chairman Emeritus of the American Swiss Foundation, headquartered in New York, and previously served 19 years as Chairman of the Board of the American Swiss Foundation. She has also served as President and Chief Executive Officer of Maybrook Associates since 1998. She served two tours of duty as U.S. Ambassador to Switzerland from 1981 to 1983 and from 1985 to 1988. From 1983 to 1985, Ambassador Whittlesey was a member of the senior White

House staff. Ambassador Whittlesey is also a member of the Board of the Institute of World Politics in Washington, DC, a graduate school of statecraft and national security affairs, where she served as Chairman for six years. Ambassador Whittlesey served as a member of the Board of Directors and the Compensation Committee of the Sunbeam Corporation from November 1996 until December 2002. We believe Ambassador Whittlesey's qualifications to sit on our Board of Directors include her CEO experience leading a large, international communications organization, extensive experience as Chairman of the Board of the American Swiss Foundation and her legal, public policy and financial expertise.

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### **Additional Executive Officers**

In addition to our executive officers who are listed as being directors, we have the following executive officers:

*Richard Herpich*, 57, has served as Executive Vice President, Sales and Marketing since August 2007 and prior to that served as Executive Vice President of U.S. Sales from December 2003 to August 2007. From June 1998 through November 2003, he served as our Executive Vice President of Manufacturer Services. He served as National Sales Manager from January 1996 through June 1998, Vice President, Midwest Sales Division from June 1994 through December 1995 and Account Manager from 1978 through June 1994.

*William F. Hogg, Jr.*, 63, has served as our Executive Vice President of Manufacturing and Client Services since October 2001 and has been with us for over 25 years. Mr. Hogg led the integration process in connection with the acquisition of ADVO, Inc. ( ADVO ), our wholly-owned subsidiary, which we later renamed Valassis Direct Mail, Inc. He served as Vice President of our Durham Printing Division from June 1983 to September 2001.

*Brian Husselbee*, 58, has been the President and Chief Executive Officer of NCH Marketing Services, Inc. ( NCH ) since July 1997, and was General Manager of NCH from January 1997 to July 1997. We acquired NCH in February 2003. Mr. Husselbee served as a director of Valassis from August 1998 until February 2003, the time that the NCH acquisition was consummated.

### **Other Officers**

*Suzanne C. Brown*, 50, has served as Chief Marketing Officer since 2007. Ms. Brown has more than 20 years of industry and leadership experience, and in her current role, she was responsible for the sales and marketing integration of Valassis and ADVO. Prior to assuming the Chief Marketing Officer role at Valassis, Ms. Brown has held a wide variety of senior leadership roles within Valassis, including Senior Vice President of Sales Development, President and CEO of Save.com, Vice President of Internet/E-commerce Services Division, and Sales Vice President. Her career with Valassis began in sales, and she is a member of the Valassis Sales Hall of Fame and a recipient of the Company's prestigious James F. Rourke Award for outstanding performance and collaboration. Prior to joining Valassis in 1984, Ms. Brown worked for Procter & Gamble.

*John Lieblang*, 52, has served as our President, Digital Media since January 2010 and is responsible for leading our on-line digital strategy, initiatives and marketing efforts. Prior to that he served as our Chief Information Officer from 2005 through December 2009. In such role he was responsible for Business Process Improvement and Information Technology Management across the company. Since joining Valassis, Mr. Lieblang has led numerous system development and enhancement efforts and the integration of Information Technology for the Valassis and ADVO merger. Mr. Lieblang served as Senior Vice President and Global Account Director of LogicaCMG from 2002 to 2005. Mr. Lieblang brought over 25 years of Information Technology experience to Valassis, including serving as a partner at Ernst & Young.

*Robert A. Mason*, 52, has served as Chief Sales Officer since October 2007. As Chief Sales Officer, Mr. Mason has led the implementation of our new sales structure and strategies. He served as President of ADVO since the consummation of the ADVO acquisition on March 2, 2007 until October 2007. Previously, he served as our Vice President, Retail and Services Sales from 2005 until 2007 and as our Vice President, Targeted, Print and Media Solutions from 2002 until 2005. Prior to these roles, Mr. Mason was a successful Account Executive and Director of Sales for us, and has been recognized as Sales Person of the Year and Team Player of the Year. Before joining us in 1995, he held a variety of positions within the newspaper and printing industries.

*Todd L. Wiseley*, 40, has served as our General Counsel and Senior Vice President of Administration since July 2008 and our Secretary since January 1, 2008. Previously, Mr. Wiseley served as Director, Law and Administration from September 2005 until January 2008 and as Director of Integration from July 2003 until September 2005. Mr. Wiseley served as the Director of Finance and Administration at Valassis Relationship Marketing Systems, LLC, one of our wholly-owned subsidiaries, from January 2001 until July 2003 and as our Assistant Controller from March 1999 until January 2001. Mr. Wiseley is a graduate of Michigan State University, and received his Juris Doctor degree from the University of Michigan Law School. Mr. Wiseley is also a certified public accountant with audit experience with Deloitte & Touche LLP.

### **OUR CORPORATE GOVERNANCE PRINCIPLES**

Our Board of Directors has general oversight responsibilities for our business, property and affairs pursuant to the General Corporation Law of the State of Delaware and our by-laws. In exercising its fiduciary duties, our Board of Directors represents and acts on behalf of our stockholders. Although the Board of Directors does not have responsibility for the day-to-day management of our Company, members of the Board of Directors stay informed about our business through discussions with Mr. Schultz, our President and Chief Executive Officer, with Mr. Darish, our presiding director and with key members of our management, by reviewing materials provided to them and by participating in meetings of our Board of Directors and its committees. Our Board of



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Directors provides guidance to management through periodic meetings, site visits and other interactions. Additional details concerning the role and structure of our Board of Directors are in our Corporate Governance Guidelines, which can be found in the Investors/Corporate Governance section of our Web site at [www.valassis.com](http://www.valassis.com).

### **Policies and Procedures**

We have a Code of Business Conduct and Ethics for our directors, officers and employees as well as Corporate Governance Guidelines to ensure that our business is conducted in a consistently legal and ethical manner.

*Voting on Directors.* In accordance with our by-laws, in an uncontested election, a director nominee must receive more votes cast for than against his or her election or re-election in order to be elected or re-elected to our Board of Directors. In accordance with our Corporate Governance Guidelines, our Board of Directors will nominate for re-election as a director only incumbent directors who have previously delivered to the Company an irrevocable resignation that will become effective if: (1) such nominee does not receive a greater number of votes for his or her election than votes against at the next meeting of shareholders, and (2) our Board of Directors, in accordance with the procedures summarized below, determines to accept such resignation following the failure to be re-elected at the annual meeting. In addition, our Board of Directors will fill director vacancies and new directorships only with candidates who agree to tender, promptly following their appointment to our Board of Directors, the same form of resignation. In addition, our Board of Directors shall fill director vacancies and new directorships only with candidates who agree to tender, promptly following their appointment to our Board of Directors, the same form of resignation tendered by other directors in accordance with our Corporate Governance Guidelines. If an incumbent director fails to receive the required vote for re-election, then, within 90 days following certification of the stockholder vote, our Corporate Governance/Nominating Committee will consider whether to accept the director's resignation and will submit such recommendation for prompt consideration by our Board of Directors, and our Board of Directors will act on our Corporate Governance/Nominating Committee's recommendation. Our Corporate Governance/Nominating Committee and our Board of Directors may consider any factors they deem relevant in deciding whether to accept a director's resignation. Thereafter, our Board of Directors will promptly disclose its decision regarding whether to accept or reject the director's resignation.

Any director who has tendered his or her resignation pursuant to this provision of our Corporate Governance Guidelines shall not participate in our Corporate Governance/Nominating Committee recommendation or Board of Directors action regarding whether to accept the resignation. If each member of our Corporate Governance/Nominating Committee fails to receive the required vote in favor of his or her election in the same election, then those independent directors who did receive the required vote shall appoint a committee amongst themselves to consider the resignations and recommend to the Board of Directors whether to accept them.

*Related Person Transactions.* Our Board of Directors has adopted a Policy on Related Person Transactions, which sets forth policies and procedures governing the review, and when required pursuant to the policy, the approval or ratification of related person transactions by the disinterested directors of our Corporate Governance/Nominating Committee. The policy defines a related person transaction as (i) a transaction between us and any of our executive officers or directors, (ii) a transaction between us and any security holder who we know owns of record or beneficially more than five percent of any class of our voting securities (each a 5% holder), (iii) a transaction between us and any immediate family member (as such term is defined in Regulation S-K, Item 404, as then in effect) of an executive officer, director or 5% holder of ours, or (iv) any other transaction involving us that would be required to be disclosed pursuant to Regulation S-K, Item 404, as then in effect. Furthermore, under the policy, a related person transaction with us is defined as including transactions with any of our subsidiaries or affiliates.

*Other Policies and Procedures.* Our Board of Directors has adopted a policy encouraging non-employee directors to hold at least 6,000 shares of our common stock (excluding stock options) within three years of joining our Board of Directors. Our Board of Directors has also adopted a policy requiring non-employee directors to obtain approval from our Corporate Governance/Nominating Committee prior to accepting a directorship at another corporation.

We have spent a considerable amount of time and effort reviewing and improving our corporate governance policies and practices. This includes comparing our current policies and practices to policies and practices suggested by various groups or authorities active in corporate governance and practices of other public companies. Based upon this review, we periodically adopt certain changes that our Board of Directors believes are the best corporate

governance policies and practices for us. We also adopt changes, as appropriate, to comply with the Sarbanes-Oxley Act of 2002 and any rule changes made by the SEC and the NYSE. We believe that our current policies and procedures form the foundation for an open relationship among colleagues that contributes to good business conduct as well as the high integrity level of our employees.

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**Determination of Director Independence**

Under the rules of the NYSE, our Board of Directors is required to affirmatively determine the independence of each director based on the absence of any material relationship between us and the director. These determinations are required to be disclosed in this proxy statement. Our Board of Directors has established guidelines to assist it in making these determinations. These guidelines, which are attached to this proxy statement as Exhibit A, include all elements of the Corporate Governance Rules of the NYSE on this subject. For relationships between us and a director not covered by the guidelines, the determination of independence is made by the other members of our Board of Directors who are independent. Members of the Audit, Compensation/Stock Option and Corporate Governance/Nominating Committees must meet all applicable independence tests of the NYSE, SEC and the Internal Revenue Service. During our fiscal year ended December 31, 2009, Messrs. Anderson, Brennan, Darish and Snyder and Dr. Ku, Ms. Sampson and Ambassador Whittlesey served as our independent directors. Based on these guidelines, our Board of Directors, at its meeting on February 24, 2010, determined that Messrs. Anderson, Brennan, Darish and Snyder and Dr. Ku, Ms. Sampson and Ambassador Whittlesey are independent of the company and its management. In determining Mr. Snyder's independence, our Board of Directors considered the fact that Mr. Snyder's son is an associate at one of our outside law firms, but did not consider that fact material to its independence determination. In making such determination, our Board of Directors noted that Mr. Snyder's son's employment at such law firm pre-dated and was unrelated to Mr. Snyder's appointment to our Board of Directors.

**Board Leadership Structure**

*Chairman of the Board of Directors*

The Chairman of the Board of Directors position demands an individual with strong leadership skills and a comprehensive knowledge of our Company. Our Board of Directors believes it should appoint the best person for the job in this position, regardless of whether that person is someone who is currently serving, or has previously served, as one of our executive officers. Mr. Schultz was elected Chief Executive Officer and President in June 1998 and appointed Chairman of the Board of Directors later that year. Our Board of Directors reaffirms Mr. Schultz's position as the Chairman of the Board of Directors on an annual basis.

Our Board of Directors believes that our current leadership structure and composition of our Board of Directors protect stockholder interests and provide adequate independent oversight, while also providing outstanding leadership and direction for our Board of Directors and management. More than a majority of our current directors are independent under NYSE standards, as more fully described above. The independent directors meet separately from our management at each Board of Directors meeting and are very active in the oversight of our Company. Each independent director has the ability to add items to the agenda for Board of Directors meetings or raise subjects for discussion that are not on the agenda for that meeting. In addition, our Board of Directors and each committee of our Board of Directors has complete and open access to any member of management and the authority to retain independent legal, financial and other advisors as they deem appropriate.

Our Board of Directors believes that it is in the best interests of our Company and our stockholders to continue to have Mr. Schultz, our Chief Executive Officer, also serve as our Chairman of our Board of Directors. The current leadership model, when combined with the functioning of the independent director component of our Board of Directors and our overall corporate governance structure, creates an appropriate balance between strong and consistent leadership and independent oversight of our business.

*Presiding Director*

In September 2002, our Board of Directors determined that the directors who are deemed independent based on the NYSE rules will meet in executive session at each Board of Directors meeting and that one of such independent directors will preside. The independent directors are also our non-management directors and, as such, these non-management directors meet in regularly scheduled executive sessions without management present. Mr. Darish serves as the presiding director at all such executive sessions. In such role, Mr. Darish acts as the principal liaison between the Chairman of our Board of Directors and the non-management directors. In addition, the presiding director coordinates information sent to our Board of Directors, recommends changes to improve our Board of Directors, the committees and individual director effectiveness and performs such other functions and responsibilities as requested by our Board of Directors from time to time.

**The Board's Role in Risk Oversight**

Our Board of Directors administers its risk oversight function directly and through our Audit Committee. Our Board of Director's role in our Company's risk oversight process includes receiving regular reports from members of senior management on areas of material risk to the Company, including operational, financial, competitive, client, consumer, talent management and legal risks. Our Board of Directors and our Audit Committee regularly discuss with senior management our major risk exposures, their potential financial impact on our Company, and the steps (both short-term and long-term) we take to manage them.

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### **Attendance**

During the fiscal year ended December 31, 2009, our Board of Directors held seven meetings (including regularly scheduled and special meetings). Each director attended at least 75% of the meetings held by our Board of Directors during the period in which that director served, including the meetings held by the committees on which that director served as a member. Pursuant to our Corporate Governance Guidelines, the directors must attend our annual meeting of stockholders absent exceptional circumstances. All of the directors nominated at the 2009 annual meeting of stockholders attended such annual meeting.

### **COMMITTEES OF THE BOARD**

The standing committees of our Board of Directors include our Executive Committee, our Audit Committee, our Compensation/Stock Option Committee and our Corporate Governance/Nominating Committee.

Our Executive Committee, whose members are Alan F. Schultz, Robert L. Recchia and Ambassador Faith Whittlesey, is generally authorized to exercise the management powers of our Board of Directors; provided, however, that our Executive Committee does not have the authority to declare cash dividends, amend our certificate of incorporation, adopt an agreement of merger or consolidation, recommend the disposition of all or substantially all of our assets or recommend our dissolution. Our Executive Committee held one meeting during the fiscal year ended December 31, 2009.

Our Audit Committee's members are Kenneth V. Darish, Wallace S. Snyder and Ambassador Faith Whittlesey. Our Audit Committee recommends the selection of our independent auditors, discusses and reviews the scope and the fees of the prospective annual audit and reviews the results of each audit with the independent auditors. Our Audit Committee also reviews compliance with our existing major accounting and financial policies, reviews the adequacy of our financial organization and reviews management's procedures and policies relevant to the adequacy of our internal accounting controls and compliance with federal and state laws relating to accounting practices. We have appointed an internal auditor that reports directly to our Audit Committee. Our Audit Committee held nine meetings during the fiscal year ended December 31, 2009. Our Board of Directors has determined that Kenneth V. Darish meets the NYSE standard of having accounting or related financial management expertise and the SEC's definition of an audit committee financial expert. Each of the other members of our Audit Committee has financial management experience or is financially literate. Our Board of Directors has determined that each committee member meets the additional independence requirements for members of an audit committee in the New York Stock Exchange Corporate Governance Rules. Our Board of Directors has adopted a written charter for this committee setting out the functions that this committee is to perform, which can be found on our Web site at [www.valassis.com](http://www.valassis.com).

Our Compensation/Stock Option Committee's members are Patrick F. Brennan, Dr. Walter H. Ku and Marcella A. Sampson. Our Compensation/Stock Option Committee administers our Amended and Restated 1992 Long-Term Incentive Plan, our 2002 Long-Term Incentive Plan, as amended, our Broad-Based Incentive Plan, as amended, our 2005 Executive Restricted Stock Plan, our 2005 Employee and Director Restricted Stock Award Plan, our Employee Stock Purchase Plan, our Supplemental Benefit Plan, as amended, the ADVO, Inc. 2006 Incentive Compensation Plan, as amended, our 2008 Senior Executives Semi-Annual Bonus Plan and our 2008 Omnibus Incentive Compensation Plan. Our Compensation/Stock Option Committee also reviews and approves the annual salary, bonus and other benefits, direct or indirect, of our executive officers, including Mr. Schultz, whose salary, bonus and other benefits are also reviewed and ratified by our Board of Directors. The Committee's primary procedures for establishing and overseeing executive compensation can be found in the Compensation Discussion and Analysis section under Compensation-Setting Process. Our Compensation/Stock Option Committee has engaged Towers Watson & Co., a human resources consulting firm, or Towers Watson, from time to time to assist it in reviewing our executive and non-employee director compensation programs and assist in negotiating the terms of our executive officers' contracts when they come up for renewal or are amended. Our Compensation/Stock Option Committee has the sole authority to retain, at our expense, and terminate any such consultant, including the sole authority to approve such consultant's fees and other terms of engagement. We believe that the use of an independent consultant provides additional assurance that our executive compensation programs are reasonable and consistent with our objectives and industry standards. Our Compensation/Stock Option Committee is comprised entirely of non-employee directors as such term is defined under Rule 16b-3 of the Securities Exchange Act of 1934, as amended, or the Exchange Act, or any successor

provision, and outside directors, as such term is defined under Section 162(m) of the Internal Revenue Code of 1986, or the Code, or any successor provision. During the fiscal year ended December 31, 2009, our Compensation/Stock Option Committee met four times. Our Board of Directors has adopted a written charter for this committee setting out the functions that this committee is to perform, which can be found on our Web site at [www.valassis.com](http://www.valassis.com).

As part of its oversight of our compensation programs, the Compensation/Stock Option Committee analyzes the impact of our compensation programs, and the incentives created by the compensation awards that it administers, on our risk profile. In addition, we review all of our compensation policies and procedures, including the incentives that they create and factors that may

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reduce the likelihood of risk taking, to determine whether they present a significant risk to our Company. Based on this review, we have concluded that our compensation policies and procedures do not create risks that are reasonably likely to have a material adverse effect on our Company.

Our Corporate Governance/Nominating Committee's members are Joseph B. Anderson, Jr., Dr. Walter H. Ku and Marcella A. Sampson. Our Corporate Governance/Nominating Committee (i) assists our Board of Directors by identifying individuals qualified to become Board members and recommends to our Board of Directors the director nominees for the next annual meeting of stockholders, (ii) recommends to our Board of Directors the corporate governance guidelines applicable to us and (iii) takes a leadership role in shaping our corporate governance. Our Corporate Governance/Nominating Committee held five meetings during the fiscal year ended December 31, 2009. Our Board of Directors has adopted a written charter for this committee setting out the functions that this committee is to perform, which can be found on our Web site at [www.valassis.com](http://www.valassis.com).

Our Corporate Governance/Nominating Committee evaluates the current members of our Board of Directors at the time they are considered for nomination. Our Corporate Governance/Nominating Committee also considers whether any new members should be added to our Board of Directors. In the past, candidates for independent director have been found through recommendations from members of our Board of Directors and other employees at our Company. The Corporate Governance/Nominating Committee may also seek help from an executive search firm to assist in the selection process.

Our Corporate Governance/Nominating Committee has not established any specific minimum qualifications for a director but has adopted a set of criteria, which is attached to this proxy statement as Exhibit B, describing the qualities and characteristics that are sought for our Board of Directors as a whole. Our Corporate Governance/Nominating Committee does not give these criteria any particular weight and they are not equally applicable to all nominees. These criteria include the candidate's integrity, ethics, expertise, commitment, willingness and the ability to act in the interests of all stockholders. In addition, our Board of Directors has specified that the value of diversity on our Board of Directors should be considered by our Corporate Governance/Nominating Committee in the director identification and nomination process and plays a very important role with respect to not only our Board of Directors but our entire Company. Members of our Board of Directors periodically participate in the Company's monthly diversity council meetings, which are open to all of our directors and employees. Through monthly meetings, our diversity council's overriding objective is to drive success and inspire cultural change. We seek nominees with a broad diversity of experience, professions, background, skills, gender, race and culture. Our Corporate Governance/Nominating Committee may also from time to time identify particular characteristics to look for in a candidate in order to balance the skills and characteristics of our Board of Directors. In this regard, our Corporate Governance/Nominating Committee recently has expressed an interest in identifying a candidate to join our Board of Directors with digital media and branding experience. Our Corporate Governance/Nominating Committee may modify these criteria from time to time and adopt special criteria to attract exceptional candidates to meet our specific needs.

Our Corporate Governance/Nominating Committee will consider recommendations from stockholders of potential candidates for nomination as director. Recommendations should be made in writing, including the candidate's written consent to be nominated and to serve, and sufficient background information on the candidates to enable our Corporate Governance/Nominating Committee to properly assess the candidate's qualifications. Recommendations should be addressed to our Corporate Secretary at our principal office and must be received no later than October 1, 2010 in order to be considered for the next annual meeting. The process for evaluating potential candidates recommended by stockholders and derived from other sources is substantially the same.

**COMPENSATION/STOCK OPTION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

During the fiscal year ended December 31, 2009, our Compensation/Stock Option committee consisted of Patrick F. Brennan, Dr. Walter H. Ku and Marcella A. Sampson. None of our Compensation/Stock Option Committee members (i) have ever been an officer or employee of our Company, (ii) is or was a participant in a related person transaction in fiscal year 2009 (see the section entitled "Certain Relationships and Related Transactions" for a description of our Policy on Related Person Transactions) and (iii) is an executive officer of another entity, at which one of our executive officers serves on the board of directors.





**Table of Contents****INDEPENDENT DIRECTOR COMPENSATION FOR FISCAL YEAR 2009**

The table below summarizes the compensation paid by us to our non-employee directors for the fiscal year ended December 31, 2009.

<b>Name</b>	<b>Fees Earned or Paid in Cash (\$)</b>	<b>Stock Awards (\$)<sup>(1)</sup></b>	<b>Option Awards (\$)<sup>(2)</sup></b>	<b>Total (\$)</b>
Joseph B. Anderson, Jr.	\$57,700	\$10,511	\$52,800	\$121,011
Patrick F. Brennan	57,700	10,511	52,800	121,011
Kenneth V. Darish	60,950	10,511	52,800	124,261
Dr. Walter H. Ku, PhD	57,700	10,511	52,800	121,011
Marcella A. Sampson	57,700	10,511	52,800	121,011
Wallace S. Snyder	60,950	10,511	52,800	124,261
Ambassador Faith Whittlesey	60,950	10,511	52,800	124,261

(1) Compensation shown in this column represents the aggregate grant date fair value of the awards computed in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 718 ( FASB ASC Topic 718 ) (excluding estimated forfeitures based on service-based vesting conditions). For additional information, refer to Note 9 of our financial statements in our Form 10-K for the year ended December 31, 2009, as filed with the SEC. These amounts do not represent the actual amounts paid to or realized by the

directors during fiscal year 2009. The following directors held outstanding shares of restricted stock as of December 31, 2009: Mr. Anderson (1,400), Mr. Brennan (1,400), Mr. Darish (1,400), Dr. Ku (1,400), Ms. Sampson (1,400), Mr. Snyder (1,400) and Ambassador Whittlesey (1,400).

- (2) Compensation shown in this column represents the aggregate grant date fair value of the awards computed in accordance with FASB ASC Topic 718 (excluding estimated forfeitures based on service-based vesting conditions). For additional information, refer to Note 9 of our financial statements in our Form 10-K for the year ended December 31, 2009, as filed with the SEC. These amounts do not represent the actual amounts paid to or realized by the directors during fiscal year 2009. The following directors held outstanding options exercisable for the following number of

shares of our  
common stock as of  
December 31, 2009:  
Mr. Anderson  
(35,000),  
Mr. Brennan  
(56,000), Mr. Darish  
(69,000), Dr. Ku  
(60,000),  
Ms. Sampson  
(74,000),  
Mr. Snyder (20,000)  
and Ambassador  
Whittlesey (90,000).

Our compensation program entitles our independent directors, or non-employee directors, to receive the following fees in connection with their participation on our Board of Directors and related Board committees: (i) an annual independent director cash retainer fee of \$42,500; (ii) an annual award of 1,400 shares of restricted stock pursuant to our 2008 Omnibus Incentive Compensation Plan that becomes fully vested one year from the date of grant; (iii) \$2,500 per Board meeting attended in person and \$1,300 per Board meeting attended by telephone; and (iv) \$1,300 per Board committee meeting attended in person and \$650 per Board committee meeting attended by telephone. The committee attendance fees are payable only if the committee meeting is not scheduled in conjunction with (just before or after) a Board of Directors meeting and telephonic meeting fees are paid on a pro-rated basis if an independent director does not participate via telephone for the entire meeting.

In addition, our independent directors are eligible to receive non-qualified options to purchase an aggregate of 10,000 shares of our common stock annually pursuant to our 2008 Omnibus Incentive Compensation Plan (or such other plan applicable to our independent directors in effect from time to time). These options are typically granted in two semi-annual installments consisting of an option to purchase 5,000 shares of our common stock on April 1 and October 1 of each year, subject to the director being in service on such date, and have a strike price equal to the fair market value (as defined in our 2008 Omnibus Incentive Compensation Plan) of our common stock on the date of grant. The options become fully vested one year from the date of grant, and contain the terms and conditions as set forth in our form non-qualified stock option agreement for independent directors.

Upon a change of control (as defined in our 2008 Omnibus Incentive Compensation Plan), unless otherwise provided for in an individual award agreement, all outstanding and unvested options granted under such plan become fully vested and exercisable and the restrictions on all outstanding restricted stock granted under such plan lapse. In addition, we have agreed to reimburse the directors for all excise taxes that are imposed on the directors by Section 280G and Section 4999 of the Code and any income and excise taxes that are payable by the directors as a result of any reimbursements for Section 280G and Section 4999 excise taxes.

On December 7, 2009, our Board of Directors, upon recommendation by our Compensation/Stock Option Committee and in consultation with Towers Watson, also approved the following changes to our compensation program for non-employee directors in connection with their service on the Board, which became effective January 1, 2010: (i) the annual independent director cash retainer

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fee was increased to \$49,500, and (ii) the annual award of restricted stock pursuant to our 2008 Omnibus Incentive Compensation Plan that becomes fully vested one year from the date of grant was increased to 3,000 shares. All other terms described above remain the same.

On December 7, 2009, our Board of Directors adopted a new policy with respect to stock option and restricted stock awards of employees and directors who meet the Rule of 75 at the time of their termination of employment or service as a director with our Company. An employee or director meets the Rule of 75 if his or her age plus his or her years of service (including any fractions thereof) with our Company or our subsidiaries and affiliates equals or exceeds 75. Generally, if an employee or director meets the Rule of 75 and his or her employment or service with our Company terminates under certain circumstances, then the employee's or director's stock option and restricted stock grants will continue to vest, and, in the case of a stock option, remain exercisable, in accordance with the regularly scheduled dates set forth in the applicable award agreements.

Directors who are also our employees or employees of any of our affiliates do not receive any compensation for their services as a director. Accordingly, Messrs. Recchia and Schultz are not compensated as such for their services as directors.

In December 2009, our Corporate Governance Committee amended our Corporate Governance Guidelines to provide that all of our independent directors are encouraged to hold at least 6,000 shares of our common stock (excluding stock options) within three years of joining the Board.

**EXECUTIVE COMPENSATION  
COMPENSATION DISCUSSION AND ANALYSIS  
2009 SUMMARY**

Fiscal year 2009 proved to be a very volatile yet exciting year for our Company. In late 2008, during a period of extraordinary macroeconomic challenges, we made changes to our historical compensation practices for 2009 to further link our named executive officers' compensation to our overall performance. As further described below, our named executive officers agreed to give full discretion to our Compensation/Stock Option Committee with respect to their incentive bonuses for 2009, allowing the Compensation/Stock Option Committee to reduce or even eliminate bonuses for 2009 depending on our Company's overall performance, even if such officers would have been entitled to such bonuses under the terms of their then-existing employment agreements. Despite the difficult economic environment in 2009, our Company exceeded its expectations in 2009. Our stock price increased from \$1.37 on January 2, 2009 to \$18.26 on December 31, 2009 and we outperformed most media companies in 2009; therefore, our named executive officers were rewarded accordingly.

**COMPENSATION PHILOSOPHY**

Our compensation philosophy is to develop and implement policies that will encourage and reward outstanding financial performance, seek to increase our profitability, and thereby increase stockholder value. Accordingly, a high proportion of the compensation of our executives is tied in some manner to both short-term and long-term corporate performance. Maintaining competitive compensation levels in order to attract, retain, motivate and reward executives who bring valuable experience and skills to us is also an important consideration. Our executive compensation programs are designed to attract, hire and retain high caliber individuals and motivate them to achieve our business objectives, succession goals and performance targets, including increasing long-term stockholder value. Most of our compensation elements simultaneously fulfill one or more of our performance, alignment and retention objectives.

**COMPENSATION-SETTING PROCESS**

Our management is involved in the compensation-setting process, most significantly in:

- evaluating executive performance;

- establishing business performance targets and objectives; and

- recommending salary levels and equity awards.

At the direction of our Compensation/Stock Option Committee, management has periodically worked with Towers Watson to develop information about the compensation of our executive officers. Our Chief Executive Officer uses this information to make recommendations to our Compensation/Stock Option Committee regarding compensation of

our executive officers, other than the

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Chief Executive Officer, and Towers Watson provides guidance to our Compensation/Stock Option Committee about these recommendations. Our Compensation/Stock Option Committee uses this information and considers these recommendations in developing and implementing the compensation plans for our senior management. All decisions regarding compensation of executive officers, including all of our executive officers named in the Summary Compensation Table for Fiscal Year 2009 (whom we refer to as our named executive officers) except Mr. Schultz, are made solely by our Compensation/Stock Option Committee. Mr. Schultz's salary, bonus and other benefits are reviewed and approved by our Compensation/Stock Option Committee and, based on a recommendation from our Compensation/Stock Option Committee, ratified by our Board of Directors. Our Compensation/Stock Option Committee conducts an annual review of our goals and objectives as related to the form and amount of executive compensation. Members of management and representatives of Towers Watson may be asked to attend portions of a committee meeting where our Compensation/Stock Option Committee wishes such persons to provide information to the committee or where such attendance will otherwise be helpful.

Each of our named executive officers, other than Mr. Husselbee (as described below), was employed during 2009 pursuant to a multi-year employment agreement. These multi-year employment agreements retain the services of the executives for an extended period and bind former executives to non-competition and non-solicitation obligations. We place great value on the long-term commitment that our named executive officers have made to us. Each of Messrs. Schultz, Recchia, Herpich and Hogg has been employed by us for over 25 years. The employment agreements with our named executive officers (other than Mr. Husselbee) were first entered into immediately prior to our initial public offering consummated in 1992. As further discussed below, our Compensation/Stock Option Committee periodically reviews the terms of these agreements. In connection with their respective expirations, the employment agreements of Mr. Herpich and Hogg were amended in December 2009 to extend the terms of their employment until June 2011 and January 2011, respectively.

We hired Mr. Husselbee in 2003 as President and Chief Executive Officer of NCH Marketing Services, Inc., or NCH, in connection with our acquisition of NCH; however, he has held this position with NCH since 1997. From 2003 until February 28, 2009, Mr. Husselbee was employed by us under his employment agreement as President and Chief Executive Officer of NCH. Mr. Husselbee's employment agreement expired on February 28, 2009 and, in light of a possible sale of NCH at such time, was not extended. While pursuing a sale, Mr. Husselbee remained employed at will and our Board of Directors implemented an incentive program for Mr. Husselbee tied to a sale of NCH as a form of compensation. However, following our Board of Directors' determination not to sell NCH in June 2009 and in light of the value Mr. Husselbee brings to our Company, we entered into a one-year employment agreement with Mr. Husselbee in September 2009, which was subsequently amended in December 2009 to extend the term of his employment until September 2012.

Pursuant to the agreements described above, our Chief Executive Officer has historically received the highest level of compensation, including salary, bonus opportunities and equity-based compensation. During the year ended December 31, 2009, he was followed by our Chief Financial Officer by reason of his duties and responsibilities, and then by our other Executive Vice Presidents. This internal pay relationship among our named executive officers was established at the time the Company completed its initial public offering in 1992. Our Compensation/Stock Option Committee has never taken a formulaic approach to this relationship, but, as a general principle, has strived to maintain these relative levels of compensation among the named executive officers. In September 1998, when Mr. Schultz was promoted to Chief Executive Officer of the Company from Chief Operating Officer, his employment agreement was revised to reflect his increased responsibilities and to mirror certain components of the former Chief Executive Officer's employment contract. Since such time, we have not had a Chief Operating Officer position and this explains certain disparities between Mr. Schultz's salary and equity awards and the next highest paid named executive officer's salary and equity awards. Our Compensation/Stock Option Committee believes that Mr. Schultz's compensation level reflects the Committee's confidence in Mr. Schultz, Mr. Schultz's performance throughout his tenure as Chief Executive Officer (and effectively, as Chief Operating Officer as well) and our desire to retain Mr. Schultz's outstanding talents at the head of our Company.

The minimum compensation to which each named executive officer is entitled is generally specified in their respective employment agreements. While our Compensation/Stock Option Committee's primary opportunity to

modify fixed terms of executive compensation to reflect policy changes is at the time the agreement is up for renewal, our Compensation/Stock Option Committee annually assesses whether any executive should receive an increase in annual base salary or whether any amendments to the employment agreement are desirable.

The length of time employment agreements are extended into the future is a result of a variety of factors, including the staggering of expiration dates of other executive employment agreements, the roles and responsibilities of the executive and a risk assessment of the executive being hired by one of our competitors.

In establishing and administering the variable elements in the compensation of our named executive officers, our Compensation/Stock Option Committee tries to recognize individual contributions, overall business results, our historical practices (including our internal compensation levels) and the value of such executive s experience in the promotion marketing industry (and

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with us in particular). Compensation levels are also determined based upon the executive's responsibilities, the efficiency and effectiveness with which he marshals resources and oversees the matters under his supervision, the degree to which he has contributed to the accomplishments of major tasks that advance our goals, including sales growth, earnings and acquisitions, and our current competitive environment, employee retention and morale. Our financial performance measured against our goals is also a key factor that affects the overall level of compensation for our named executive officers. We have historically paid higher compensation when goals are exceeded and reduced compensation when goals are not met, taking into consideration each executive's individual ability to influence results when ultimately approving particular elements of each named executive officer's compensation package.

Historically, management has also reviewed from time to time levels of compensation paid to officers at comparable companies with similar responsibilities in order to make appropriate recommendations to our Compensation/Stock Option Committee for approval. Our commitment to ensuring that our Company is led by the right executives at the right time is a high priority, and we make our compensation decisions accordingly.

**COMPENSATION ELEMENTS**

Our compensation program for our named executive officers includes the following elements:

base salary;

cash bonuses;

stock options and restricted stock awards;

retirement and other benefits; and