

ING PRIME RATE TRUST  
Form POS 8C  
June 28, 2010  
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As filed with the Securities and Exchange Commission on June 28, 2010

Securities Act File No. 333-161328

Investment Company Act File No. 811-05410

**U.S. SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM N-2**

**(Check Appropriate box or boxes)**

Registration Statement Under The Securities Act Of 1933	x
Pre-Effective Amendment No.	..
Post-Effective Amendment No. 2	x
and/or	
Registration Statement Under The Investment Company Act Of 1940	x
Amendment No. 83	x
(Check appropriate box or boxes)	

**ING PRIME RATE TRUST**

(Exact Name of Registrant Specified in Charter)

7337 E. Doubletree Ranch Road

Scottsdale, AZ 85258

(Address of Principal Executive Offices)

Registrant's Telephone Number, Including Area Code: (800) 992-0180

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Huey P. Falgout, Jr.

ING Investments, LLC

7337 East Doubletree Ranch Road

Scottsdale, AZ 85258

(Name and Address of Agent for Service)

With copies to:

Jeffrey S. Poretz, Esq.

Dechert LLP

1775 I Street, NW

Washington, DC 20006

Approximate Date of Proposed Offering:

As soon as practical after the effective date of this Registration Statement

If any securities being registered on this form will be offered on a delayed or continuous basis in reliance on Rule 415 under the Securities Act of 1933, other than securities offered in connection with a dividend reinvestment plan, check the following box.

It is proposed that this filing will become effective:

When declared effective pursuant to Section 8(c) of the Securities Act of 1933.

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ING PRIME RATE TRUST

( Registrant )

25,000,000 Common Shares

CONTENTS OF REGISTRATION STATEMENT

This Registration Statement consists of the following papers and documents:

- \* Cover Sheet
  
- \* Contents of Registration Statement
  
- \* ING Prime Rate Trust 25,000,000 Common Shares Prospectus dated June 30, 2010
  
- \* ING Prime Rate Trust 5,000,000 and 25,000,000 Statement of Additional Information dated June 30, 2010
  
- \* Part C
  
- \* Signature Page

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Prospectus

June 30, 2010

25,000,000 Common Shares

ING Prime Rate Trust

This Prospectus sets forth concisely the information about ING Prime Rate Trust (“Trust”) that a prospective investor ought to know before investing. You should read it carefully before you invest, and keep it for future reference.

The Trust has filed with the U.S. Securities and Exchange Commission (“SEC”) a Statement of Additional Information dated June 30, 2010 containing additional information about the Trust. The Statement of Additional Information is incorporated by reference in its entirety into this Prospectus. You may obtain a free copy of the Statement of Additional Information, annual shareholder report and unaudited semi-annual shareholder report by contacting the Trust at (800) 336-3436 or by writing to the Trust at 7337 East Doubletree Ranch Road, Scottsdale, Arizona 85258. The Trust's Statement of Additional Information, annual shareholder report and unaudited semi-annual shareholder report are also available free of charge on the Trust's website at [www.ingfunds.com](http://www.ingfunds.com). The Prospectus, Statement of Additional Information and other information about the Trust are also available on the SEC's website ([www.sec.gov](http://www.sec.gov)). The table of contents for the Statement of Additional Information appears in the back of this Prospectus.

Common Shares of the Trust trade on the New York Stock Exchange (“NYSE”) under the symbol PPR.

Market fluctuations and general economic conditions can adversely affect the Trust. There is no guarantee that the Trust will achieve its investment objective. Investment in the Trust involves certain risks and special considerations, including risks associated with the Trust's use of leverage. See “Risk Factors and Special Considerations” later in this Prospectus for a discussion of any factors that make an investment in the Trust speculative or high risk.

Neither the SEC nor any state securities commission has approved or disapproved these securities, or determined that this Prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

**INVESTMENTS**

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What's Inside

Investment  
Objective  
Principal  
Investment  
Strategies  
Risks

What you  
pay to  
invest

These pages contain a description of the Trust, including the Trust's investment objective, principal investment strategies and risks.

You'll also find:

**What you pay to invest.** A list of the fees and expenses you pay — both directly and indirectly — when you invest in the Trust.

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Introduction

Risk is the potential that your investment will lose money or not earn as much as you hope. All mutual funds have varying degrees of risk, depending on the securities in which they invest. Please read this Prospectus carefully to be sure you understand the principal investment strategies and risks associated with the Trust. You should consult the Statement of Additional Information (“SAI”) for a complete list of the investment strategies and risks.

The Trust involves certain risks and special considerations, including risks associated with investing in below investment-grade assets and risks associated with the Trust's use of borrowing and other leverage strategies. See “Risk Factors and Special Considerations” later in this Prospectus.

If you have any questions about the Trust, please call your investment professional or us at 1-800-336-3436.

This Prospectus is designed to help you make an informed decision about making an investment in the Trust. Please read it carefully and retain it for future reference.

Who should invest in the Trust?

The Trust May be a Suitable Investment if You:

- are seeking a high level of current income; and
- are willing to accept the risks associated with an investment in a leveraged portfolio consisting primarily of senior loans that are typically below investment-grade credit quality.

Description of the Trust

The Trust is a diversified, closed-end management investment company that seeks to provide investors with as high a level of current income as is consistent with the preservation of capital. The Trust seeks to achieve this objective by investing in a professionally managed portfolio comprised primarily of senior loans, an investment typically not available directly to individual investors.

Since the senior loans in the Trust's portfolio typically are below investment-grade credit quality and the portfolio is leveraged, the Trust has speculative characteristics. The Trust cannot guarantee that it will achieve its investment objective.

Common Shares of the Trust trade on the NYSE under the symbol PPR.

The Trust's investment adviser is ING Investments, LLC. The Trust's sub-adviser is ING Investment Management Co.

If you have any  
questions, please  
call  
1-800-336-3436.  
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Prospectus Synopsis

The following synopsis is qualified in its entirety by reference to the more detailed information appearing elsewhere in this Prospectus.

**DESCRIPTION OF THE TRUST**

The Trust	The Trust is a diversified, closed-end management investment company registered under the Investment Company Act of 1940, as amended, and the rules, regulations, and exemptive orders thereunder (“1940 Act”). It was organized as a Massachusetts business trust on December 2, 1987. As of June 15, 2010, the Trust's net asset value (“NAV”) per Common Share was \$5.63.
NYSE Listed	As of June 15, 2010, the Trust had 146,953,825.740 Common Shares outstanding, which are traded on the NYSE under the symbol PPR. At that date, the last reported sales price of a Common Share of the Trust was \$5.51.
Investment Objective	To provide investors with as high a level of current income as is consistent with the preservation of capital. There is no assurance that the Trust will achieve its investment objective.
Adviser/Sub-Adviser	<p>The Trust’s investment adviser is ING Investments, LLC (“ING Investments” or “Adviser”), an Arizona limited liability company. As of March 31, 2010, ING Investments managed approximately \$47.2 billion in assets.</p> <p>The Adviser is an indirect, wholly-owned subsidiary of ING Groep N.V. (“ING Groep”)(NYSE: ING). ING Groep is a global financial institution of Dutch origin offering banking, investments, life insurance, and retirement services to over 75 million private, corporate, and institutional clients in more than 50 countries. With a diverse workforce of about 125,000 people, ING Groep comprises a broad spectrum of prominent companies that increasingly serve their clients under the ING brand.</p> <p>ING Groep has adopted a formal restructuring plan that was approved by the European Commission in November 2009 under which the ING life insurance businesses, including the retirement services and investment management businesses, which include the Adviser and its affiliates, would be divested by ING Groep by the end of 2013. While there can be no assurance that it will be carried out, the restructuring plan presents certain risks, including uncertainty about the effect on the businesses of the ING entities that service the Trust and potential termination of the Trust's existing advisory agreement, which may trigger the need for shareholder approval of new agreements.</p> <p>The Adviser receives an annual fee, payable monthly, in an amount equal to 0.80% of the Trust's average daily gross asset value, minus the sum of the Trust's accrued and unpaid dividends on any outstanding preferred shares and accrued liabilities (other than liabilities for the principal amount of any borrowings incurred, commercial paper or notes issued by the Trust and the liquidation preference of any outstanding preferred shares) (“Managed Assets”). This definition includes the assets acquired through the Trust's use of leverage.</p> <p>ING Investment Management Co. (“ING IM” or “Sub-Adviser”) serves as sub-adviser to the Trust. See “Investment Management and Other Service Providers — Sub-Adviser” later in this Prospectus. ING IM is an affiliate of the Adviser.</p>

Distributions

Income dividends on Common Shares accrue, are declared, and are paid monthly. Income dividends may be distributed in cash or reinvested in additional full and fractional shares of the Trust through the Trust's Shareholder Investment Program.

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Prospectus Synopsis

Principal Investment Strategies	<p>The Trust seeks to achieve its investment objective by investing, under normal market conditions, at least 80% of its net assets (plus borrowings for investment purposes) in U.S. dollar denominated floating rate secured senior loans (“Senior Loans”). The Trust will provide shareholders with at least 60 days' prior notice of any change in this investment policy. Under normal market conditions, the Trust invests at least 80% of its assets in Senior Loans made to corporations or other business entities organized under U.S. or Canadian law and that are domiciled in the United States and in U.S. territories and possessions or Canada.</p> <p>The Senior Loans in which the Trust invests either hold the most senior position in the capital structure of the borrower, hold an equal ranking with other senior debt, or have characteristics that the Adviser or Sub-Adviser believes justify treatment as senior debt. These Senior Loans are typically below investment-grade quality.</p> <p>The Trust typically makes its investments in Senior Loans by purchasing a portion of the overall loan, <i>i.e.</i>, the Trust becomes one of a number of lenders investing in the loan. The Trust may also make its investments in Senior Loans through the use of derivative instruments such as participations, credit-linked notes, credit default swaps, and total return swaps as long as the reference obligation for any such instrument is a Senior Loan. Investments through the use of such derivative instruments involve counterparty risk, <i>i.e.</i>, the risk that the party from which such instrument is purchased will not perform as agreed. The Trust seeks to minimize such counterparty risk by purchasing such investments from large, well established and highly rated counterparties.</p>
Other Investment Strategies and Policies	<p>Assets not invested in Senior Loans may be invested in unsecured loans; subordinated loans; and tranches of floating rate asset-backed securities, including structured notes, short-term debt securities, and equities acquired in connection with investments in loans. See “Investment Objective and Policies” later in this Prospectus.</p> <p>Loans in which the Trust invests typically have multiple reset periods at the same time, with each reset period applicable to a designated portfolio of the loan. The maximum duration of an interest rate reset on any loan in which the Trust may invest is one year. In order to achieve overall reset balance, the Trust will ordinarily maintain a dollar-weighted average time until the next interest rate adjustment on its loans of 90 days or less.</p> <p>Normally at least 80% of the Trust's portfolio will be invested in Senior Loans with maturities of one to ten years. The maximum maturity on any loan in which the Trust may invest is ten years. To seek to increase the yield on the Common Shares, the Trust may engage in lending its portfolio securities. Such lending will be fully secured by investment-grade collateral held by an independent agent.</p> <p>The Trust may invest up to 20% of its total assets, measured at the time of investment, in a combination of one or more of the following types of investments: loans to borrowers organized or located in countries outside the United States and outside U.S. territories and possessions or Canada; unsecured floating rate loans, notes and other debt instruments; floating rate subordinated loans; tranches of floating rate asset-backed securities; short-term debt securities; and equity securities incidental to investment in loans. See “Investment Objective and Policies” later in this Prospectus.</p> <p>The Trust may engage in executing repurchase and reverse repurchase agreements.</p>
Leverage	<p>To seek to increase the yield on the Common Shares, the Trust employs financial leverage by borrowing money and may also issue preferred shares. The timing and terms of leverage will be determined by the Trust’s Board of Trustees (“Board”) in consultation with the Adviser or Sub-Adviser. See “Risk Factors and Special Considerations — Leverage” later in this Prospectus.</p>

**Borrowings**      The Trust may borrow money in an amount permitted under the 1940 Act, including the rules, regulations, interpretations thereunder and any exemptive or other relief provided by the SEC. The Trust's obligations to holders of its debt are senior to its ability to pay dividends on, or repurchase, Common Shares and preferred shares, or to pay holders of Common Shares and preferred shares in the event of liquidation.

If you have any  
questions, please call  
1-800-336-3436.  
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Prospectus Synopsis

**Preferred Shares** Under the 1940 Act, the Trust may issue preferred shares so long as immediately after any issuance of preferred shares the value of the Trust's total assets (less all Trust liabilities and indebtedness that is not senior indebtedness) is at least twice the amount of the Trust's senior indebtedness plus the involuntary liquidation preference of all outstanding shares.

The Trust is authorized to issue an unlimited number of shares of a class of preferred stock in one or more series. In November 2000, the Trust issued 3,600 shares each of Series M, T, W, Th and F Auction Rate Cumulative Preferred Shares, \$0.01 par value, \$25,000 liquidation preference per share, for a total issuance of \$450 million ("Preferred Shares"). The Trust's obligations to holders of the Preferred Shares are senior to its ability to pay dividends on, or repurchase, Common Shares, or to pay holders of Common Shares in the event of liquidation.

The 1940 Act also requires that the holders of the Preferred Shares, voting as a separate class, have the right to:

- elect at least two trustees at all times; and
- elect a majority of the trustees at any time when dividends on any series of Preferred Shares are unpaid for two full years.

In each case, the holders of Common Shares voting separately as a class will elect the remaining trustees. Since early February 2008, the Trust has not received sufficient hold orders or any purchase requests for its Preferred Shares during their weekly auctions that equaled the full amount of such shares. As a result, under the terms of the Preferred Shares, the amounts sold, if any, by each selling shareholder are reduced pro rata or to zero. In addition, the dividend rate on such Preferred Shares, which is normally set by means of a Dutch auction procedure, automatically reset to the maximum rate permitted under the Preferred Shares program. That maximum rate is 150% of the applicable commercial paper base rate on the day of the auction. While it is possible that the dividend rate for the Preferred Shares will be set by means of an auction at some future time, there is no current expectation that this will be the case. On June 9, 2008, the Trust announced the approval by the Board of a partial redemption of its outstanding Preferred Shares. The Trust subsequently redeemed approximately \$225 million of the \$450 million of its outstanding Preferred Shares. Additionally, on November 12, 2009, the Board approved a redemption of up to \$100 million Preferred Shares to be redeemed on a quarterly basis in the amount of up to \$25 million per quarter beginning January 2010 through December 2010. As of June 30, 2010, pursuant to the November 2009 announcement, the Trust redeemed \$50 million of its previously outstanding Preferred Shares and has \$175 million of Preferred Shares still outstanding. The Preferred Shares were redeemed using proceeds available through the Trust's existing bank loan facility and with cash held by the Trust. Pursuant to the November 2009 announcement discussed above, on June 7, 2010, the Trust announced its intention to redeem another \$25 million of its outstanding Preferred Shares, which is expected to occur between July 12 and 16, 2010. Redemption costs and the on-going costs of obtaining leverage through a bank loan facility may reduce returns to Common Shares and may be higher than the costs of leverage obtained through the Preferred Shares. The Trust will continue to monitor the situation and evaluate potential options to restore liquidity to and/or provide additional refinancing options for this market in the context of regulatory guidelines, as well as the economic and tax implications for both its Common and Preferred shareholders. There can be no assurance that any means for liquidity will be identified, and if they are, it is possible that the Trust's leverage or its benefits from leverage will diminish.



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Prospectus Synopsis

- Diversification** The Trust maintains a diversified investment portfolio through an investment strategy which seeks to limit exposure to any one issuer or industry.  
As a diversified investment company, the Trust may not make investments in any one issuer (other than the U.S. government) if, immediately after such purchase or acquisition, more than 5% of the value of the Trust's total assets would be invested in such issuer, or the Trust would own more than 25% of any outstanding issue. The Trust will consider a borrower on a loan, including a loan participation, to be the issuer of that loan. In addition, with respect to a loan under which the Trust does not have privity with the borrower or would not have a direct cause of action against the borrower in the event of the failure of the borrower to make payment of scheduled principal or interest, the Trust will also separately meet the foregoing requirements and consider each interpositioned bank (a lender from which the Trust acquires a loan) to be an issuer of the loan. This investment strategy is a fundamental policy that may not be changed without shareholder approval. With respect to no more than 25% of its total assets, the Trust may make investments that are not subject to the foregoing restrictions.
- Concentration** In addition, a maximum of 25% of the Trust's total assets, measured at the time of investment, may be invested in any one industry. This investment strategy is also a fundamental policy that may not be changed without shareholder approval.
- Plan of Distribution** The Common Shares are offered by the Trust through the Trust's Shareholder Investment Program. The Shareholder Investment Program allows participating shareholders to reinvest all dividends in additional shares of the Trust, and also allows participants to purchase additional Common Shares through optional cash investments in amounts ranging from a minimum of \$100 to a maximum of \$100,000 per month. The Trust and ING Funds Distributor, LLC ("Distributor") reserve the right to reject any purchase order. Please note that cash, traveler's checks, third-party checks, money orders, and checks drawn on non-U.S. banks (even if payment may be effected through a U.S. bank) generally will not be accepted. Common Shares may be issued by the Trust under the Shareholder Investment Program only if the Trust's Common Shares are trading at a premium to NAV. If the Trust's Common Shares are trading at a discount to NAV, Common Shares purchased under the Shareholder Investment Program will be purchased on the open market. See "Plan of Distribution" later in this Prospectus.  
Shareholders may elect to participate in the Shareholder Investment Program by telephoning the Trust or submitting a completed Participation Form to BNY Mellon Investment Servicing (U.S.) Inc. (formerly, PNC Global Investment Servicing (U.S.) Inc.).  
Common Shares also may be offered pursuant to privately negotiated transactions between the Trust or the Distributor and individual investors. Common Shares of the Trust issued in connection with privately negotiated transactions will be issued at the greater of: (i) NAV per Common Share of the Trust's Common Shares; or (ii) at a discount ranging from 0% to 5% of the average daily market price of the Trust's Common Shares at the close of business on the two business days preceding the date upon which Common Shares are sold pursuant to the privately negotiated transaction. See "Plan of Distribution" later in this Prospectus.
- Administrator** The Trust's administrator is ING Funds Services, LLC ("Administrator"). The Administrator is an affiliate of the Adviser. The Administrator receives an annual fee, payable monthly, in a maximum amount equal to 0.25% of the Trust's Managed Assets.

**RISK FACTORS AND SPECIAL CONSIDERATIONS**



Credit Risk on Senior Loans      The Trust invests a substantial portion of its assets in below investment-grade Senior Loans and other below investment-grade assets. Below investment-grade loans involve a greater risk that borrowers may not make timely payment of the interest and principal due on their loans. They also involve a greater risk that the value of such loans could decline significantly. If borrowers do not make timely payments of the interest due on their loans, the yield on the Trust's Common Shares will decrease. If borrowers do not make timely payment of the principal due on their loans, or if the value of such loans decreases, the Trust's NAV will decrease.

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questions, please call  
1-800-336-3436.  
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Prospectus Synopsis

Interest Rate Risk	Changes in short-term market interest rates will directly affect the yield on the Trust's Common Shares. If short-term market interest rates fall, the yield on the Trust's Common Shares will also fall. To the extent that the interest rate spreads on loans in the Trust's portfolio experience a general decline, the yield on the Trust's Common Shares will fall and the value of the Trust's assets may decrease, which will cause the Trust's NAV to decrease. Conversely, when short-term market interest rates rise, because of the lag between changes in such short-term rates and the resetting of the floating rates on assets in the Trust's portfolio, the impact of rising rates will be delayed to the extent of such lag.
Discount from NAV	As with any security, the market value of the Common Shares may increase or decrease from the amount that you paid for the Common Shares. The Trust's Common Shares may trade at a discount to NAV. This is a risk separate and distinct from the risk that the Trust's NAV per Common Share may decrease.
Leverage	The Trust's use of leverage through borrowings or the issuance of preferred shares can adversely affect the yield on the Trust's Common Shares. To the extent that the Trust is unable to invest the proceeds from the use of leverage in assets which pay interest at a rate which exceeds the rate paid on the leverage, the yield on the Trust's Common Shares will decrease. In addition, in the event of a general market decline in the value of assets such as those in which the Trust invests, the effect of that decline will be magnified in the Trust because of the additional assets purchased with the proceeds of the leverage. As of June 15, 2010 the Trust had \$100 million in outstanding borrowings under one credit facility and \$175 million of Preferred Shares (issued and outstanding).
Limited Secondary Market For Loans	Because of the limited secondary market for loans, the Trust may be limited in its ability to sell loans in its portfolio in a timely fashion and/or at a favorable price.
Demand For Loans	An increase in demand for loans may adversely affect the rate of interest payable on new loans acquired by the Trust and it may also increase the price of loans in the secondary market. A decrease in the demand for loans may adversely affect the price of loans in the Trust's portfolio, which could cause the Trust's NAV to decline.
Impact of Shareholder Investment Program and Privately Negotiated Transactions	The issuance of Common Shares through the Shareholder Investment Program and/or through privately negotiated transactions may have an adverse effect on prices in the secondary market for the Trust's Common Shares by increasing the number of Common Shares available for sale. In addition, the Common Shares may be issued at a discount to the market price for such Common Shares, which may put downward pressure on the market price for Common Shares of the Trust.
Investment in Foreign Borrowers	The Trust may invest up to 20% of its total assets, measured at the time of investment, in loans, secured or unsecured, to borrowers that are organized or located in countries outside the United States and outside U.S. territories or possessions or Canada. The Trust may invest up to 15% of its total assets, measured at the time of investment, in investments denominated in the Organization for Economic Co-operation and Development ("OECD") currencies (including the euro), other than the U.S. dollar. The Trust will engage in currency exchange transactions to seek to hedge, as closely as practicable, 100% of the economic impact to the Trust arising from foreign currency fluctuations. The Trust may not be entirely successful in implementing this hedging strategy, resulting in the Trust being adversely affected by foreign currency fluctuations. Investment in foreign borrowers involves special risks, including that foreign borrowers may be subject to:

- less rigorous regulatory, accounting and reporting requirements than U.S. borrowers;
- differing legal systems and laws relating to creditors' rights;
- the potential inability to enforce legal judgments;
- economic adversity that would result if the value of the borrower's non-U.S. dollar denominated revenues and assets were to fall because of fluctuations in currency values; and
- the potential for political, social and economic adversity in the foreign borrower's country.

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Prospectus Synopsis

Temporary Defensive Positions      When market conditions make it advisable, the Trust may hold a portion of its assets in cash and short-term interest bearing instruments. Moreover, in periods when, in the opinion of the Adviser or Sub-Adviser, a temporary defensive position is appropriate, up to 100% of the Trust's assets may be held in cash and/or short-term interest bearing instruments. The Trust may not achieve its investment objective when pursuing a temporary defensive position.

If you have any questions, please call 1-800-336-3436.  
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## What You Pay to Invest - Trust Expenses

The cost you pay to invest in the Trust includes the expenses incurred by the Trust. In accordance with SEC requirements, the table below shows the expenses of the Trust, including interest expense on borrowings, as a percentage of the average net assets of the Trust, and not as a percentage of gross assets or Managed Assets. By showing expenses as a percentage of net assets, expenses are not expressed as a percentage of all of the assets that are invested for the Trust. The Table below assumes that the Trust has issued Preferred Shares and has borrowed an aggregate amount equal to 30% of its Managed Assets. For information about the Trust's expense ratios if the Trust had not borrowed or issued Preferred Shares, see "Risk Factors and Special Considerations — Annual Expenses Without Borrowings or Preferred Shares."

**Shareholder Transaction Expenses:**

Shareholder Investment Program Fees	NONE
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**Privately Negotiated Transactions:**

Commission (as a percentage of offering price)	3.00%
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**Annual Expenses (as a percentage of average net assets attributable to Common Shares):**

Management and Administrative Fees <sup>(1)</sup>	1.86%
Interest Expense on Borrowed Funds	1.82%
Other Operating Expenses <sup>(2)</sup>	0.20%
Total Annual Expenses <sup>(3)</sup>	3.88%

- (1) Pursuant to the investment advisory agreement with the Trust, the Adviser is paid a fee of 0.80% of the Trust's Managed Assets. Pursuant to its Administration Agreement with the Trust, the Administrator is paid a fee of 0.25% of the Trust's Managed Assets. See Investment Management and Other Service Providers — The Administrator.
- (2) Other Operating Expenses are based on estimated amounts for the current fiscal year which, in turn, are based on other operating expenses for the fiscal year ended February 28, 2010, and do not include the expenses of borrowing. During the fiscal year ended February 28, 2010, the Trust incurred a non-recurring Federal excise tax expense in the amount of \$442,288 (0.06% of average daily net assets) which has been fully reimbursed by the Adviser and excluded from expenses.
- (3) If the expenses of the Trust are calculated based on the Managed Assets of the Trust (assuming that the Trust has used leverage by borrowing an aggregate amount equal to 30% of the Trust's Managed Assets), the Total Annual Expense ratio would be 2.19%.

## Example

The following Example shows the amount of the expenses that an investor in the Trust would bear on a \$1,000 investment that is held for the different time periods in the table. The Example assumes that all dividends and other distributions are reinvested at NAV and that the percentage amounts listed under Total Annual Expenses in the table above remain the same in the years shown. The table and the assumption in the Example of a 5% annual return are required by regulations of the SEC applicable to all investment companies. The assumed 5% annual return is not a prediction of, and does not represent, the projected or actual performance of the Trust's Common Shares. For more complete descriptions of certain of the Trust's costs and expenses, see "Investment Management and Other Service

Providers.”

The following Example applies to shares issued in connection with privately negotiated transactions, which have the maximum front-end sales load of 3%.

	1 Year	3 Years	5 Years	10 Years
You would pay the following expenses on a \$1,000 investment, assuming a 5% annual return and where the Trust has borrowed in an aggregate amount equal to 30% of its Managed Assets.	\$68	\$148	\$234	\$470

The purpose of the table is to assist you in understanding the various costs and expenses that an investor in the Trust will bear directly or indirectly.

**The foregoing Example should not be considered a representation of future expenses and actual expenses may be greater or less than those shown.**

## 8 What You Pay to Invest - Trust Expenses

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Financial Highlights

The financial highlights on the following pages are intended to help you understand the Trust's financial performance for the past ten years. The financial information has been derived from the financial statements in the Trust's annual shareholder report dated as of February 28, 2010. This information has been audited by KPMG LLP, an independent registered public accounting firm. A report of the Trust's independent registered public accounting firm along with the Trust's 2010 financial statements, which includes the financial highlights for the most recent ten fiscal years, is included in the Trust's annual shareholder report dated as of February 28, 2010. A free copy of the annual shareholder report may be obtained by calling (800) 336-3436.

10 Financial Highlights

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Financial Highlights *(continued)*

Selected data for a share of beneficial interest outstanding throughout each year or period.

Core Operating Performance					Total Investment Return <sup>(1)</sup>				Ratio	
Distribution to preferred shareholders	Change in net asset value from Share offerings	Total from investment operations	Distribution to Common Shareholders from net investment income	Total distributions	Net asset value, end of year or period	Closing market price, end of year or period	Total Investment Return at net asset value <sup>(2)</sup>	Total Investment Return at closing market price <sup>(3)</sup>	Expenses (before interest and other fees related to revolving credit facility) <sup>(4)</sup>	Expense prior to fee waivers and/or recoupment if any <sup>(4)</sup>
0.00)*	—	2.23	(0.32)	(0.32)	5.72	5.94	60.70	81.66	1.77 <sup>(6)</sup>	1.99 <sup>(6)</sup>
0.06)	—	(1.89)	(0.41)	(0.47)	3.81	3.50	(31.93) <sup>(5)</sup>	(32.03) <sup>(5)</sup>	1.95	3.01
0.16)	—	(0.98)	(0.56)	(0.72)	6.11	5.64	(13.28)	(17.25)	2.20	4.36
0.16)	—	0.61	(0.55)	(0.71)	7.65	7.40	8.85	13.84	2.21	4.62
0.11)	—	0.58	(0.46)	(0.57)	7.59	7.02	8.53	(0.82)	2.33	4.27
0.05)	—	0.56	(0.43)	(0.48)	7.47	7.56	7.70	2.04	2.29	3.18
0.04)	—	1.03	(0.42)	(0.46)	7.34	7.84	15.72	28.77	2.11	2.40
0.05)	—	(0.02)	(0.45)	(0.50)	6.73	6.46	0.44	2.53	2.19	2.68
0.11)	—	(0.26)	(0.63)	(0.74)	7.20	6.77	(3.02)	(9.20)	2.25	3.64
0.06)	(0.04)	—	(0.86)	(0.92)	8.09	8.12	0.19	9.10	1.81	4.45

(1) Total investment return calculations are attributable to common shares.

(2) Total investment return at net asset value has been calculated assuming a purchase at net asset value at the beginning of each period and a sale at net asset value at the end of each period and assumes reinvestment of dividends and capital gain distributions, if any, in accordance with the provisions of the dividend reinvestment plan. Total investment return at net asset value is not annualized for periods less than one year.

(3)

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Total investment return at market value has been calculated assuming a purchase at market value at the beginning of each period and a sale at market value at the end of each period and assumes reinvestment of dividends and capital gain distributions, if any, in accordance with the provisions of the dividend reinvestment plan. Total investment return at market value is not annualized for periods less than one year.

- (4) Annualized for periods less than one year.
- (5) There was no impact on total return due to payments by affiliates.
- (6) Includes excise tax fully reimbursed by the Investment Adviser.
- \* Amount is more than \$(0.005).

See Accompanying Notes to Financial Statements

If you have any  
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Selected data for a share of beneficial interest outstanding throughout each year or period.

Average net assets Preferred Shares <sup>(a)</sup>		Ratios to average net assets plus borrowings				Supplemental			
Expenses, net of fee waivers and/or recoupments, if any <sup>(4)</sup>	Net investment income (loss) <sup>(4)</sup>	Expenses (before interest and other fees related to revolving credit facility) <sup>(4)</sup>	Expenses, prior to fee waivers and/or recoupments, if any <sup>(4)</sup>	Expenses, net of fee waivers and/or recoupments, if any <sup>(4)</sup>	Net investment income (loss) <sup>(4)</sup>	Preferred Shares - Aggregate amount outstanding	Liquidation and market value per share of Preferred Shares	Asset coverage inclusive of Preferred Shares and debt per share <sup>(b)</sup>	Borrowings at end of period
(%)	(%)	(%)	(%)	(%)	(%)	(\$000's)	(\$)	(\$)	(\$000's)
1.48	4.26	1.67 <sup>(6)</sup>	1.87 <sup>(6)</sup>	1.81	5.23	200,000	25,000	98,400	83,000
2.38	6.22	1.54	2.37	2.37	6.21	225,000	25,000	70,175	81,000
3.05	7.23	1.60	3.17	3.17	7.53	450,000	25,000	53,125	338,000
3.27	6.68	1.56	3.25	3.25	6.63	450,000	25,000	62,925	281,000
3.02	5.44	1.58	2.90	2.90	5.24	450,000	25,000	55,050	465,000
2.21	4.21	1.63	2.27	2.26	4.32	450,000	25,000	53,600	496,000
1.65	4.57	1.84	2.09	2.09	5.82	450,000	25,000	62,425	225,000
1.81	4.97	1.82	2.23	2.23	6.10	450,000	25,000	62,375	167,000
2.54	6.83	1.66	2.70	2.70	7.24	450,000	25,000	58,675	282,000
3.97	9.28	1.31	3.21	3.21	7.50	450,000	25,000	53,825	510,000

(a) Ratios do not reflect the effect of dividend payments to Preferred Shareholders; income ratios reflect income earned on assets attributable to Preferred Shareholders; ratios do not reflect any add-back for the borrowings.

(b) Asset coverage ratios, as presented in previous annual reports, represented the coverage available for both the borrowings and preferred shares expressed in relation to each \$1,000 of borrowings and preferred shares liquidation value outstanding. The Asset coverage ratio per \$1,000 of debt is now presented to represent the coverage available to each \$1,000 of borrowings before consideration of any preferred shares liquidation, while

the Asset coverage inclusive of Preferred Shares, presents the coverage available to both borrowings and preferred shares, expressed in relation to the per share liquidation price of the preferred shares. Asset coverage, with respect to Preferred Shares, represents the total assets of the Trust, less all liabilities and indebtedness not represented by “senior securities” (i.e., the Trust’s Preferred Shares and borrowings described above) in relation to the total amount of Preferred Shares and borrowings outstanding. Asset coverage, with respect to borrowings, represents the total assets of the Trust, less all liabilities and indebtedness not represented by senior securities (i.e. the Trust’s Preferred shares and borrowings described above) in relation to the total amount of only borrowings outstanding (i.e. the denominator of the borrowings ratio includes only borrowings; in contrast, the denominator of the Preferred Share ratio includes both borrowings and Preferred Shares).

See Accompanying Notes to Financial Statements

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## Trading and NAV Information

The following table shows for the Trust's Common Shares for the periods indicated: (1) the high and low closing prices as shown on the NYSE Composite Transaction Tape; (2) the NAV per Common Share represented by each of the high and low closing prices as shown on the NYSE Composite Transaction Tape; and (3) the discount from or premium to NAV per Share (expressed as a percentage) represented by these closing prices. The table also sets forth the aggregate number of shares traded as shown on the NYSE Composite Transaction Tape during the respective quarter.

Calendar Quarter Ended	Price		NAV		Premium/(Discount) To NAV		Reported NYSE Volume
	High	Low	High	Low	High	Low	
March 31, 2008	6.41	5.25	6.92	5.87	(4.33)	(13.08)	38,127,200
June 30, 2008	6.05	5.58	6.53	6.08	(5.02)	(11.33)	22,528,000
September 30, 2008	5.69	4.23	6.44	5.60	(11.65)	(26.31)	28,055,900
December 31, 2008	4.39	2.59	5.56	3.22	3.68	(35.03)	45,017,400
March 31, 2009	3.99	2.98	3.85	3.35	7.14	(17.91)	26,200,000
June 30, 2009	4.21	3.60	4.91	3.83	(5.48)	(15.77)	28,921,000
September 30, 2009	5.06	4.16	5.44	4.89	(6.31)	(15.10)	33,299,400
December 31, 2009	5.25	4.94	5.60	5.41	(4.62)	(9.49)	34,169,700
March 31, 2010	6.28	5.27	5.84	5.60	7.53	(6.39)	50,473,000

On June 15, 2010, the last reported sale price of a Common Share of the Trust's Common Shares on the NYSE was \$5.51. The Trust's NAV on June 15, 2010 was \$5.63. See "Transaction Policies — Net Asset Value." This represented a (2.13)% discount below the NAV \$5.63 as of that date.

The Trust's Common Shares have traded in the market above, at, and below NAV since March 9, 1992, when the Trust's Common Shares were listed on the NYSE. The Trust cannot predict whether its Common Shares will trade in the future at a premium or discount to NAV, and if so, the level of such premium or discount. Shares of closed-end investment companies frequently trade at a discount from NAV.

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call 1-800-336-3436.

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### Investment Objective and Policies

#### Investment Objective

The Trust's investment objective is to provide investors with as high a level of current income as is consistent with the preservation of capital. The Trust seeks to achieve this investment objective by investing in the types of assets described below:

**1.Senior Loans.** Under normal market conditions, at least 80% of the Trust's net assets (plus borrowings for investment purposes) will be invested in Senior Loans. This investment policy may be changed without shareholder approval so long as the Trust provides its shareholders with at least 60 days' prior notice of any changes in this investment policy. Under normal market conditions, the Trust invests at least 80% of its assets in Senior Loans made to corporations or other business entities organized under U.S. or Canadian law and that are domiciled in the United States and in U.S. territories and possessions or Canada.

The Senior Loans in which the Trust invests either hold the most senior position in the capital structure of the borrower, hold an equal ranking with other senior debt, or have characteristics (such as a senior position secured by liens on a borrower's assets) that the Adviser or Sub-Adviser believes justify treatment as senior debt. These Senior Loans are typically below investment-grade credit quality.

The Trust typically makes its investments in Senior Loans by purchasing a portion of the overall loan, *i.e.*, the Trust becomes one of a number of lenders investing in the loan. The Trust may also make its investments in Senior Loans through the use of derivative instruments such as participations, credit-linked notes, credit default swaps and total return swaps as long as the reference obligation for any such instrument is a Senior Loan. Investments through the use of such derivative instruments involve counterparty risk, *i.e.*, the risk that the party from which such instrument is purchased will not perform as agreed. The Trust seeks to minimize such counterparty risk by purchasing such investments only from large, well established and highly rated counter-parties.

**2.Other Investments.** Under normal market conditions, the Trust may invest up to 20% of its total assets, measured at the time of investment, in a combination of one or more of the following types of investments ("Other Investments"):

- loans to borrowers organized or located in countries outside the United States and outside U.S. territories and possessions or Canada;
- unsecured floating rate loans, notes and other debt instruments;
- floating rate subordinated loans;
- tranches of floating rate asset-backed securities, including structured notes;
- short-term debt securities; and
- equity securities incidental to investments in loans.

**3.Cash and Short-Term Instruments.** Under normal market conditions, the Trust may invest in cash and/or short-term instruments. During periods when, in the opinion of the Adviser or Sub-Adviser, a temporary defensive posture in the market is appropriate, the Trust may hold up to 100% of its assets in cash and/or short-term instruments.

**4.Other Investment Strategies.** The Trust may lend its portfolio securities, on a short-term or long-term basis, in an amount equal to up to  $33\frac{1}{3}\%$  of its total assets.

#### Fundamental Diversification Policies

**1. Industry Diversification.** The Trust may invest in any industry. The Trust may not invest more than 25% of its total assets, measured at the time of investment, in any single industry.

**2. Borrower Diversification.** As a diversified investment company, the Trust may not make investments in any one issuer (other than the U.S. government) if, immediately after such purchase or acquisition, more than 5% of the value of the Trust's total assets would be invested in such issuer, or the Trust would own more than 25% of any outstanding issue. The Trust will consider the borrower on a loan, including a loan participation, to be the issuer of such loan. With respect to no more than 25% of its total assets, the Trust may make investments that are not subject to the foregoing restrictions.

These fundamental diversification policies may only be changed with approval by a majority of all shareholders, including the vote of a majority of any holders of Preferred Shares and any other preferred shares, voting separately as a class.

#### Investment Policies

The Adviser and Sub-Adviser follow certain investment policies set by the Trust's Board. Some of those policies are set forth below. Please refer to the SAI for additional information on these and other investment policies.

**1. Limitations on currencies.** The Trust's investments must be denominated in U.S. dollars, provided that the Trust may invest up to 15% of its total assets in investments denominated in the OECD currencies (including the euro), other than the U.S. dollar. The Trust will engage in currency exchange transactions to seek to hedge, as closely as practicable, 100% of the economic impact to the Trust arising from foreign currency fluctuations.

**2. Maturity.** Although the Trust has no restrictions on portfolio maturity, under normal market conditions, at least 80% of the Trust's total assets will be invested in assets with remaining maturities of one to ten years. The maximum maturity on any loan in which the Trust can invest is ten years.

**3. Limitations on Other Investments.** The Trust may also invest up to 20% of its total assets, measured at the time of investment, in Other Investments. The following additional limitations apply to Other Investments:

**a. Unsecured Debt Instruments.** The Trust may not invest in unsecured floating rate loans, notes and other debt

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Investment Objective and Policies instruments, in an aggregate amount that exceeds 20% of the Trust's total assets, measured at the time of investment.

**b.Equities.** The Trust may acquire equity securities only as an incident to the purchase or ownership of a loan or in connection with a reorganization of a borrower or its debt.

**c.Subordinated Loans.** The Trust may not invest in floating rate subordinated loans, whether or not secured, in an aggregated amount that exceeds 5% of its total assets, measured at the time of investment.

**4.Investment Quality; Credit Analysis.** Loans in which the Trust invests generally are rated below investment-grade credit quality or are unrated. In acquiring a loan, the Adviser or Sub-Adviser will consider some or all of the following factors concerning the borrower: ability to service debt from internally generated funds; adequacy of liquidity and working capital; appropriateness of capital structure; leverage consistent with industry norms; historical experience of achieving business and financial projections; the quality and experience of management; and adequacy of collateral coverage. The Adviser or Sub-Adviser performs its own independent credit analysis of each borrower. In so doing, the Adviser or Sub-Adviser may utilize information and credit analyses from agents that originate or administer loans, other lenders investing in a loan, and other sources. The Adviser or Sub-Adviser also may communicate directly with management of the borrowers. These analyses continue on a periodic basis for any Senior Loan held by the Trust. See “Risk Factors and Special Considerations — Credit Risk on Senior Loans.”

**5.Use of Leverage.** The Trust may borrow money and issue preferred shares to the fullest extent permitted by the 1940 Act. See “Policy on Borrowing” and “Policy on Issuance of Preferred Shares.”

**6. Short-term Instruments.** Short-term instruments in which the Trust invests may include: (i) commercial paper rated A-1 by Standard and Poor's Ratings Services (“S&P”) or P-1 by Moody's Investors Service, Inc. (“Moody's”), or of comparable quality as determined by the Adviser or Sub-Adviser; (ii) certificates of deposit, bankers' acceptances, and other bank deposits and obligations; and (iii) securities issued or guaranteed by the U.S. government, its agencies or instrumentalities.

### Policy on Borrowing

The Trust has a policy of borrowing for investment purposes. The Trust seeks to use proceeds from borrowing to acquire loans and other investments which pay interest at a rate higher than the rate the Trust pays on borrowings. Accordingly, borrowing has the potential to increase the Trust's total income available to holders of its Common Shares.

The Trust may issue notes, commercial paper, or other evidences of indebtedness and may be required to secure repayment by mortgaging, pledging, or otherwise granting a security interest in the Trust's assets. The terms of any such borrowings will be subject to the provisions of the 1940 Act and they will also be subject to the more restrictive terms of any credit agreements relating to borrowings and, to the extent the Trust seeks a rating for borrowings, to additional guidelines imposed by rating agencies, which are expected to be more restrictive than the provisions of the 1940 Act. The Trust may borrow money in an amount permitted under the 1940 Act, including the rules, regulations, interpretations thereunder and any exemptive or other relief provided by the SEC. See “Risk Factors and Special Considerations — Leverage” and “Risk Factors and Special Considerations — Restrictive Covenants and 1940 Act Restrictions.”

### Policy on Issuance of Preferred Shares

The Trust has a policy of issuing preferred shares for investment purposes. The Trust seeks to use the proceeds from preferred shares to acquire loans and other investments which pay interest at a rate higher than the dividends payable on preferred shares. The terms of the issuance of preferred shares are subject to the 1940 Act and to additional guidelines imposed by rating agencies, which are more restrictive than the provisions of the 1940 Act. Under the 1940 Act, the Trust may issue preferred shares so long as immediately after any issuance of preferred shares the value of the Trust's total assets (less all Trust liabilities and indebtedness that is not senior indebtedness) is at least twice the amount of the Trust's senior indebtedness plus the involuntary liquidation preference of all outstanding Preferred Shares. See "Risk Factors and Special Considerations — Leverage." In November 2000, the Trust issued 18,000 Preferred Shares for a total of \$450 million. On June 9, 2008, the Trust announced the approval by the Board of a partial redemption of its outstanding Preferred Shares. The Trust subsequently redeemed approximately \$225 million of the \$450 million of its outstanding Preferred Shares. Additionally, on November 12, 2009, the Board approved a redemption of up to \$100 million of the Trust's Preferred Shares to be redeemed on a quarterly basis in the amount of up to \$25 million per quarter beginning January 2010 through December 2010. As of June 30, 2010, pursuant to the November 2009 announcement, the Trust redeemed \$50 million of its previously outstanding Preferred Shares and has \$175 million of Preferred Shares still outstanding. The Preferred Shares were redeemed using proceeds available through the Trust's existing bank loan facility and with cash held by the Trust. Pursuant to the November 2009 announcement discussed above, on June 7, 2010, the Trust announced its intention to redeem another \$25 million of its outstanding Preferred Shares, which is expected to occur between July 12 and 16, 2010.

If you have any questions, please call  
1-800-336-3436.

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### The Trust's Investments

As stated under "Investment Objective and Policies," the Trust will invest primarily in Senior Loans. This section contains a discussion of the characteristics of Senior Loans and the manner in which those investments are made.

### Senior Loan Characteristics

Senior Loans are loans that are typically made to business borrowers to finance leveraged buy-outs, recapitalizations, mergers, stock repurchases, and internal growth. Senior Loans generally hold the most senior position in the capital structure of a borrower and are usually secured by liens on the assets of the borrowers; including tangible assets such as cash, accounts receivable, inventory, property, plant and equipment, common and/or preferred stocks of subsidiaries; and intangible assets including trademarks, copyrights, patent rights, and franchise value. The Trust may also receive guarantees as a form of collateral.

Senior Loans are typically structured to include two or more types of loans within a single credit agreement. The most common structure is to have a revolving loan and a term loan. A revolving loan is a loan that can be drawn upon, repaid fully or partially, and then the repaid portions can be drawn upon again. A term loan is a loan that is fully drawn upon immediately and once repaid, it cannot be drawn upon again. Sometimes there may be two or more term loans and they may be secured by different collateral, have different repayment schedules and maturity dates. In addition to revolving loans and term loans, Senior Loan structures can also contain facilities for the issuance of letters of credit and may contain mechanisms for lenders to pre-fund letters of credit through credit-linked deposits.

The Trust typically invests only in the term loan portions of Senior Loan structures, although it does sometimes invest in the revolving loan portions and the pre-funded letters of credit portions.

By virtue of their senior position and collateral, Senior Loans typically provide lenders with the first right to cash flows or proceeds from the sale of a borrower's collateral if the borrower becomes insolvent (subject to the limitations of bankruptcy law, which may provide higher priority to certain claims such as employee salaries, employee pensions, and taxes). This means Senior Loans are generally repaid before unsecured bank loans, corporate bonds, subordinated debt, trade creditors, and preferred or common stockholders.

Senior Loans typically pay interest at least quarterly at rates which equal a fixed percentage spread over a base rate such as the London Inter-Bank Offered Rate ("LIBOR"). For example, if LIBOR were 3% and the borrower were paying a fixed spread of 2.50%, the total interest rate paid by the borrower would be 5.50%. Base rates, and therefore the total rates paid on Senior Loans, float, *i.e.*, they change as market rates of interest change.

Although a base rate such as LIBOR can change every day, loan agreements for Senior Loans typically allow the borrower the ability to choose how often the base rate for its loan will change. A single loan may have multiple reset periods at the same time, with each reset period applicable to a designated portion of the loan. Such periods can range from one day to one year, with most borrowers choosing monthly or quarterly reset periods. During periods of rising interest rates, borrowers will tend to choose longer reset periods, and during periods of declining interest rates, borrowers will tend to choose shorter reset periods. The fixed spread over the base rate on a Senior Loan typically does not change.

Senior Loans generally are arranged through private negotiations between a borrower and several financial institutions represented by an agent who is usually one of the originating lenders. In larger transactions, it is common to have several agents; however, generally only one such agent has primary responsibility for ongoing administration of a Senior Loan. Agents are typically paid fees by the borrower for their services. The agent is primarily responsible for

negotiating the loan agreement which establishes the terms and conditions of the Senior Loan and the rights of the borrower and the lenders. The agent also is responsible for monitoring collateral and for exercising remedies available to the lenders such as foreclosure upon collateral.

Loan agreements may provide for the termination of the agent's agency status in the event that it fails to act as required under the relevant loan agreement, becomes insolvent, enters Federal Deposit Insurance Corporation ("FDIC") receivership or, if not FDIC insured, enters into bankruptcy. Should such an agent, lender or assignor with respect to an assignment interpositioned between the Trust and the borrower become insolvent or enter FDIC receivership or bankruptcy, any interest in the Senior Loan of such person and any loan payment held by such person for the benefit of the Trust should not be included in such person's or entity's bankruptcy estate. If, however, any such amount were included in such person's or entity's bankruptcy estate, the Trust would incur certain costs and delays in realizing payment or could suffer a loss of principal or interest. In this event, the Trust could experience a decrease in the NAV.

The Trust acquires Senior Loans from lenders such as commercial and investment banks, insurance companies, finance companies, other investment companies and private investment funds.

#### Investment by the Trust

The Trust typically invests in Senior Loans primarily by purchasing an assignment of a portion of a Senior Loan from a third party, either in connection with the original loan transaction (*i.e.*, in the primary market) or after the initial loan transaction (*i.e.*, in the secondary market). When the Trust purchases a Senior Loan in the primary market, it may share in a fee paid to the original lender. When the Trust purchases a Senior Loan in the secondary market, it may pay a fee to, or forego a portion of interest payments from, the lender making the assignment. The Trust may also make its investments in Senior Loans through the use of derivative instruments such as participations, credit-linked notes, credit default swaps, and total return swaps as long as the reference obligation for any such instrument is a Senior Loan.

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The Trust's Investments through the use of such derivative instruments involve counter party risk, *i.e.*, the risk that the party from which such instrument is purchased will not perform as agreed. Unlike an assignment as described below, the Trust does not have a direct contractual relationship with the borrower. The Trust seeks to minimize such counter party risk by purchasing such investments only from large, well established and highly rated counter parties.

Except for rating agency guidelines imposed on the Trust's portfolio while it has outstanding Preferred Shares, there is no minimum rating or other independent evaluation of a borrower limiting the Trust's investments and most Senior Loans that the Trust may acquire, if rated, will be rated below investment-grade credit quality. See "Risk Factors and Special Considerations — Credit Risk on Senior Loans."

**Assignments.** When the Trust is a purchaser of an assignment, it succeeds to all the rights and obligations under the loan agreement of the assigning lender and becomes a lender under the loan agreement with the same rights and obligations as the assigning lender. These rights include the ability to vote along with the other lenders on such matters as enforcing the terms of the loan agreement (*e.g.*, declaring defaults, initiating collection action, *etc.*). Taking such actions typically requires at least a vote of the lenders holding a majority of the investment in the loan and may require a vote by lenders holding two-thirds or more of the investment in the loan. Because the Trust usually does not hold a majority of the investment in any loan, it will not be able by itself to control decisions that require a vote by the lenders.

**Acquisition Costs.** When the Trust acquires an interest in a Senior Loan in the primary market, it typically acquires the loan at par value less its portion of the fee paid to all originating lenders. When the Trust acquires an interest in a Senior Loan in the secondary market, it may be at par value but typically the Trust will do so at premium or discount to par value.

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1-800-336-3436.

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Risk Factors and Special Considerations

**Risk is inherent in all investing. The following discussion summarizes some of the risks that you should consider before deciding whether to invest in the Trust. For additional information about the risks associated with investing in the Trust, see “Additional Information About Investments and Investment Techniques” in the SAI.**

Borrowings under the Credit Facility Program

The Trust has a policy of borrowing to acquire income-producing investments which, by their terms, pay interest at a rate higher than the rate the Trust pays on borrowings. Accordingly, borrowing has the potential to increase the Trust's total income. The Trust currently is a party to one credit facility with financial institutions that permit the Trust to borrow up to an aggregate of \$225 million. Interest is payable on the credit facility by the Trust at a variable rate that is tied to either LIBOR, the federal funds rate, or a commercial paper based rate and includes a facility fee on unused commitments. As of June 15, 2010 the Trust had \$100 million in outstanding borrowings. Collectively, the lenders under the credit facility have a security interest in all assets of the Trust.

Under the credit facility, the lenders have the right to liquidate Trust assets in the event of default by the Trust under such credit facility, and the Trust may be prohibited from paying dividends in the event of certain adverse events or conditions respecting the Trust or Adviser or Sub-Adviser until the credit facility is repaid in full or until the event or condition is cured.

Changes to NAV

The NAV of the Trust is expected to change in response to a variety of factors, primarily in response to changes in the creditworthiness of the borrowers on the loans in which the Trust invests. See “Risk Factors and Special Considerations — Credit Risk on Senior Loans.” Changes in market interest rates may also have an impact on the Trust's NAV. See “Risk Factors and Special Considerations — Interest Rate Risk.” Another factor which can affect the Trust's NAV is changes in the pricing obtained for the Trust's assets. See “Transaction Policies — Valuation of the Trust's Assets” later in this Prospectus.

Credit Derivatives

The Trust may enter into credit default swaps, either as a buyer or a seller of the swap. As a buyer of the swap, the Trust pays a fee to protect against the risk that a security held by the Trust will default. As a seller of the swap, the Trust receives payment(s) in return for its obligation to pay the counterparty an agreed upon value of a security in the event of a default of the security issuer. Credit default swaps are largely unregulated and susceptible to liquidity, credit, and counterparty risks.

Credit Risk on Senior Loans

The Trust's ability to pay dividends and repurchase its Common Shares is dependent upon the performance of the assets in its portfolio. That performance, in turn, is subject to a number of risks, chief among which is credit risk on the underlying assets.

Credit risk is the risk of nonpayment of scheduled interest or principal payments. In the event a borrower fails to pay scheduled interest or principal payments on a Senior Loan held by the Trust, the Trust will experience a reduction in its income and a decline in the market value of the Senior Loan. This will likely reduce dividends and lead to a decline

in the NAV of the Trust's Common Shares. See "The Trust's Investments — Investment by the Trust."

Senior Loans generally involve less risk than unsecured or subordinated debt and equity instruments of the same issuer because the payment of principal and interest on Senior Loans is a contractual obligation of the issuer that, in most instances, takes precedence over the payment of dividends, or the return of capital, to the issuer's shareholders and payments to bond holders. The Trust generally invests in Senior Loans that are secured with specific collateral. However, the value of the collateral may not equal the Trust's investment when the loan is acquired or may decline below the principal amount of the Senior Loan subsequent to the Trust's investment. Also, to the extent that collateral consists of stock of the borrower or its subsidiaries or affiliates, the Trust bears the risk that the stock may decline in value, be relatively illiquid, or may lose all or substantially all of its value, causing the Senior Loan to be undercollateralized. Therefore, the liquidation of the collateral underlying a Senior Loan may not satisfy the issuer's obligation to the Trust in the event of non payment of scheduled interest or principal and the collateral may not be readily liquidated.

In the event of the bankruptcy of a borrower, the Trust could experience delays and limitations on its ability to realize the benefits of the collateral securing the Senior Loan. Among the credit risks involved in a bankruptcy are assertions that the pledge of collateral to secure a loan constitutes a fraudulent conveyance or preferential transfer that would have the effect of nullifying or subordinating the Trust's rights to the collateral.

The Senior Loans in which the Trust invests are generally rated lower than investment-grade credit quality, *i.e.*, rated lower than "Baa" by Moody's Investors Service, Inc. or "BBB" by Standard & Poor's Ratings Services, or have been issued by issuers who have issued other debt securities which, if unrated, would be rated lower than investment-grade credit quality. Investment decisions will be based largely on the credit analysis performed by the Adviser or Sub-Adviser, and not on rating agency evaluation. This analysis may be difficult to perform. Information about a Senior Loan and its issuer generally is not in the public domain. Moreover, Senior Loans are not often rated by any nationally recognized rating service. Many issuers have not issued securities to the public and are not subject to reporting requirements under federal securities laws. Generally, however, issuers are required to provide financial information to lenders and information may be available from other Senior Loan participants or agents that originate or administer Senior Loans.

#### Demand for Loans

At times during recent years, the volume of loans has increased. However, during such periods, demand for loans has also grown. An increase in demand may benefit the Trust by providing increased liquidity for loans and higher sales prices, but it may also adversely affect the rate of interest payable on loans acquired by the Trust, the rights provided to the Trust under the terms of a loan agreement, and increase the price of loans that

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Risk Factors and Special Considerations the Trust wishes to purchase in the secondary market. A decrease in the demand for loans may adversely affect the price of loans in the Trust's portfolio, which could cause the Trust's NAV to decline.

### Derivative Instruments

Derivative instruments are subject to a number of risks, including the risk of changes in the market price of the underlying securities, credit risk with respect to the counterparty, risk of loss due to changes in interest rates and liquidity risk. The use of certain derivatives may also have a leveraging effect which may increase the volatility of the Trust and reduce its returns.

### Discount From NAV

The Trust's Common Shares have traded in the market above, at, and below NAV since March 9, 1992, when the Trust's shares were initially listed on the NYSE. The reasons for the Trust's Common Shares trading at a premium to or discount from NAV are not known to the Trust, and the Trust cannot predict whether its Common Shares will trade in the future at a premium to or discount from NAV, and if so, the level of such premium or discount. Shares of closed-end investment companies frequently trade at a discount from NAV. The possibility that Common Shares of the Trust will trade at a discount from NAV is a risk separate and distinct from the risk that the Trust's NAV may decrease.

### Equity Securities Incidental to Investment in Loans

Subject to the aggregate 20% limit on Other Investments, the Trust may acquire equity securities as an incident to the purchase or ownership of a loan or in connection with a reorganization of a borrower or its debt. Investments in equity securities incidental to investment in loans entail certain risks in addition to those associated with investment in loans. The value of these securities may be affected more rapidly, and to a greater extent, by company-specific developments and general market conditions. These risks may increase fluctuations in the Trust's NAV. The Trust may frequently possess material non-public information about a borrower as a result of its ownership of a loan of such borrower. Because of prohibitions on trading in securities of issuers while in possession of such information the Trust might be unable to enter into a transaction in a security of such a borrower when it would otherwise be advantageous to do so.

### Impact of Shareholder Investment Program and Privately Negotiated Transactions

The issuance of Common Shares through the Trust's Shareholder Investment Program may have an adverse effect on the secondary market for the Trust's Common Shares. The increase in the number of the Trust's outstanding Common Shares resulting from issuances pursuant to the Trust's Shareholder Investment Program or pursuant to privately negotiated transactions, and the discount to the market price at which such Common Shares may be issued, may put downward pressure on the market price for Common Shares of the Trust. Common Shares will not be issued pursuant to the Trust's Shareholder Investment Program at any time when Common Shares are trading at a price lower than the Trust's NAV per Common Share.

### Interest Rate Risk

During normal market conditions, changes in market interest rates will affect the Trust in certain ways. The principal effect will be that the yield on the Trust's Common Shares will tend to rise or fall as market interest rates rise and fall. This is because almost all of the assets in which the Trust invests pay interest at rates which float in response to changes in market rates. However, because the interest rates on the Trust's assets reset over time, there will be an imperfect correlation between changes in market rates and changes to rates on the portfolio as a whole. This means



that changes to the rate of interest paid on the portfolio as a whole will tend to lag behind changes in market rates.

Market interest rate changes may also cause the Trust's NAV to experience moderate volatility. This is because the value of a loan asset in the Trust is partially a function of whether it is paying what the market perceives to be a market rate of interest for the particular loan, given its individual credit and other characteristics. If market interest rates change, a loan's value could be affected to the extent the interest rate paid on that loan does not reset at the same time. As discussed above, the rates of interest paid on the loans in which the Trust invests have a weighted average reset period that typically is less than 90 days. Therefore, the impact of the lag between a change in market interest rates and the change in the overall rate on the portfolio is expected to be minimal.

To the extent that changes in market rates of interest are reflected not in a change to a base rate such as LIBOR but in a change in the spread over the base rate which is payable on loans of the type and quality in which the Trust invests, the Trust's NAV could also be adversely affected. This is because the value of a loan asset in the Trust is partially a function of whether it is paying what the market perceives to be a market rate of interest for the particular loan, given its individual credit and other characteristics. However, unlike changes in market rates of interest for which there is only a temporary lag before the portfolio reflects those changes, changes in a loan's value based on changes in the market spread on loans in the Trust's portfolio may be of longer duration.

Finally, substantial increases in interest rates may cause an increase in loan defaults as borrowers may lack the resources to meet higher debt service requirements.

#### Lending Portfolio Securities

To generate additional income, the Trust may lend portfolio securities, in an amount equal to up to 33 $\frac{1}{3}$ % of the Trust's total assets, to broker-dealers, major banks, or other recognized domestic institutional borrowers of securities. As with other extensions of credit, there are risks of delay in recovery or even loss of rights in the collateral should the borrower default or fail financially. The Trust intends to engage in lending portfolio securities only when such lending is fully secured by investment-grade collateral held by an independent agent.

#### Leverage

The Trust may borrow money in an amount permitted under the 1940 Act, including the rules, regulations, interpretations thereunder and any exemptive or other relief provided by the SEC. The Trust may also issue preferred shares so long as immediately after any issuance of preferred shares the value of the Trust's total assets (less all Trust liabilities and indebtedness that is not senior indebtedness) is at least twice the amount of the Trust's senior indebtedness plus the involuntary liquidation preference of all outstanding shares. In November 2000, the Trust issued 18,000 Preferred Shares for a total of \$450 million. Borrowings and the issuance of preferred shares are referred to in this Prospectus collectively as "leverage." The Trust may use

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Risk Factors and Special Considerations leverage for investment purposes, to finance the repurchase of its Common Shares, and to meet other cash requirements. The use of leverage for investment purposes increases both investment opportunity and investment risk.

Capital raised through leverage will be subject to interest and other costs, and these costs could exceed the income earned by the Trust on the proceeds of such leverage. There can be no assurance that the Trust's income from the proceeds of leverage will exceed these costs. However, the Adviser or Sub-Adviser seeks to use leverage for the purposes of making additional investments only if they believe, at the time of using leverage, that the total return on the assets purchased with such funds will exceed interest payments and other costs on the leverage.

To the extent that the Trust is unable to invest the proceeds from the use of leverage in assets which pay interest at a rate which exceeds the rate paid on the leverage, the yield on the Trust's Common Shares will decrease. In addition, in the event of a general market decline in the value of assets such as those in which the Trust invests, the effect of that decline will be magnified in the Trust because of the additional assets purchased with the proceeds of the leverage. The Trust's lenders and Preferred Shareholders will have priority to the Trust's assets over the Trust's Common shareholders.

The Trust currently uses leverage by borrowing money on a floating rate basis and by the issuance of Preferred Shares. The current rate on the borrowings (as of June 15, 2010) is 1.86%.

The current dividend rate on the Preferred Shares (as of June 15, 2010) for each series:

Title of Class	Dividend Rate
Preferred Shares, Series M	0.32%
Preferred Shares, Series T	0.42%
Preferred Shares, Series W	0.38%
Preferred Shares, Series Th	0.38%
Preferred Shares, Series F	0.35%

Since early February 2008, the Trust has not received sufficient hold orders or any purchase requests for its Preferred Shares during their weekly auctions that equaled the full amount of such shares. As a result, under the terms of the Preferred Shares, the amounts sold, if any, by each selling shareholder are reduced pro rata or to zero. In addition, the dividend rate on such Preferred Shares, which is normally set by means of a Dutch auction procedure, automatically reset to the maximum rate permitted under the Preferred Shares program. That maximum rate is 150% of the applicable commercial paper base rate on the day of the auction. While it is possible that the dividend rate for the Preferred Shares will be set by means of an auction at some future time, there is no current expectation that this will be the case. On June 9, 2008, the Trust announced the approval by the Board of a partial redemption of its outstanding Preferred Shares. The Trust subsequently redeemed approximately \$225 million of the \$450 million of its outstanding Preferred Shares. Additionally, on November 12, 2009, the Board approved a redemption of up to \$100 million Preferred Shares to be redeemed on a quarterly basis in the amount of up to \$25 million per quarter beginning January 2010 through December 2010. As of June 30, 2010, pursuant to the November 2009 announcement, the Trust redeemed \$50 million of its previously outstanding Preferred Shares and has \$175 million of Preferred Shares still outstanding. The Preferred Shares were redeemed using proceeds available through the Trust's existing bank loan facility and with cash held by the Trust. Pursuant to the November 2009 announcement discussed above, on June 7, 2010, the Trust announced its intention to redeem another \$25 million of its outstanding Preferred Shares, which is expected to occur between July 12 and 16, 2010. Redemption costs and the on-going costs of obtaining leverage

through a bank loan facility may reduce returns to Common Shares and may be higher than the costs of leverage obtained through the Preferred Shares. The Trust will continue to monitor the situation and evaluate potential options to restore liquidity to and/or provide additional refinancing options for this market in the context of regulatory guidelines, as well as the economic and tax implications for both its Common and Preferred shareholders. There can be no assurance that any means for liquidity will be identified, and if they are, it is possible that the Trust's leverage or its benefits from leverage will diminish.

The Trust's leveraged capital structure creates special risks not associated with unleveraged funds having similar investment objectives and policies. The funds borrowed pursuant to the credit facilities or obtained through the issuance of Preferred Shares and any other preferred shares, may constitute a substantial lien and burden by reason of their prior claim against the income of the Trust and against the net assets of the Trust in liquidation.

The Trust is not permitted to declare dividends or other distributions, including dividends and distributions with respect to Common Shares or Preferred Shares, or to purchase Common Shares or Preferred Shares unless: (i) at the time thereof the Trust meets certain asset coverage requirements; and (ii) there is no event of default under any credit facility program that is continuing. See "Risk Factors and Special Considerations — Restrictive Covenants and 1940 Act Restrictions" later in this Prospectus. In the event of a default under a credit facility program, the lenders have the right to cause a liquidation of the collateral (*i.e.*, sell Senior Loans and other assets of the Trust) and, if any such default is not cured, the lenders may be able to control the liquidation as well.

In addition, the Trust is not permitted to pay dividends on, or redeem or repurchase, Common Shares unless all accrued dividends on the Preferred Shares and all accrued interest on borrowings have been paid or set aside for payment.

Because the fee paid to the Adviser will be calculated on the basis of Managed Assets, the fee will be higher when leverage is utilized, giving the Adviser an incentive to utilize leverage.

The Trust is subject to certain restrictions imposed by lenders to the Trust and may be subject to certain restrictions imposed by guidelines of one or more rating agencies which may issue ratings for debt or the Preferred Shares issued by the Trust. These restrictions are expected to impose asset coverage, fund composition requirements and limits on investment techniques, such as the use of financial derivative products, that are more stringent than those imposed on the Trust by the 1940 Act. These covenants or guidelines could impede the Adviser or Sub-Adviser from fully managing the Trust's portfolio in accordance with the Trust's investment objective and policies.

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## Risk Factors and Special Considerations

## Annual Expenses Without Borrowings or Preferred Shares

If the Trust were not to have borrowed or have Preferred Shares outstanding, the remaining expenses, as a percentage of the net assets of the Trust, would be as follows:

**Annual Expenses Without Borrowings or Preferred Shares  
(as a percentage of net assets attributable to Common Shares)**

Management and Administrative Fees (as a percentage of Managed Assets) <sup>(1)</sup>	1.05%
Other Operating Expenses <sup>(2)</sup>	0.20%
Total Annual Expenses	1.25%

- (1) Pursuant to the investment advisory agreement with the Trust, the Adviser is paid a fee of 0.80% of the Trust's Managed Assets. Pursuant to its Administration Agreement with the Trust, the Administrator is paid a fee of 0.25% of the Trust's Managed Assets. See Investment Management and Other Service Providers — The Administrator.
- (2) Other Operating Expenses are based on estimated amounts for the current fiscal year which, in turn, are based on other operating expenses for the fiscal year ended February 28, 2010, and does not include the expenses of borrowing. During the fiscal year ended February 28, 2010, the Trust incurred a non-recurring Federal excise tax expense in the amount of \$442,288 (0.06% of average daily net assets) which has been fully reimbursed by the Adviser and excluded from expenses.

## Effect of Leverage

To cover the annual interest and dividends on the borrowings and the Preferred Shares for the current fiscal year (assuming that the current interest and dividend rates remain in effect for the entire fiscal year and assuming that the Trust borrows an amount equal to 30% of its Managed Assets and the current Preferred Shares remain outstanding), the Trust would need to earn 0.61% on its amount of Managed Assets as of June 15, 2010.

The following table is designed to illustrate the effect on return to a holder of the Trust's Common Shares of the leverage created by the Trust's use of borrowing, using the average annual interest rate of 3.42% for the fiscal year ended February 28, 2010, assuming the Trust has used leverage by borrowing an aggregate amount equal to 30% of the Trust's Managed Assets and assuming hypothetical annual returns on the Trust's portfolio of minus 10% to plus 10%. As can be seen, leverage generally increases the return to shareholders when portfolio return is positive and decreases return when the portfolio return is negative. Actual returns may be greater or less than those appearing in the table.

Assumed Portfolio Return, net of expenses <sup>(1)</sup>	(10)%	(5)%	0%	5%	10%
Corresponding Return to Common Shareholders <sup>(2)</sup>	(15.75)%	(8.61)%	(1.47)%	5.68%	12.82%

- (1) The Assumed Portfolio Return is required by regulation of the SEC and is not a prediction of, and does not represent, the projected or actual performance of the Trust.
- (2) In order to compute the Corresponding Return to Common Shareholders, the Assumed Portfolio Return is multiplied by the total value of the Trust's assets at the beginning of the Trust's fiscal year to obtain an assumed return to the Trust. From this amount, all interest accrued during the year is subtracted to determine the return

available to shareholders. The return available to shareholders is then divided by the total value of the Trust's net assets attributable to Common Shares as of the beginning of the fiscal year to determine the Corresponding Return to Common Shareholders.

#### Limited Secondary Market for Loans

Although the resale, or secondary, market for loans has grown substantially over the past decade, both in overall size and number of market participants, there is no organized exchange or board of trade on which loans are traded. Instead, the secondary market for loans is a private, unregulated inter-dealer or inter-bank re-sale market. Loans usually trade in large denominations and trades can be infrequent and the market for loans may experience volatility. The market has limited transparency so that information about actual trades may be difficult to obtain. Accordingly, some or many of the loans in which the Trust invests will be relatively illiquid.

In addition, loans in which the Trust invests may require the consent of the borrower and/or the agent prior to sale or assignment. These consent requirements can delay or impede the Trust's ability to sell loans and can adversely affect the price that can be obtained. The Trust may have difficulty disposing of loans if it needs cash to repay debt, to pay dividends, to pay expenses or to take advantage of new investment opportunities. Although the Trust has not conducted a tender offer since 1992, if it determines to again conduct a tender offer, limitations of a secondary market may result in difficulty raising cash to purchase tendered Common Shares.

These considerations may cause the Trust to sell assets at lower prices than it would otherwise consider to meet cash needs or cause the Trust to maintain a greater portion of its assets in cash equivalents than it would otherwise, which could negatively impact performance. The Trust may seek to avoid the necessity of selling assets to meet such needs by the use of borrowings.

From time to time, the occurrence of one or more of the factors described above may create a cascading effect where the market for debt instruments (including the market for loans) first experiences volatility and then decreased liquidity. Such conditions, or other similar conditions, may then adversely affect the value of loans and other instruments, widening spreads against higher-quality debt instruments, and making it harder to sell loans at prices at which they have historically or recently traded, thereby further reducing liquidity. For example, during

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Risk Factors and Special Considerations the global liquidity crisis in the second half of 2008, the average price of loans in the S&P/LSTA Leveraged Loan Index (which includes loans of the type in which the Trust invests) declined by 32%, prior to rebounding in 2009 and in early 2010.

The Trust values its assets daily. However, because the secondary market for loans is limited, it may be difficult to value loans. Reliable market value quotations may not be readily available for some loans and valuation of such loans may require more research than for liquid securities. In addition, elements of judgment may play a greater role in valuation of loans than for securities with a more developed secondary market because there is less reliable, objective market value data available. In addition, if the Trust purchases a relatively large portion of a loan to generate extra income sometimes paid to large lenders, the limitations of the secondary market may inhibit the Trust from selling a portion of the loan and reducing its exposure to a borrower when the Adviser or Sub-Adviser deems it advisable to do so.

### Non-U.S. and Non-Canadian Issuers

Subject to the aggregate 20% limit on Other Investments, the Trust may invest up to 20% of its total assets in loans, secured or unsecured, to borrowers that are organized or located in countries outside the United States and outside U.S. territories and possessions or Canada. Investment in non-U.S. entities involves special risks, including that non-U.S. entities may be subject to less rigorous accounting and reporting requirements than U.S. entities, less rigorous regulatory requirements, differing legal systems and laws relating to creditors' rights, the potential inability to enforce legal judgments, fluctuations in currency values and the potential for political, social and economic adversity. The Trust may invest up to 15% of its total assets in investments denominated in OECD currencies (including the euro), other than the U.S. dollar.

The Trust will engage in currency exchange transactions to seek to hedge, as closely as practicable, 100% of the economic impact to the Trust arising from foreign currency fluctuations.

### Prepayment and Extension Risk

Prepayment risk is the risk that principal on a debt obligation may be repaid earlier than anticipated. Loans typically do not have call protection and may be prepaid partially or in full at any time without penalty. If a loan is prepaid, the Trust may be forced to reinvest the proceeds in assets with lower yields than the loan that was repaid. For the Trust's fixed rate investments, prepayment risk is the risk that principal on loan obligations underlying a security may be repaid prior to the stated maturity date, which may reduce the market value of the security and the anticipated yield-to-maturity. Extension risk is the risk that an issuer will exercise its right to repay principal on a fixed rate obligation held by the Trust later than expected, which may decrease the value of the obligation and may prevent the Trust from investing expected repayment proceeds in securities paying yields higher than the yields paid by the securities that were expected to be repaid.

### Ranking of Senior Indebtedness

The rights of lenders to receive payments of interest and repayments of principal of any borrowings made by the Trust under the credit facility program are senior to the rights of holders of Common Shares and Preferred Shares with respect to the payment of dividends or upon liquidation.

### Restrictive Covenants and 1940 Act Restrictions

The credit agreements governing the credit facility program ("Credit Agreements") include usual and customary covenants for this type of transaction, including limits on the Trust's ability to: (i) issue preferred shares; (ii) incur liens

or pledge portfolio securities; (iii) change its investment objective or fundamental investment restrictions without the approval of lenders; (iv) make changes in any of its business objectives, purposes or operations that could result in a material adverse effect; (v) make any changes in its capital structure; (vi) amend the Trust documents in a manner which could adversely affect the rights, interests or obligations of any of the lenders; (vii) engage in any business other than the businesses currently engaged in; (viii) create, incur, assume or permit to exist certain debt except for certain specified types of debt; and (ix) permit any of its Employee Retirement Security Act (“ERISA”) affiliates to cause or permit to occur an event that could result in the imposition of a lien under the Internal Revenue Code of 1986 or ERISA. In addition, the Credit Agreements do not permit the Trust’s asset coverage ratio (as defined in the Credit Agreements) to fall below 300% at any time (“Credit Agreement Asset Coverage Test”).

Under the requirements of the 1940 Act, the Trust must have asset coverage of at least 300% immediately after any borrowing under a credit facility program. For this purpose, asset coverage means the ratio which the value of the total assets of the Trust, less liabilities and indebtedness not represented by senior securities, bears to the aggregate amount of borrowings represented by senior securities issued by the Trust. The Credit Agreements limit the Trust’s ability to pay dividends or make other distributions on the Trust’s Common Shares, or purchase or redeem Common Shares, unless the Trust complies with the Credit Agreement Asset Coverage Test. In addition, the Credit Agreements do not permit the Trust to declare dividends or other distributions or purchase or redeem Common Shares or Preferred Shares: (i) at any time that an event of default under the credit agreement has occurred and is continuing; or (ii) if, after giving effect to such declaration, the Trust would not meet the Credit Agreement Asset Coverage Test set forth in the Credit Agreements.

#### Short-Term Debt Securities

Subject to the aggregate 20% limit on Other Investments, the Trust may invest in short-term debt securities. Short-term debt securities are subject to the risk of the issuer's inability to meet principal and interest payments on the obligation and also may be subject to price volatility due to such factors as interest rates, market perception of the creditworthiness of the issuer, and

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Risk Factors and Special Considerations general market liquidity. Because short-term debt securities typically pay interest at a fixed-rate, when interest rates decline, the value of the Trust's short-term debt securities can be expected to rise, and when interest rates rise, the value of those securities can be expected to decline.

Unsecured Debt Instruments and Subordinated Loans

Subject to the aggregate 20% limit on Other Investments, the Trust may invest up to 20% of its total assets in unsecured floating rate loans, notes and other debt instruments and 5% of its total assets in floating rate subordinated loans. Unsecured loans and subordinated loans share the same credit risks as those discussed under "Credit Risk on Senior Loans" except that unsecured loans are not secured by any collateral of the borrower and subordinated loans are not the most senior debt in a borrower's capital structure. Unsecured loans do not enjoy the security associated with collateralization and may pose a greater risk of nonpayment of interest or loss of principal than do secured loans. The primary additional risk in a subordinated loan is the potential loss in the event of default by the issuer of the loan. Subordinated loans in an insolvency bear an increased share, relative to senior secured lenders, of the ultimate risk that the borrower's assets are insufficient to meet its obligations to its creditors.

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### Transaction Policies

### Net Asset Value

The NAV per Common Share of each class of the Trust is determined each business day as of the close of regular trading (“Market Close”) on the NYSE (normally 4:00 p.m. Eastern time unless otherwise designated by the NYSE). The Trust is open for business every day the NYSE is open. The NYSE is closed on all weekends and on all national holidays and Good Friday. Trust shares will not be priced on those days. The NAV per Common Share of the Trust is calculated by dividing the value of the Trust’s loan assets plus all cash and other assets (including interest accrued but not collected) less all liabilities (including accrued expenses but excluding capital and less the liquidation preference of any outstanding Preferred Shares) by the number of Common Shares outstanding. The NAV per Common Shares is made available for publication.

### Valuation of the Trust’s Assets

The assets in the Trust’s portfolio are valued daily in accordance with the Trust’s Loan Valuation Procedures and the ING Fund Valuation Procedures adopted by the Board. A majority of the Trust’s assets are valued using quotations supplied by a third party loan pricing service. However, the loans in which the Trust invests are not listed on any securities exchange or board of trade. Some loans are traded by institutional investors in an over-the-counter secondary market that has developed in the past several years. This secondary market generally has fewer trades and less liquidity than the secondary markets for other types of securities. Some loans have few or no trades. Accordingly, determinations of the value of loans may be based on infrequent and dated trades. Because there is less reliable, objective market value data available, elements of judgment may play a greater role in valuation of loans than for other types of securities. For further information, see “Risk Factors and Special Considerations — Limited Secondary Market for Loans.”

Loans are normally valued at the mean of the means of one or more bid and asked quotations obtained from a pricing service or other sources believed to be reliable. Loans for which reliable market value quotations are not readily available from a pricing service may be valued with reference to another loan or a group of loans for which reliable market value quotations are readily available and whose characteristics are comparable to the loan being valued. Under this approach, the comparable loan or loans serve as a proxy for changes in value of the loan being valued. The Trust has engaged independent pricing services to provide quotations from dealers in loans and to calculate values under this proxy procedure.

It is expected that most of the loans held by the Trust will be valued with reference to quotations from an independent pricing service or other sources believed to be reliable, or with reference to the proxy procedure described above. The Adviser or Sub-Adviser may believe that the price for a loan derived from quotations or the proxy procedure described above is not reliable or accurate. Among other reasons, this may be the result of information about a particular loan or borrower known to the Adviser or Sub-Adviser that they believe may not be known to the pricing service or reflected in a price quote. In this event, the loan is valued at fair value under procedures approved by the Trust’s Board and in accordance with the provisions of the 1940 Act.

Under these procedures, fair value is determined by the Adviser or Sub-Adviser and monitored by the Trust’s Board through its Compliance Committee. In fair valuing a loan, consideration is given to several factors, which may include, among others, the following:

- the characteristics of and fundamental analytical data relating to the loan, including the cost, size, current interest rate, period until the next interest rate reset, maturity and base lending rate of the loan, the terms and

- conditions of the loan and any related agreements, and the position of the loan in the borrower's debt structure;
- the nature, adequacy and value of the collateral, including the Trust's rights, remedies and interests with respect to the collateral;
  - the creditworthiness of the borrower and the cash flow coverage of outstanding principal and interest, based on an evaluation of its financial condition, financial statements and information about the borrower's business, cash flows, capital structure and future prospects;
  - information relating to the market for the loan, including price quotations for, and trading in, the loan and interests in similar loans and the market environment and investor attitudes toward the loan and interests in similar loans;
  - the reputation and financial condition of the agent of the loan and any intermediate participants in the loans;
  - the borrower's management; and
  - the general economic and market conditions affecting the fair value of the loan.

Securities for which the primary market is a national securities exchange are stated at the last reported sale price on the day of valuation. Securities reported by NASDAQ National Market System will be valued at the NASDAQ Official Closing Price on the valuation day. Debt and equity securities traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at the mean between the last reported bid and asked price as otherwise stated in the ING Fund Valuation Procedures. Valuation of short-term cash equivalent investments is at amortized cost. Securities maturing in 60 days or less are valued at amortized cost which, when combined with accrued interest, approximates market value.

#### Account Access

Unless your Common Shares are held through a third-party fiduciary or in an omnibus registration at your bank or brokerage firm, you may be able to access your account information over

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Transaction Policies the internet at [www.ingfunds.com](http://www.ingfunds.com), or via a touch tone telephone by calling (800) 336-3436. Should you wish to speak with a Shareholder Services Representative, you may call the toll-free number listed above and select Option 2.

Privacy Policy

The Trust has adopted a policy concerning investor privacy. To review the privacy policy, contact a Shareholder Services Representative at (800) 336-3436, obtain a policy over the Internet at [www.ingfunds.com](http://www.ingfunds.com), or see the privacy promise that accompanies this Prospectus.

**Householding**

To reduce expenses, we may mail only one copy of the Trust's Prospectus and each annual and semi-annual shareholder report to those addresses shared by two or more accounts. If you wish to receive individual copies of these documents, please call a Shareholder Services Representative at (800) 336-3436 or speak to your investment professional. We will begin sending you individual copies 30 days after receiving your request.

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questions, please call  
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Investment Management and Other Service Providers

The business and affairs of the Trust, including supervision of the duties performed by the Trust's Adviser and Sub-Adviser, are managed under the direction of the Board. The names and business addresses of the Trustees and Officers of the Trust and their principal occupations and other affiliations during the past five years are set forth under "Management of the Trust " in the SAI.

ADVISER

**ING Investments**, an Arizona limited liability company, serves as the Adviser to the Trust. ING Investments has overall responsibility for the management of the Trust. ING Investments oversees all investment advisory and portfolio management services for the Trust.

The Trust and the Adviser have entered into an investment advisory agreement ("Investment Advisory Agreement") that requires ING Investments to provide all investment advisory and portfolio management services for the Trust. The Investment Advisory Agreement with ING Investments may be canceled by the Board or by the vote of a majority of the outstanding voting securities of the Trust upon 60 days' written notice.

ING Investments is registered with the SEC as an investment adviser. ING Investments is an indirect, wholly-owned subsidiary of ING Groep (NYSE: ING). ING Groep is a global financial institution of Dutch origin offering banking, investments, life insurance and retirement services to over 75 million private, corporate and institutional clients in more than 50 countries. With a diverse workforce of about 125,000 people, ING Groep comprises a broad spectrum of prominent companies that increasingly serve their clients under the ING brand. ING Investments became an investment management firm in April, 1995.

ING Groep has adopted a formal restructuring plan that was approved by the European Commission in November 2009 under which the ING life insurance businesses, including the retirement services and investment management businesses, which include the Adviser and its affiliates, would be divested by ING Groep by the end of 2013. While there can be no assurance that it will be carried out, the restructuring plan presents certain risks, including uncertainty about the effect on the businesses of the ING entities that service the Trust and potential termination of the Trust's existing advisory agreement, which may trigger the need for shareholder approval of new agreements.

The principal office of ING Investments is located at 7337 East Doubletree Ranch Road, Scottsdale, Arizona 85258.

As of March 31, 2010, ING Investments managed approximately \$47.2 billion in assets.

The Adviser bears the expenses of providing the services described above. The Adviser currently receives from the Trust an annual fee, paid monthly, of 0.80% of the Trust's Managed Assets.

For information regarding the basis for the Board's approval of the investment advisory and investment sub-advisory relationships, please refer to the Trust's annual shareholder report dated February 28, 2010.

SUB-ADVISER

ING Investments has engaged a sub-adviser to provide the day-to-day management of the Trust's portfolio. The sub-adviser is an affiliate of ING Investments. ING Investments is responsible for monitoring the investment program and performance of the sub-adviser. Under the terms of the sub-advisory agreement, the agreement can be terminated by either ING Investments or the Board. In the event the sub-advisory agreement is terminated, the sub-adviser may

be replaced subject to any regulatory requirements or ING Investments may assume day-to-day investment management of the Trust.

ING Investment Management Co.

ING IM, a Connecticut corporation, serves as the Sub-Adviser to the Trust. ING IM is responsible for managing the assets of the Trust in accordance with the Trust's investment objective and policies, subject to oversight by ING Investments and the Trust's Board.

Founded in 1972, ING IM is registered with the SEC as an investment adviser. ING IM is an indirect, wholly-owned subsidiary of ING Groep and is an affiliate of ING Investments. ING IM has acted as adviser or sub-adviser to mutual funds since 1994 and has managed institutional accounts since 1972.

The principal office of ING IM is located at 230 Park Avenue, New York, New York, 10169.

As of March 31, 2010, ING IM managed approximately \$60.9 billion in assets.

As required by its charter, each member of the Corporate Responsibility & Governance Committee is independent of the Company, as such term is defined for purposes of the NYSE listing rules and the federal securities laws.

Pursuant to its charter, the Corporate Responsibility & Governance Committee is authorized to obtain advice and assistance from outside advisors and to retain third-party consultants. In addition, it has the sole authority to approve the terms and conditions under which it engages director search firms.

P. Cody Phipps (Chair)

Irene M. Esteves

Susan M. Gianinno

Timothy R. McLevish

Establishes the Company's overall compensation strategy

Establishes the compensation of the Company's chief executive officer, other senior officers and key management employees

Adopts amendments to, and approves terminations of, the Company's employee benefit plans

As required by its charter, each member of the HR Committee is independent of the Company, as such term is defined for purposes of the NYSE listing rules and the federal securities laws.

In addition, in accordance with NYSE listing rules, the Board considered all factors specifically relevant to determining whether a director has a relationship to the Company which is material to that director's ability to be independent from management in connection with the duties of a HR Committee member to affirmatively determine each member of the HR Committee is independent.

Pursuant to its charter, the HR Committee is authorized to obtain advice and assistance from internal or external legal or other advisors and has the sole authority to engage counsel, experts or consultants in matters related to the compensation of the chief executive officer and other executive officers of the Company (with sole authority to approve any such firm's fees and other retention terms).

Prior to selecting or receiving any advice from any committee advisor (other than in-house legal counsel) and on an annual basis thereafter, the HR Committee must assess the independence of such committee advisors in compliance with any applicable NYSE listing rules and the federal securities laws. The HR Committee must also review and approve, in advance, any engagement of any compensation consultant by the Company for any services other than providing advice to the Committee regarding executive officer compensation. The HR Committee engaged Willis Towers Watson in 2018 as its executive compensation consultant to provide objective analysis, advice and recommendations on executive pay in connection with the HR Committee's decision-making process.

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In 2018, in addition to executive compensation consulting services, Willis Towers Watson provided health and welfare consulting, international pension consulting and compensation survey services.

While Willis Towers Watson provides additional services to the Company (not under the direction of the HR Committee), these services have all been approved by the HR Committee. The HR Committee reviewed the work and services provided by Willis Towers Watson and it has determined that (1) these services were provided on an independent basis and (2) no conflicts of interest exist. Factors considered by the HR Committee in its assessment include:

other services provided to the Company by Willis Towers Watson, of which there were none in 2018;

fees paid by the Company as a percentage of Willis Towers Watson's total revenue;

Willis Towers Watson's policies and procedures that are designed to prevent a conflict of interest and maintain independence between the personnel who provide HR services and those who provide other services;

any business or personal relationships between individual consultants involved in the engagement and HR Committee members;

whether any Company stock is owned by individual consultants involved in the engagement; and

any business or personal relationships between our executive officers and Willis Towers Watson or the individual consultants involved in the engagement.

Willis Towers Watson reported directly to the HR Committee and not to management on executive officer and director compensation matters. The Willis Towers Watson teams that provide health and welfare and international pension consulting services to us are separate from the Willis Towers Watson team that provides executive and director compensation consulting services. Management, including the Company's executive officers, develops preliminary recommendations regarding compensation matters with respect to the executive officers, other than the chief executive officer, for HR Committee review. The HR Committee then reviews management's preliminary recommendations and makes final compensation decisions. Willis Towers Watson advised the HR Committee on the compensation levels of the Company's executive officers and provided advice related to proposed compensation.

For 2019, the Chair of the HR Committee, along with the Board, worked with Willis Tower Watson to develop preliminary recommendations regarding compensation with respect to our chief executive officer. The HR Committee then reviewed these recommendations and made the final compensation decisions with respect to the CEO. All compensation decisions approved by the HR Committee are shared with the Board.

The HR Committee, with the assistance of its consultants, has reviewed and evaluated the Company's executive and employee compensation practices and has concluded, based on this review, that any risks associated with such practices are not likely to have a material adverse effect on the Company. The determination primarily took into account the balance of cash and equity payouts, the balance of annual and long-term incentives, the type of performance metrics used, incentive plan payout leverage, avoidance of uncapped rewards, multi-year vesting for equity awards, use of stock ownership requirements for senior management and the HR Committee's oversight of all executive compensation programs. See *Compensation Discussion and Analysis* beginning on page 22 of this proxy statement for further information regarding executive compensation decisions.

## **POLICY ON ATTENDANCE AT STOCKHOLDER MEETINGS**

Directors are expected to attend in person regularly scheduled meetings of stockholders, except when circumstances prevent such attendance. All of the members of the Board attended the Company's 2018 Annual Meeting in person.

## **CORPORATE GOVERNANCE**

### **Governance Highlights**

The Company has a practice of engaging in dialogue with our stockholders about various corporate governance topics. Insights we have gained from these discussions over the years have been helpful to the Board and its committees as they consider and adopt policies and other governance initiatives. In recent years the Company has undertaken a number of governance initiatives including:

Expiration of the stockholders rights plan (poison pill)

Elimination of a classified board

Adoption of majority voting

Elimination of super majority voting

Amendment of bylaws to allow 10% or greater stockholders to call a special meeting

Adoption of a policy regarding the independence of compensation consultants (which is now a part of the HR Committee charter)



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**COMPANY INFORMATION**

Adoption of a clawback policy

Term limits for Board and Committee Chairs (further description on page 18 of this proxy statement)

Adoption of Political Activities Disclosure Policy

Split leadership Non-executive Chairman and Chief Executive Officer

All independent directors except for the CEO

Board compensation heavily weighted toward equity

Stock ownership guidelines for senior officers and directors

As described in *Compensation Discussion and Analysis* beginning on page 22 of this proxy statement, during 2018 the Company continued its practice of engaging with stockholders about various corporate governance topics, including executive compensation. The Company takes into account such feedback when reviewing and revising aspects of its governance structure and the executive compensation program.

**Principles of Corporate Governance**

The Board has adopted a set of *Principles of Corporate Governance* to provide guidelines for the Company and the Board to ensure effective corporate governance. The *Principles of Corporate Governance* cover topics including, but not limited to, director qualification standards, Board and committee composition, director access to management and independent advisors, director orientation and continuing education, director retirement age, succession planning and the annual evaluations of the Board and its committees.

The Corporate Responsibility & Governance Committee is responsible for overseeing and reviewing the *Principles of Corporate Governance* and recommending to the Board any changes to those principles. The full text of the *Principles of Corporate Governance* is available through the Corporate Governance link on the Investors page of the Company's web site at the following address: [www.rrd.com](http://www.rrd.com) and a print copy is available upon request.

**Code of Ethics**

The Company maintains its *Principles of Ethical Business Conduct* and the policies referred to therein which are applicable to all directors and employees of the Company. In addition, the Company has adopted a *Code of Ethics* that applies to the chief executive officer and senior financial officers. The *Principles of Ethical Business Conduct* and the

*Code of Ethics* cover all areas of professional conduct, including, but not limited to, conflicts of interest, disclosure obligations, insider trading and confidential information, as well as compliance with all laws, rules and regulations applicable to our business. The Company strongly encourages all employees, officers and directors to promptly report any violations of any of the Company's policies. In the event that an amendment to, or a waiver from, a provision of the *Code of Ethics* is necessary, the Company intends to post such information on its website. The full text of each of the *Principles of Ethical Business Conduct* and our *Code of Ethics* is available through the Corporate Governance link on the Investors page of the Company's web site at the following address: [www.rrd.com](http://www.rrd.com) and a print copy is available upon request.

### **Independence of Directors**

The Company's *Principles of Corporate Governance* provide that the Board must be composed of a majority of independent directors. No director qualifies as independent unless the Board affirmatively determines that the director has no relationship which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The Board has determined that Messrs. McLevish, Phipps and Pope and Mses. Esteves, Gianinno and Moldafsky are independent in accordance with NYSE requirements and SEC standards. The Board took into account all relevant facts and circumstances in making this determination.

### **Executive Sessions**

The Company's non-management directors meet regularly in executive sessions without management. Executive sessions are led by the chair of the Board. An executive session is held in conjunction with each regularly scheduled Board meeting. Each committee of the Board also meets in executive session without management in conjunction with each regularly scheduled committee meeting and such sessions are led by the committee chair.

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### **COMPANY INFORMATION**

#### **Board Leadership**

The Board has determined that having an independent director serve as chair of the Board is in the best interest of stockholders at this time. The structure ensures a greater role for the independent directors in the oversight of the Company and active participation of the independent directors in setting agendas and establishing priorities and procedures for the work of the Board. Based on these factors, the Board believes this is the right model for the Company at this time. The Board periodically reviews its leadership structure. The Board's *Principles of Corporate Governance* provide that, generally, no director may serve as chair of the Board or any committee for more than three years, provided that the Corporate Responsibility & Governance Committee may recommend to the Board, and the Board may approve, a single extension of the term of a chair of the Board or any committee for an additional three years once the chair's initial three-year term has ended and the Corporate Responsibility & Governance Committee may recommend to the Board, and the Board may approve, extending the term of the chair of the Board or any committee beyond six years if it deems such an extension to be in the best interest of the stockholders and the Company. In addition, service as a chair of the Board or any committee prior to the 2014 Annual Meeting shall not be considered for purposes of this limitation.

#### **Board and Committee Evaluations**

The Board undertakes a three part annual evaluation process that is coordinated by the chair of the Corporate Responsibility & Governance Committee which includes: (1) Board and committee self-evaluations; (2) evaluations completed by applicable members of management of the Board and its committees; and (3) interviews of each director conducted by a third-party governance expert. Results of the individual written evaluations are shared with the chair of the Corporate Responsibility & Governance Committee, the chair of the Board and the Chief Executive Officer, after which it is determined whether discussions with any individual director concerning performance are necessary. Results are then shared with the chairs of the applicable committees before being sent to the Board and each committee for their review. The Board has used information provided through the evaluation process to continuously improve its functioning.

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

The Board is actively involved in oversight of risks inherent in the operation of the Company's businesses and the implementation of its strategic plan. The Board performs this oversight role by using several different levels of review. In connection with its reviews of the operations of the Company's business units and corporate functions, the Board addresses the primary risks associated with those units and functions, including IT and cybersecurity risks. In addition, the Board reviews the key risks associated with the Company's strategic plan annually and regularly throughout the year as part of its consideration of the strategic direction of the Company as well as reviewing the output of the Company's risk management process each year.

The Board has delegated to the Audit Committee oversight of the Company's risk management process. Among its duties, the Audit Committee reviews with management (a) Company policies with respect to risk assessment and

management of risks that may be material to the Company, (b) the Company's system of disclosure controls and system of internal controls over financial reporting, and (c) the Company's compliance with legal and regulatory requirements, provided that starting in 2018, the Board oversees IT and cyber security risks.

Each of the other Board committees also oversees the management of Company risks that fall within such committee's areas of responsibility. In performing this function, each committee has full access to management, as well as the ability to engage advisors, and each committee reports back to the full Board. The Audit Committee oversees risks related to the Company's financial statements, the financial reporting process, other financial matters, certain compliance issues and accounting and legal matters. The Audit Committee, along with the Corporate Responsibility & Governance Committee, is also responsible for reviewing certain major legislative and regulatory developments that could materially impact the Company's contingent liabilities and risks. The Corporate Responsibility & Governance Committee also oversees risks related to the Company's governance structure and processes, related person transactions, certain compliance issues and Board and committee structure to ensure appropriate oversight of risk. The HR Committee considers risks related to the attraction and retention of key management and employees and risks relating to the design of compensation programs and arrangements, as well as developmental and succession planning for possible successors to the position of chief executive officer and planning for other key senior management positions.

### **Nomination of Directors**

It is the policy of the Corporate Responsibility & Governance Committee to consider candidates for director recommended by stockholders. In order to recommend a candidate, stockholders must submit the individual's name and qualifications in writing to the committee (in care of the Secretary at the Company's principal executive offices at 35 West Wacker Drive, 36<sup>th</sup> Floor, Chicago, Illinois 60601) and otherwise in accordance with the procedures outlined under *Submitting Stockholder Proposals and Nominations for 2020 Annual Meeting* on page 54 of this proxy statement. The committee evaluates candidates recommended for director by stockholders in the same

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**COMPANY INFORMATION**

way that it evaluates any other candidate. The committee also considers candidates recommended by management and members of the Board as well as nominees recommended by stockholders.

In identifying and evaluating nominees for director, the committee takes into account the applicable requirements for directors under the listing rules of the NYSE. In addition, the committee considers other criteria as it deems appropriate and which may vary over time depending on the Board's needs, including certain core competencies and other criteria such as the personal and professional qualities, experience and education of the nominees, as well as the mix of skills and experience on the Board prior to and after the addition of the nominees. Although not part of any formal policy, the goal of the committee is a balanced and diverse Board, with members whose skills, viewpoint, background and experience complement each other and, together, contribute to the Board's effectiveness as a whole.

The Corporate Responsibility & Governance Committee from time to time has engaged third-party search firms to identify candidates for director, and has used search firms to do preliminary interviews and background and reference reviews of prospective candidates.

**Communications with the Board of Directors**

The Board has established procedures for stockholders and other interested parties to communicate with the Board. A stockholder or other interested party may contact the Board by writing to the chair of the Corporate Responsibility & Governance Committee or the other non-management members of the Board to their attention at the Company's principal executive offices at 35 West Wacker Drive, 36<sup>th</sup> Floor, Chicago, Illinois 60601. Any stockholder must include the number of shares of the Company's common stock he or she holds and any interested party must detail his or her relationship with the Company in any communication to the Board. Communications received in writing are distributed to the chair of the Corporate Responsibility & Governance Committee or non-management directors of the Board as a group, as appropriate, unless such communications are considered, in the reasonable judgment of the Company's Secretary, improper for submission to the intended recipient(s). Examples of communications that would be considered improper for submission include, without limitation, customer complaints, solicitations, communications that do not relate directly or indirectly to the Company or the Company's business or communications that relate to improper or irrelevant topics.

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Except as noted below, the table below lists the beneficial ownership of common stock as of March 29, 2019 by all directors and nominees, each of the persons named in the tables in the *Executive Compensation* section of this proxy statement, and the directors and executive officers as a group. The table also lists all institutions and individuals known to hold more than 5% of the Company's common stock, which information has been obtained from filings pursuant to Sections 13(d) and (g) of the Exchange Act. Except as otherwise indicated below, each of the entities or persons named in the table has sole voting and investment power with respect to all common stock beneficially owned set forth opposite their name. Unless otherwise indicated, the percentages shown are based on outstanding shares of common stock as of March 29, 2019. Unless otherwise indicated, the business address of each stockholder listed below is RRD, 35 West Wacker Drive, 36<sup>th</sup> Floor, Chicago, Illinois 60601.

**BENEFICIAL STOCK OWNERSHIP OF DIRECTORS, EXECUTIVES AND LARGE STOCKHOLDERS**

Name	Shares	Stock		Total Shares	Total Shares <sup>(2)</sup>	% of Total Outstanding
		Restricted Share Units <sup>(1)</sup>	Exercisable on or Prior to 5/31/19			
Irene M. Esteves		30,086		30,086		*
Susan M. Gianinno	22,789	35,757		58,546	22,789	*
Timothy R. McLevish	20,016	34,566		54,582	20,016	*
Jamie Moldafsky		34,566		34,566		*
P. Cody Phipps		34,566		34,566		*
John C. Pope <sup>(3)</sup>	48,196	108,646		156,662	48,196	*
Daniel L. Knotts	383,249		51,166	383,249	434,413	*
Ken O'Brien	91,530			91,530	91,530	*
John P. Pecaric	54,919			54,919	54,919	*
Terry D. Peterson	66,873			66,873	66,873	*
Douglas Ryan	17,412			17,412	17,412	*
All directors and executive officers as a group	793,312	278,187	51,166	982,991	756,150	*
BlackRock Inc. <sup>(4)</sup>	11,582,063			11,582,063	11,582,063	16.3%
Capital World Investors <sup>(5)</sup>	5,631,489			5,631,489	5,631,489	7.9%
The Vanguard Group <sup>(6)</sup>	5,487,924			5,487,924	5,487,924	7.7%

\* Less than one percent.

(1) Includes all outside director restricted share units as such restricted share units are payable in shares of common stock or cash, as determined by the Company, upon termination from the Board of Directors. Includes only those executive officer restricted share units that will vest prior to May 31, 2019.

- (2) Does not include outside director restricted share units because ownership of the units does not confer any right to ownership of the underlying shares.
- (3) Includes 121,196 shares held in trust for Mr. Pope pursuant to a deferred compensation plan.
- (4) Represents shares of RRD's common stock beneficially owned as of December 31, 2018 based on the Schedule 13G/A filed on January 31 2019 by BlackRock Inc. ( BlackRock ). In such filing, BlackRock lists its principal business address at 55 East 52nd Street, New York, New York 10055 and indicates that it has sole investment authority over all shares and sole voting authority over 11,364,772 shares.

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**STOCK OWNERSHIP**

- (5) Represents shares of RRD's common stock beneficially owned as of December 31, 2018 based on the Schedule 13G filed on February 14, 2019 by Capital World Investors ( "Capital World" ). In such filing, Capital World lists its principal business address as 333 South Hope Street, Los Angeles, California 90071 and indicates that it has sole investment authority and sole voting authority over all shares. Capital World is a division of Capital Research and Management Company.
- (6) Represents shares of RRD's common stock beneficially owned as of December 31, 2018 based on the Schedule 13G/A filed on February 12, 2019 by The Vanguard Group ( "Vanguard" ). In such filing, Vanguard lists its principal business address as 100 Vanguard Blvd., Malvern, Pennsylvania 19355 and indicates that it has sole investment authority over 5,389,121 shares, shared investment authority over 98,803 shares, sole voting authority over 80,473 shares and shared voting authority over 36,188 shares. Beneficial ownership includes 62,615 shares for which Vanguard Fiduciary Trust Company ( "VFTC" ), a wholly-owned subsidiary of Vanguard, is the beneficial owner as a result of serving as investment manager of collective trust accounts. VFTC directs voting of these shares. Beneficial ownership also includes 54,046 shares for which Vanguard Investments Australia, a wholly-owned subsidiary of Vanguard, is the beneficial owner as a result of its serving as investment manager of Australian investment offerings.

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This Compensation Discussion & Analysis (this CD&A ) will describe the material components of the executive compensation program applicable to our named executive officers (our NEOs ). While the discussion in the CD&A is focused on our NEOs, many of our executive compensation programs apply broadly across our executive ranks.

Our NEOs for the fiscal year ended December 31, 2018 were:

Daniel L. Knotts, our President and Chief Executive Officer and a member of the Board of Directors;

Terry D. Peterson, our Executive Vice President, Chief Financial Officer;

Ken O'Brien, our Executive Vice President, Chief Information Officer;

John P. Pecaric, our President, RRD Business Services; and

Douglas Ryan, our President, RRD Marketing Solutions.

## **EXECUTIVE SUMMARY**

### **2018 Performance Overview**

2018 marked our second complete fiscal year as a new R. R. Donnelley. Following the spin-off of Donnelly Financial and LSC Communications in October 2016, we became a new company, with a new board of directors, a new management team, a new strategy and (significantly) a new capital structure.

Following a year focused on rebuilding RRD after the spin-offs, we continued to advance our strategy of becoming the preeminent provider of multichannel business services and marketing communications in 2018. Key operational highlights included our:

organizational realignment into two operating segments — marketing solutions and business services;

continued extension of our capabilities as a multichannel business services and marketing communications provider with the introduction of new products such as:

SuperDoc web statement enhancement, which enables companies to digitally communicate account and other information to their customers;

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a new voice assistant delivery solution, which enables clients to communicate with their customers via Alexa and Google Voice;

Acuity by RRD, a predictive testing program that enables marketers to predict direct mail performance and validate campaigns pre-production, at a fraction of the price and time; and

continued optimization of our business portfolio, as demonstrated with the third quarter sale of our Print Logistics business; and

reaffirmation of our position as a market-leading provider of mission-critical client-services by securing the \$115 million US Census contract for production in 2019 and 2020.

Our focus on operational excellence, both through strategic, growth and efficiency initiatives, drove our financial results amidst headwinds from ongoing secular pressure in several of our businesses, labor and materials inflation, and the adverse impact of the 2017 Tax Act, which created one-time tax charges, additional tax payments in 2018, and significantly reduced the deductibility of our interest payments and our resulting net income and operating cash flows. Key financial highlights include:

organic sales growth for the second consecutive year of 1.1%<sup>(1)</sup>, our highest annual organic growth rate since 2014;

generation of \$200 million of operating cash flow and a \$115 million reduction, or 6.3%, of our net debt outstanding<sup>(1)</sup>;

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**COMPENSATION DISCUSSION & ANALYSIS**

non-GAAP adjusted income from operations of \$244 million and non-GAAP adjusted diluted earnings per share of \$0.70<sup>(1)</sup>;

While advancing our strategy and focusing on operational excellence, we also took actions to strengthen our balance sheet with the sale of property in our European business, the announcement of a pending sale of building and land rights in our Asia business, and the sale of our Print Logistics business. In addition to these transactions, we secured \$550 million term loan B financing that allowed us to significantly improve our near term debt profile.

**2018 Compensation Highlights**

The table below sets forth the key decisions that impacted the compensation of our NEOs in 2018. These decisions were made by our HR Committee and were guided by our compensation philosophy, our actual performance, market pay practices and advice from our independent outside compensation consultant.

**Key 2018  
Compensation  
Decisions**

**Base Salary**

All of the NEOs, excluding Mr. Ryan, received base salary adjustments, with increases ranging from 3% to 5%. Mr. Ryan was not eligible given his 4<sup>th</sup> quarter 2017 hire date. See page 26 for details.

**Annual Incentive Plan**

Payouts under our AIP were driven by two components – a corporate financial target of achieving non-GAAP Adjusted Income from Operations of \$269.9 million and meeting individual personal performance goals. For 2018, the Company achieved a non-GAAP Adjusted Income from Operations of \$243.8 million. All of the NEOs met their individual performance goals under the AIP with the exception of Mr. Pecaric who missed on one of his metrics. Mr. Ryan received a guaranteed bonus payment based on his employment agreement.

**Long-Term Incentive Plan**

For equity grants made under our long-term incentive plan in 2018, continuing to more closely align NEO compensation with the interests of our stockholders, the HR Committee issued long-term incentive awards of which 50% were granted as performance stock units ( PSUs ) and the remaining 50% were granted as restricted stock units ( RSUs ). The RSUs issued in March 2018 vest over a three year period while the PSUs have a three year performance period which measures the Company s performance against pre-determined cumulative free cash flow.

### **Stockholder Feedback on Pay Programs**

In 2018, we continued our practice of engaging with stockholders about various corporate governance topics including executive compensation. Telephonic meetings were held or offered with significant institutional investors to, among other things, gather additional feedback on our compensation programs. In general, the feedback received from stockholders during these meetings with regard to executive compensation was positive and RRD received 91.7% vote in support of its executive compensation programs in the 2018 Say-on-Pay advisory vote.

Based on our stockholder engagement feedback, as well as our strong Say-on-Pay advisory vote results, we believe our overall executive compensation program was well received by our stockholders as it is tailored to our business strategies, aligned with our pay for performance philosophy and to designed to create long-term value for stockholders.

## **COMPENSATION PROGRAM DESIGN**

### **Compensation Philosophy**

Our executive compensation program is designed to align the interests of our stockholders and executive officers while providing a total compensation package that enables us to attract talent, reward existing talent for past performance and motivate future performance. The HR Committee seeks to ensure that the compensation of our executive officers is tied to the achievement of both short-term and long-term performance objectives intended to drive stockholder value.

(1) Our financial performance targets and results under our incentive plans are sometimes based on non-GAAP financial measures which may be further adjusted as permitted by those plans and approved by the HR Committee. These metrics and the related performance targets are relevant only to our executive compensation program and should not be used or applied in other contexts. Please see Appendix A on page A-1 for a reconciliation of GAAP to non-GAAP amounts.

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**COMPENSATION DISCUSSION & ANALYSIS**

As a result, our compensation philosophy is guided by four principles:

**Market Competitive** Provide target compensation levels that are competitive within the industries and markets in which we compete for executive talent

**Performance Driven** Structure incentive plans so that executives share in successes and challenges by varying compensation from target levels based on achievement of performance objectives aligned with our annual and multi-year strategy

**Balanced** Link pay to performance by making a substantial percentage of total executive compensation variable, or at risk through an appropriate balance of annual and long-term incentive awards

**Stockholder Focused** Align a significant portion of executive pay with long-term stockholder interests through equity awards and stock ownership requirements

**Best Practices**

Our compensation philosophy and the resulting compensation programs incorporate the following best practices:

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**Clawback Policy**

Awards granted under our cash incentive plans, stock option grants and performance shares or other performance-based awards are subject to forfeiture in the case of fraud or intentional misconduct by any executive officer which results in a material restatement of the Company's financial statements. Also, commencing in April 2019, the Company's clawback policy also extends to time-based restricted stock units and applies in cases where fraud has been determined to have occurred, even in the absence of a restatement.

**No Tax Gross-Ups**

No NEO is entitled to receive gross-ups for excise taxes or gross-ups on any supplemental benefits or perquisites.

**No Dividends or Dividend Equivalents**

We do not pay or accrue for dividends on performance share units or restricted share units.

**Limited Perquisites**

We provide limited perquisites to executive officers.

**Stock Ownership Guidelines**

We have meaningful stock ownership guidelines for the executive officers to further strengthen the alignment of management and stockholder interests.

**No Repricing**

Our equity plans do not permit option repricing or option grants below fair market value.

**Risk Management**

Employees, directors and certain of their immediate family members are prohibited from pledging, short sales, trading in publicly traded options, puts or calls, hedging or similar transactions with respect to our stock.

**Annual Compensation Review**

The HR Committee conducts an annual review of the executive compensation program to determine how well actual compensation targets and levels meet our overall philosophy and targeted objectives in comparison to both market data and, where available, peer group data.

**Peer Group**

On an annual basis, the HR Committee directs Willis Towers Watson ( WTW ) to review the Company s compensation peer group. Our 2018 peer group consists of the following 22 companies:

Alliance Data Systems Corporation	Automatic Data Processing, Inc.	Avery Dennison Corporation
Bemis Company, Inc.	Domtar Corporation	Essendant, Inc.
Expeditors International of Washington, Inc.	Fidelity National Information Services, Inc.	First Data Corporation
Fiserv, Inc.	Graphic Packaging Holding Company	Hub Group Inc.
News Corporation	Packaging Corporation of America	Pitney Bowes Inc.
Quad/Graphics, Inc.	Sealed Air Corporation	Sonoco Products Co.
The Interpublic Group of Companies, Inc.	Thomson Reuters Corporation	Veritiv Corporation
Xerox Corporation		

For 2018, CH Robinson Worldwide Inc., WestRock Company and XPO Logistics, Inc. were removed from our peer group due to acquisition activity that is expected to result in revenue far exceeding RRD s revenue. Also, Veritiv Corporation, Domtar Corporation and Xerox Corporation were added to our peer group, as these three companies are a good fit when considering industry and revenue.

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**COMPENSATION DISCUSSION & ANALYSIS**

Based on the assessment of both our peer group and market data, each year the HR Committee determines whether the overall executive compensation program is consistent with our business strategy and objectives and promotes RRD's compensation philosophy. In general, compensation levels for our NEOs are targeted at the 50<sup>th</sup> percentile of target market and peer group data, but the HR committee also takes into account the performance, experience, skills, level of responsibility and future potential of each NEO rather than adhering to a specific benchmarked percentage for any of our NEOs.

**2018 COMPENSATION DETAIL**

The table below sets forth the elements of our 2018 compensation program for our NEOs.

<b>Component</b>	<b>Description/Rationale</b>	<b>Key Characteristics</b>
Base Salary	Fixed component of pay	Level of responsibility
<i>(See Base Salary on page 26)</i>		
	Stable compensation element	Role, responsibilities, experience and individual performance
		Skills and future potential
		Median of market and peer group data
Annual Incentive Plan	Variable at-risk cash bonus plan	Corporate financial targets are set by the HR Committee at the start of the year
<i>(See Annual Incentive Plan on page 26)</i>		
	Target amount of bonus is determined as a percentage of the individual's base salary	Individual performance goals are set by each NEO in conjunction with his or her manager and are approved by the HR Committee
	Rewards achievement against specific, pre-set annual corporate financial and individual performance goals	



Long-Term Incentive Plan	Subject to a payout which ranges from 0% to 200% of target, with no payout for performance below 80% of the corporate financial target	Award values are determined based on
(See <i>Long-Term Incentive Plan</i> on page 27)	Variable <del>and</del> risk compensation which link awards to RRD s performance to increase alignment with stockholders through the use of PSUs and RSUs	Level of responsibility
	Key component to attract and retain executive officers	Individual skills, experience and performance
	Annual value intended to be a substantial component of overall compensation package for each NEO	Median of peer group and market survey data
		PSUs are tied to achievement of selected financial measures over a three-year performance period and payout can range from 0% to 150%
		RSUs are time-vested over a 3 year vesting period.

**Table of Contents****COMPENSATION DISCUSSION & ANALYSIS**

The compensation program for our NEOs is primarily focused on incentive compensation, putting a significant portion of total compensation at risk. Consistent with our philosophy of aligning the compensation of our executive officers with creating long-term value for our stockholders, heaviest weighting is on long-term incentive compensation. The mix of fixed versus variable compensation at target for our NEOs for 2018 was as follows.

***Base Salary***

In 2018, the base salaries of our NEOs were adjusted in fiscal year 2018, effective April 1, 2018, as Set for the below. In determining such increases the HR Committee, with guidance from our compensation consultant, considered each NEO's then-current base salary against the base salaries of executives in similar positions in our peer group, market data, and each NEO's individual performance, experience, skills, levels of responsibility and future potential.

<b>Name</b>	<b>December 31, 2017</b>	<b>December 31, 2018</b>	<b>Percent Change</b>
Daniel L. Knotts	\$ 950,000	\$ 978,500	3%
Terry D. Peterson	\$ 550,000	\$ 575,000	5%
Kenneth O Brien	\$ 460,000	\$ 475,000	3%
John P. Pecaric	\$ 475,000	\$ 500,000	5%
Douglas Ryan	\$ 550,000	\$ 550,000	0%

***Annual Incentive Plan***

Consistent with our compensation philosophy, the HR Committee sets the corporate financial target under the AIP for 2018 with the goal of motivating our executive team to meet operational and financial targets to enhance long-term stockholder value. The targets, along with individual performance goals, are set by the HR Committee at the beginning of the year following the presentation of the annual operating budget.

The minimum and maximum payout levels range from 0% to 200% of target, with no payout for performance below 80% of the corporate financial target. NEOs do not receive a payout for achievement of individual performance goals unless the threshold corporate financial target is achieved. Thereafter, individual performance goals can only modify an NEO's AIP payout downward if these individual performance goals are not achieved.

The corporate financial target under the AIP for 2018 was non-GAAP Adjusted Income from Operations. Adjusted Income from Operations is defined as Income from Operations adjusted for specified items including, for example, restructuring and impairment charges, business acquisitions and divestitures and the adoption of new accounting principles. The Company changed the corporate financial target in 2018 from non-GAAP adjusted EBITDA because the Company believes that Adjusted Income from Operations considers the complete operating profitability taking into consideration capital investment actions and is better aligned to how business

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**COMPENSATION DISCUSSION & ANALYSIS**

results are presented to stockholders. The non-GAAP adjusted Income from Operations target for 2018 was initially set at \$278.7 million but was subsequently adjusted to \$269.9 million to reflect the impact of the sale of our Print Logistics business. This initial performance level was set by the HR Committee at the beginning of the year after thorough discussion with management regarding the Company's forecasted performance, and was a challenging goal.

The table below sets forth a description of these targets, as well as 2018 achievement levels.

Target	Metric	Achievement
Corporate Financial Target	Adjusted Income from Operations of \$269.9 million at target	Adjusted Income from Operations was \$243.8 million  Resulted in an achievement level of 61.4%
Individual Performance Goals	Individual performance goals for our NEOs included achievement of working capital targets, productivity and safety targets, and completion of key strategic initiatives	Most of the NEOs met their individual performance goals under the AIP, as described in the prior row, resulting in no change to the AIP payout percentage of 61.4% based on the corporate financial target. Mr. Pecaric had a slight miss on one of his goals, resulting in an overall payout to [ILLEGIBLE] of 58.8%. Mr. Ryan received a guaranteed bonus payment for 2018 based on his employment agreement.

The AIP percentages and actual 2018 payouts based on the performance described above are shown in the table below:

Name	AIP Target (%)	AIP Payout at Target	Actual Payout (\$)

		(\$)	
Daniel L. Knotts	125%	1,223,125	750,999
Terry D. Peterson	80%	460,000	282,440
Kenneth O Brien	80%	380,000	233,320
John P. Pecaric	80%	400,000	235,285
Doug Ryan			(1)
	80%	440,000	308,000

(1) Payment to Mr. Ryan based on guaranteed first year bonus payout of 70% of payout target.

### *Long-Term Incentive Plan*

In 2018, the HR Committee granted both PSUs and RSUs to our NEOs under the Company's 2017 Performance Incentive Plan with the objective of the RSU grants being retention of key executives and the objective of the PSUs being to more closely align the interests of our NEOs with that of our stockholders. PSUs made up 50% of each grant while RSUs made up the remaining 50% to each NEO who received a grant in 2018. The RSUs issued vest over a three year period. Grants of RSUs and PSUs are made to our NEOs in accordance with a practice of on-going annual grants and were made based on a review by the HR Committee, with guidance from our composition consultant, of grants products executives in similar positions in our peer group, market data, and each NEO's individual performance, experience, skills, level of responsibility and future potential.

The PSUs have a three year performance period which measures the Company's performance against pre-determined cumulative free cash flow targets. Cumulative free cash flow is defined as cash flow from continuing operations less capital expenditures and certain other adjustments. We continue to use cumulative free cash flow as a metric because we believe it appropriately aligns our executive's focus on improving our balance sheet flexibility with investing in our business to drive profitable growth. PSUs can pay out at a range from 0% to 150% of target with no shares earned for performance below 75% of target.

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In 2018, the HR Committee approved the following grants to our NEOs under our long-term incentive program:

Name	Grant (# of PSUs)	Grant (# of RSUs)
Daniel L. Knotts	332,871	332,871
Terry D. Peterson	79,750	79,750
Kenneth O Brien	34,587	34,587
John P. Pecaric	55,478	55,478
Doug Ryan	38,141	38,141

***Additional Compensation***

Mr. Ryan received an additional cash award which was granted in connection with his hiring in 2017 for which he received payment in the first quarter of 2018.

***Benefit Programs***

The Company's benefit programs were established based upon an assessment of competitive market factors and a determination of what was needed to retain high-caliber executives. For 2018, our primary benefits for executives included participation in broad-based plans at the same benefit levels as other employees. These plans included: retirement plans, savings plans, health and dental plans and various insurance plans, including disability and life insurance. In addition, certain executives, including certain of our NEOs, are provided with the following benefits:

*Supplemental Retirement Plan:* A supplemental retirement plan is offered to eligible executives, which is described under *Pension Benefits* beginning on page 37 of this proxy statement. This supplemental retirement plan no longer provides benefit accruals because the underlying pension plan to which it relates was frozen as of December 31, 2011. Prior to that, the supplemental retirement plan took into account compensation above limits imposed by the tax laws and was similar to programs found at many of the companies with which we competed for talent. Prior to December 31, 2011, this benefit was available to all highly paid executives within RRD, including our NEOs. As of December 31, 2018 approximately 39,500 (active and inactive) employees were covered by this plan.

*Pension Plan:* Because RRD froze its Qualified Retirement Plans (pension plan) as of December 31, 2011, generally no additional benefits will accrue under such plans or the related supplemental retirement plan.

*Supplemental Insurance:* Additional life and disability insurance is provided to enhance the value of our overall compensation program. The premium cost for these additional benefits is included as taxable income for the NEOs and there is no tax gross-up on this benefit.

*Deferred Compensation Plan:* The opportunity to defer receiving income and therefore defer taxation on that income, generally until either a number of years chosen by the executive or termination of employment with RRD.

*Financial Counseling:* Reimbursement of expenses for financial counseling to provide executives with access to an independent financial advisor of their choice. The cost of these services, if utilized, was included as taxable income for the NEO and there was no tax gross-up on this benefit.

*Automobile Program:* A monthly automobile allowance which provided eligible executives with an opportunity to use their car for both business and personal use in an efficient manner. This allowance was included as taxable income to the respective NEOs and there was no tax gross-up on this benefit.

*Executive Physical:* Provides for a medical physical examination once per year, including consultations with specialists, dieticians and physiologists, as needed.

#### **EMPLOYMENT ARRANGEMENTS**

Each of our NEOs entered into an employment agreement with RRD in connection with the assumption of his or her position. Each employment agreement sets forth, among other things, the NEO's base salary, target annual bonus opportunity, entitlement to participate in the Company's benefit plans, equity awards, certain perquisites and provisions with respect to certain payments and other benefits upon termination of employment under certain circumstances (such as an involuntary separation from service, as set forth in the respective employment agreement). Mr. Knotts is also entitled to enhanced benefits in the event he is terminated without cause or terminates employment for good reason in connection with a change in control (each as defined in the applicable employment agreement). Please see *Potential Payments Upon a Termination or Change in Control* beginning on page 39 of this proxy statement for a description of such provisions. As further described below in *Changes to the Company Compensation Program after Fiscal Year End*, in February 2019, the Company entered into new arrangements with the NEOs other than Mr. Knotts.

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**COMPENSATION DISCUSSION & ANALYSIS**

**CERTAIN OTHER POLICIES**

**Operation of the Human Resources Committee**

The HR Committee establishes and monitors RRD's overall compensation strategy to ensure that our executive compensation program supports our business objectives and specifically establishes the compensation of the CEO, other senior officers and key management employees.

The HR Committee, with the assistance of WTW, works to analyze competitive market data to determine appropriate base salary levels, annual incentive target levels, and long-term incentive target levels for our executives. In conducting market comparisons, the HR Committee seeks to establish compensation levels that approximate the median of the applicable surveys and peer group. The CEO is not a member of the HR Committee and does not vote on matters concerning executive pay.

With respect to our CEO's pay, the HR Committee conducts an annual performance assessment of the CEO and determines appropriate adjustments to all elements of his pay based on his individual performance and the Company's performance.

For the other executive officers, the CEO makes recommendations to the HR Committee for all elements of pay based on individual performance, market data from our peer group and published survey data. The HR Committee reviews, discusses, modifies, and approves, as appropriate, these recommendations.

The diagram below summarizes the HR Committee's annual process for setting executive pay, which begins in July and concludes the following February.

July	<i>Review and discuss timeline for setting executive pay</i>
October	<i>Review market competitive data including applicable compensation surveys and peer comparisons</i>
January	<i>Evaluate overall executive pay program</i>
	Review proposed annual incentive plan design
	Review proposed long-term incentive designs
February	<i>Finalize executive pay</i>
	Review performance results for prior year and approve payouts of prior long-term incentive grants
	Review the Company's fiscal budget plan
	Approve executive base salaries and annual incentive targets and designs



Approve long-term incentive target and designs

At each of its regularly scheduled meetings throughout the year, the HR Committee reviews the Company's performance under outstanding annual and long-term incentive plans.

### **Role of the Compensation Consultant**

Compensation of executive officers was overseen by the HR Committee, which engaged WTW as its executive compensation consultant to provide objective analysis, advice and recommendations on executive officer compensation and related matters in connection with the HR Committee's decision-making process. WTW regularly attended HR Committee meetings, and reported directly to the HR Committee, not to management, on matters relating to compensation for the executive officers.

WTW provided additional services to RRD not under the direction of the HR Committee, which services were pre-approved by the HR Committee. The HR Committee reviewed the work and services provided by WTW and it determined that (a) such services were provided on an independent basis and (b) no conflicts of interest existed. Factors considered by the HR Committee in its assessment include:

1. Other services provided to the Company by WTW;
2. Fees paid by the Company as a percentage of WTW's total revenue;
3. WTW's policies and procedures that are designed to prevent a conflict of interest and maintain independence between the personnel who provide HR services and those who provide these other services;
4. Any business or personal relationships between individual consultants involved in the engagement and HR Committee members;
5. Whether any stock of RRD is owned by individual consultants involved in the engagement; and
6. Any business or personal relationships between the Company's executive officers and WTW or the individual consultants involved in the engagement.

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**COMPENSATION DISCUSSION & ANALYSIS**

**Role of Management**

Management, including the CEO and other executive officers, developed preliminary recommendations regarding compensation matters with respect to all executive officers other than the CEO, and provided these recommendations to the HR Committee. The HR Committee then reviewed management's preliminary recommendations and made final compensation decisions, with advice from WTW, as appropriate. The management team was responsible for the administration of the compensation programs once the HR Committee's decisions were finalized.

**Risk Assessment**

In 2018, the HR Committee, with the assistance of WTW, reviewed and evaluated our executive and employee compensation practices and concluded, based on this review, that any risks associated with such practices are not likely to have a material adverse effect on the Company. The determination primarily took into account the balance of cash and equity payouts, the balance of annual and long-term incentives, the type of performance metrics used, incentive plan payout leverage, possibility that the plan designs could be structured in ways that might encourage gamesmanship, avoidance of uncapped rewards, multi-year vesting for equity awards, use of stock ownership requirements for senior management and the HR Committee's oversight of all executive compensation programs.

**Tax Deductibility Policy**

Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code) generally limits to \$1 million annually the federal income tax deduction that a publicly held corporation like RRD may claim for compensation payable to certain of its respective current and former executive officers, but that deduction limitation historically did not apply to performance-based compensation that met certain requirements. As part of Tax Cuts and Jobs Act of 2017, Section 162(m) of the Code was amended, effective for taxable years beginning after December 31, 2017, to expand the scope of executive officers subject to the deduction limitation and also to eliminate the performance-based compensation exception, though the exception generally continues to be available on a grandfathered basis to compensation payable under a written binding contract in effect on November 2, 2017 (which has not been subsequently materially amended).

The HR Committee considered the deductibility of compensation for the Company's federal income tax purposes in the design of our programs. In determining compensation for our executive officers, the HR Committee generally considers the extent to which the compensation is deductible, including the effect of Section 162(m) of the Code. In prior years, the HR Committee generally sought to structure some of our executive compensation awards and payments so that they qualified as performance-based compensation exempt from the Section 162(m) of the Code deduction limitation where doing so was consistent with RRD's compensation objectives, but, at the same time, it reserved the right to award nondeductible compensation. The HR Committee continues to evaluate the changes to Section 162(m) of the Code and their significance to RRD's compensation program, but in any event the HR Committee will continue to focus on and prioritize its primary goals of structuring compensation programs to attract, motivate and retain executives as well as ensuring that pay aligns with performance and is in the best interests of RRD.

and its stockholders. Accordingly, achieving these goals may have resulted (and may continue to result, in light of the recent changes in law) in compensation that, in certain cases, is not deductible for federal income tax purposes. The HR Committee did not make significant changes to RRD's executive compensation program for 2018 in response to the changes to Section 162(m) of the Code.

### **Stock Ownership Guidelines**

The HR Committee has established stock ownership guidelines for all NEOs and certain other executives. Consistent with our compensation philosophy, these guidelines are designed to require the Company's executives to have a meaningful equity ownership in RRD, and thereby link their interests with those of our stockholders. These stock ownership guidelines provide that within three years of hire or promotion, all of our NEOs, other than our CEO, must own and retain Company capital stock having a fair market value of 3x their salary and that our CEO must own and retain Company capital stock having a fair market value of 5x his salary. In the event a NEO does not achieve or make progress toward the required stock ownership level, the HR Committee has the discretion to take appropriate action. As of March 31, 2019, all of our NEOs had made appropriate progress toward their ownership guidelines.

### **Changes to the Company Compensation Program Following Fiscal Year End**

In February 2019, the Company entered into with each of its executive officers, including each of the NEOs (other than Mr. Knotts), restated employment letters. Under the terms of the restated employment letters, each of the NEOs (other than Mr. Knotts) is eligible to receive severance under the terms of the R. R. Donnelley Senior Leadership Separation Pay Plan (the "SLSPP") (as further described below), provided that the form and amount of severance will be determined by the applicable provisions of the executive's Change in Control Agreement with the Company if such termination of employment occurs within a two-year period following a Change in Control,

**Table of Contents****COMPENSATION DISCUSSION & ANALYSIS**

as defined in the Change in Control Agreement). Under the restated employment letters, each of the NEOs waived his or her rights to any benefits or separation pay under the Company's Separation Pay Plan or any other prior agreement between the Company and the applicable executive officer and agreed to the restrictive covenants and other terms and conditions of the SLSP and the Change in Control Agreement (as described below). In the event an NEO is not entitled to benefits under the terms of the SLSP, the Company may, in its sole discretion, elect to pay such executive officer his or her total monthly compensation (as defined in the restated employment letter), for a twelve or eighteen month period determined at the Company's discretion, in consideration for executive's commitment to a post-termination non-compete of corresponding duration (such provision being the Company Discretionary Noncompete). Other than eligibility to participate in the SLSP, the Company Discretionary Noncompete, and for the benefits provided under the Change in Control Agreement, the benefits and compensation provided under the restated employment letters are substantially similar to those provided to each executive officer previously.

The Company adopted the SLSP in February 2019, the purpose of which is to provide certain severance benefits to key employees of the Company, including the NEOs, other than Mr. Knotts. Under the SLSP, if an eligible employee is terminated without cause or if an eligible employee resigns for good reason (in each case, as defined in the SLSP), each a Qualifying Termination, then, the eligible employee is eligible to receive the following benefits:

1. An amount equal to 1.5X of the eligible employee's annualized total compensation (as defined in the SLSP), payable in equal periodic installments over an 18-month period;
2. A lump-sum amount equal to the amount, if any, that would have been payable to the executive officer under the Company's annual bonus program for the calendar year in which the separation from service occurs had such executive officer remained employed through such calendar year, based on the Company's actual performance and pro-rated based on the number of days the executive officer was employed by the Company during the calendar year (the Pro-Rata Bonus);
3. Continued COBRA coverage (subsidized by the Company at active employee rates) under the Company's medical (including the executive officer physical program), dental and vision plans for 18 months; and
4. Continued coverage (paid by the Company) under the executive officer's separate individual life and disability policies and financial planning benefit, in each case, for 18 months.

All payments and other benefits under the SLSP are subject to applicable withholding obligations and the eligible employee's execution (and nonrevocation) of a release of claims. In addition, the executive officer must execute and comply with a separation agreement, which, among other things, will include restrictive covenants, such as an 18-month post-termination noncompete, an 18-month post termination customer non-solicit, a 24-month post-termination employee non-solicit and a perpetual confidentiality clause.

**Change in Control Agreements**

Also in February 2019, the Company entered into change in control agreements with each of the NEOs other than Mr. Knotts, which provide for enhanced severance upon a qualifying termination in connection with a change in control (as defined in the change in control agreements). Specifically, in the event of a termination by the Company for reasons other than cause or on account of the executive officer's death, or if the executive officer resigns for good reason (in each case, as defined in the Change in Control Agreement) during the 24-month period following the date of a change in control, the executive officer is eligible to receive:

1. A lump-sum cash payment equal to 2.0X the executive officer's annualized total compensation (as defined in the Change in Control Agreement); provided that, in some instances, such amount may be paid in equal regular installments over a 24-month period;
2. The Pro Rata Bonus;
3. Continued COBRA coverage (subsidized at active employee rates) under the Company's medical (including the executive officer physical program), dental and vision plans for a period of 18 months; and
4. Continued coverage (paid by the Company) under the executive officer's separate individual life and disability policies and the executive officer's financial planning benefit, in each case, for a period of 24 months.

All of the payments and benefits payable under the Change in Control Agreement are conditioned upon the executive officer's execution (and nonrevocation) of a separation agreement and general release. In addition, each of benefits payable under the Change in Control Agreement is subject to the terms and conditions of the SLSPP, as applicable. For example, if the executive officer is entitled to benefits under the Change in Control Agreement, the executive officer will not be entitled to any additional benefits under the SLSPP or the Separation Pay Plan. In addition, the Change in Control Agreement requires compliance with certain restrictive covenants, including, without limitation, an 18-month post-termination noncompete and customer non-solicitation provision, a 24-month post-employment employee non-solicitation provision and a perpetual confidentiality provision.

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**COMPENSATION DISCUSSION & ANALYSIS**

**2019 AIP**

In February 2019, the HR Committee set the targets and performance goals for awards to NEOs under the 2019 AIP following the presentation of the annual operating budget. Non-GAAP Adjusted Income from Operations continued to be a corporate financial target under the AIP for 2019 (comprising 60% of the funding pool) and a second corporate financial sales-based target was added for 2019 (comprising 40% of the funding pool). There is a threshold payout if 20% of each of the corporate financial targets is achieved.

The minimum and maximum payout levels range from 0% to 200% of target, with no payout of the Adjusted Income from Operation metric for performance below 80% and no payout of the sales-based metric for performance for performance below 90%. Thereafter, individual performance goals can modify an NEO's AIP payout upward or downward if these individual performance goals are not achieved. Each NEOs target AIP percentage remained the same as in 2018.

**2019 Long Term Incentive Awards**

In March 2019, the HR Committee also granted long-term incentive awards under the 2017 PIP. Similar to 2018, the HR Committee granted RSUs and PSUs to NEOs for 2019, but in addition to such awards, the HR Committee also granted time-based and performance-based phantom share units that may be settled in cash or shares in the HR Committee's discretion. Similar to time-based RSUs granted in prior years, time-based vesting RSUs and phantom units granted in 2019 will vest annually over three years. Similar to the 2018 PSU grants to NEOs, PSUs and phantom PSUs granted to NEOs in 2019 vest following the three-year performance period based on the Company's achievement of cumulative free cash flow targets over such three-year period.

**HUMAN RESOURCES COMMITTEE REPORT**

The HR Committee of the Board of Directors of R. R. Donnelley & Sons Company, on behalf of the Board, establishes and monitors the Company's overall compensation strategy to ensure that executive compensation supports the business objectives. In fulfilling its oversight responsibilities, the HR Committee reviewed and discussed with management the Compensation Discussion & Analysis set forth in this proxy statement.

In reliance on the review and discussions referred to above, the HR Committee recommended to the Board that the Compensation Discussion & Analysis be incorporated in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2018 and the Company's proxy statement to be filed in connection with the Company's 2019 Annual Meeting of Stockholders.

**The HR Committee of R. R. Donnelley & Sons Company**

P. Cody Phipps, Chairman

Irene M. Esteves

Susan M. Gianinno

Timothy R. McLevish

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**RRD** 2019 Notice of Meeting and Proxy Statement

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The Summary Compensation Table provides compensation information about our principal executive officer, principal financial officer, and the three most highly compensated executive officers other than the principal executive officer and principal financial officer as of December 31, 2018.

**2018 SUMMARY COMPENSATION TABLE**

Name and Principal Position	Year	Salary (\$)	Bonus (\$) <sup>(1)</sup>	Stock Awards (\$) <sup>(2)</sup>	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$) <sup>(3)</sup>	Change in Pension Value and Nonqualified Deferred Compensation	All Other Compensation (\$) <sup>(5)</sup>	Total (\$)
							Earnings		
<b>Daniel L. Knotts</b> President and Chief Executive Officer	2018	971,375		4,061,026		750,999		39,482	5,822,888
	2017	950,000	1,300,000	4,169,980		501,125	157,306	25,300	7,103,711
	2016	781,250	1,125,000	4,354,484		142,025	36,291	32,747	6,471,797
<b>Terry D. Peterson</b> Executive Vice President and Chief Financial Officer	2018	568,750		972,950		282,440		36,067	1,860,207
	2017	550,000	900,000	1,019,321		185,680		51,648	2,706,649
	2016	168,750		1,345,939		13,362		12,618	1,540,669
<b>Kenneth O. Brien</b> Executive Vice President and Chief Information Officer	2018	471,250		421,962		233,320		29,897	1,156,429
<b>John P. Pecaric</b> President RRD Business Services	2018	493,750		676,832		235,285		39,112	1,444,709
	2017	475,000	425,000	741,324		160,360	75,722	38,842	1,916,248
	2016	396,250	250,000	823,567		45,991		267,542	1,783,350
<b>Douglas Ryan</b> President RRD Marketing Solutions	2018	550,000	250,000	465,320		308,000		33,890	1,607,210



- (1) The amounts shown in this column for 2018, 2017 and 2016 constitute long-term incentive compensation paid as cash awards (the Cash Awards ) granted under the Company s 2017 Performance Incentive Plan (the 2017 PIP ) in 2013 and 2014 of which one-fourth and one-third, respectively, vested on the anniversary of each of the grant dates. The 2018 amount for Mr. Ryan reflects a one-time sign-on bonus that was paid in 2018. The 2017 amount for Mr. Peterson reflects a one-time sign-on bonus that was paid in 2017. The 2016 amounts also include spin cost reduction bonuses in the amount of \$725,000 for Mr. Knotts, and a spin bonus in the amount of \$125,000, for Mr. Pecaric.
- (2) The amounts shown in this column constitute the aggregate grant date fair value of RSUs and PSUs granted during fiscal years 2018, 2017 and 2016 under the 2012 PIP and 2017 PIP. The amounts are valued in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, *Compensation Stock Compensation* (which we refer to as ASC Topic 718). See Note 16 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018 for a discussion of the relevant assumptions used in calculating the fair value pursuant to ASC Topic 718. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. For PSUs granted in 2018, the grant date fair value of such awards, assuming the maximum performance level is achieved, for each NEO is as follows: \$3,045,766 for Mr. Knotts; \$729,712 for Mr. Peterson; \$316,468 for Mr. O Brien; \$507,623 for Mr. Pecaric; and \$348,987 for Mr. Ryan.
- (3) The amounts shown in this column include payments made under our AIP, which is a subplan of each of the 2012 PIP and 2017 PIP. At the outset of each year, the HR Committee sets performance criteria that are used to determine whether and to what extent the NEOs will receive payments under the AIP. See *Compensation Discussion and Analysis* beginning on page 22 of this proxy statement for further information on the 2018 payments.
- (4) The amounts shown in this column include the aggregate of the increase, if any, in actuarial values of each of the named executive officer s benefits under our Pension Plans and Supplemental Pension Plans. Mr. Knotts had a decrease in actuarial value in 2018 in the amount of \$76,881. Mr. O Brien had a decrease in actuarial value in 2018 of \$31,390. Mr. Pecaric had a decrease in actuarial value in 2018 in the amount of \$19,006 and in 2016 in the amount of \$3,119.
- (5) Amounts in this column include the value of the following perquisites provided to the NEOs in 2018: (a) an amount for automobile allowance which is the amount actually paid to each NEO; (b) personal tax/financial advice which is valued at actual amounts paid to each provider of such advice; (c) the premium paid by the Company for group term life insurance and supplemental disability insurance; and (d) imputed income from Company provided life insurance. Mr. Knotts is also able to use certain country clubs at which the Company has a business purpose membership for his personal use but to the extent that there is an incremental cost to the Company, Mr. Knotts reimburses the Company for such personal use.

**Table of Contents****EXECUTIVE COMPENSATION**

The table below provides further detail regarding the perquisites paid to our NEOs in 2018.

Named Executive Officer		Corporate			Personal		Imputed	Total
		Automobile Allowance	Tax/Financial Advice	Supplemental Life Insurance Premium	Supplemental Disability Insurance Premium	Income from Company Provided Insurance	Other	
		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Daniel L. Knotts	2018	16,800	5,975	2,050	14,450	207		39,482
Terry D. Peterson	2018	16,800	2,750	10,215	6,095	207		36,067
Kenneth O Brien	2018	16,800		3,050	9,660	387		29,897
John P. Pecaric	2018	16,800		12,145	9,510	387		38,842
Douglas Ryan	2018	16,800		6,995	9,708	387		33,890

**Table of Contents****EXECUTIVE COMPENSATION****2018 GRANTS OF PLAN-BASED AWARDS**

The following table shows additional information regarding: (i) the threshold, target and maximum level of annual cash incentive awards for our NEOs for performance during 2018 under our AIP; and (ii) restricted share units granted in March 2018 that were awarded to help focus their attention on building stockholder value.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards <sup>(1)</sup>			Estimated Future Payouts Under Equity Incentive Plan Awards <sup>(2)</sup>			All Other Stock Awards: Number of Shares of	Grant Date Fair Value
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)	Stocks or Units (#) <sup>(3)</sup>	and Option Awards <sup>(4)</sup>
<b>Daniel L. Knotts</b>		244,625	1,223,125	2,446,250					
	3/2/2018				166,436	332,871	499,307		2,030,513
	3/2/2018							332,871	2,030,513
<b>Terry D. Peterson</b>		92,000	460,000	920,000					
	3/2/2018				39,875	79,750	119,625		486,475
	3/2/2018							79,750	486,475
<b>Kenneth O Brien</b>		76,000	380,000	760,000					
	3/2/2018				17,294	34,587	51,881		210,981
	3/2/2018							34,587	210,981
<b>John P. Pecaric</b>		80,000	400,000	800,000					
	3/2/2018				27,739	55,478	83,217		338,416
	3/2/2018							55,478	338,416
<b>Douglas Ryan</b>		88,000	440,000	880,000					
	3/2/2018				19,071	38,141	57,212		232,660
	3/2/2018							38,141	232,660

(1) In each case, the amount actually earned by each NEO under the Company Annual Incentive Plan is reported as Non-Equity Incentive Plan Compensation in the *2018 Summary Compensation Table*. See *Compensation Discussion and Analysis* beginning on page 22 of this proxy statement for further information on these payments.

- (2) Consists of PSUs awarded under the 2017 PIP. The awards granted on March 2, 2018 vest in full on the third anniversary of the grant date, to the extent earned by performance results. The PSUs can be earned based on a cumulative free cash flow measure over the three-year performance period. The PSUs have no dividend or voting rights and are payable in shares of common stock of the Company upon vesting. If employment terminates by reason of death or disability, the greatest of 50% of target or actual earned units of the unvested portion of the PSUs shall become fully vested. If employment terminates other than for death or disability, the unvested portion of the PSUs will be forfeited. NEO employment agreements provide for accelerated vesting of equity awards under certain circumstances. See *Potential Payments Upon Termination or Change in Control* beginning on page 39 of this proxy statement.
  
- (3) Consists of RSUs awarded under the 2017 PIP. The awards granted on March 2, 2018 vest in three installments on the anniversary of the grant date. The RSUs have no dividend or voting rights and are payable in shares of common stock of the Company upon vesting. If employment terminates by reason of death or disability, the unvested portion of the RSUs shall become fully vested. If employment terminates other than for death or disability, the unvested portion of the RSUs will be forfeited. NEO employment agreements provide for accelerated vesting of equity awards under certain circumstances. See *Potential Payments Upon Termination or Change in Control* beginning on page 39 of this proxy statement.
  
- (4) Grant date fair value with respect to the awards is determined in accordance with ASC Topic 718. See Note 16 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018 for a discussion of the relevant assumptions used in calculating grant date fair value pursuant to ASC Topic 718. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions.

**Table of Contents****EXECUTIVE COMPENSATION****OUTSTANDING EQUITY AWARDS AT 2018 FISCAL YEAR-END**

The following table shows certain information about unexercised options and unvested stock awards at December 31, 2018. All amounts below have been adjusted to give effect to the 1 for 3 reverse stock split that was effective October 1, 2016.

Name	OPTION AWARDS				STOCK AWARDS			
	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#) <sup>(2)</sup>	Market Value of Shares or Units of Stock That Have Not Vested (\$) <sup>(3)</sup>	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$) <sup>(3)(4)</sup>
Daniel L. Knotts	14,500	36,666	21.48	3/1/2022				
			32.29	2/25/2020	545,139	2,158,750	460,784	1,824,705
Terry D. Peterson					123,532	489,187	111,017	439,627
Kenneth O'Brien					68,779	272,365	48,799	193,244
John P. Pecaric					93,774	371,345	78,218	309,743
Douglas Ryan					63,882	252,973	38,141	151,038

Note: Multiple awards have been aggregated where the expiration date and the exercise price of the instruments are identical.

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(1) In connection with the Spinoff, certain option awards held by Mr. Knotts were converted and adjusted into options to purchase the common stock of each of the Company, LSC and Donnelley Financial, as applicable. The table above shows only options to purchase shares of RRD. The table below show, Mr. Knotts options to purchase shares of LSC and Donnelley Financial (for the purpose of the below tables, DFS ) that resulted from the conversion.

**Knotts**

Original Grant		Converted RRD Options		Converted LSC Options		Converted D
Options	Exercise Price	# of Options	Exercise Price	# of Options	Exercise Price	# of Options
10,000	\$19.89	36,666	\$32.29	13,750	\$39.52	13,750
58,000	\$13.23	14,500	\$21.48	5,437	\$26.29	5,437

(2) The following table provides information with respect to the vesting of each NEO s outstanding unvested restricted share units over RRD common stock that are set forth in the above table.

Vesting Date	Knotts	Peterson	O Brien	Pecaric	Ryan
3/2/2019	244,270	37,006	33,948	41,943	12,713
10/1/2019	36,316	22,936	7,034	7,264	0
11/1/2019	0	0	0	0	12,870
3/2/2020	153,596	37,006	16,267	26,074	12,714
11/1/2020	0	0	0	0	12,871
3/2/2021	110,957	26,584	11,530	18,493	12,714

(3) Assumes a closing price per share of \$3.96 on December 31, 2018, the last trading day of the year.

(4) Reflects that performance on unearned shares for the 2017 grant is tracking below target for such awards. As such, the value included in this column reflects the target payment value of these unearned shares. Reflects that performance on unearned shares for the 2018 grant is tracking below target for such awards. As such, the value included in this column reflects the target payment value of these unearned shares.

**Table of Contents****EXECUTIVE COMPENSATION****2018 OPTION EXERCISES AND STOCK VESTED**

The following table shows information regarding the value of options exercised and restricted stock, restricted share units and performance share units that vested during 2018.

Name	OPTION AWARDS		STOCK AWARDS	
	Number of Shares Acquired on Exercise	Value Realized on Exercise	Number of Shares Acquired on Vesting	Value Realized on Vesting
	(#)	(\$)	(#) <sup>(1)</sup>	(\$) <sup>(2)</sup>
Daniel L. Knotts			78,953	501,609
Terry D. Peterson			33,358	196,140
Kenneth O Brien			11,771	71,415
John P. Pecaric			14,842	93,388
Douglas Ryan			12,869	78,764

(1) Represents the vesting of RSUs and other similar instruments under the Company's equity plans

(2) Value realized on vesting of RSUs is the fair market value on the date of vesting. For RSUs that vested on March 2, 2018, fair market value is based on the closing price of \$7.31, RSUs that vested on October 1, 2018, fair market value is based on the closing price of \$5.23 and RSUs that vested on November 1, 2018, the fair market value is based on the closing price of \$6.12 as reported on the NYSE.

**PENSION BENEFITS**

Generally, effective December 31, 2011, the Company froze benefit accruals under all of its then-existing Federal income tax qualified U.S. defined benefit pension plans (collectively referred to as the Qualified Retirement Plans) that were still open to accruals. Therefore, beginning January 1, 2012, participants generally ceased earning additional benefits under the Qualified Retirement Plans. Thereafter, the Qualified Retirement Plans were merged into one Qualified Retirement Plan and generally no new participants will enter this plan. Before the Qualified Retirement Plans were frozen, accrual rates varied based on age and service. Accruals for the plans were calculated using compensation that generally included salary and annual cash bonus awards. The Qualified Retirement Plan is funded entirely by the Company with contributions made to a trust fund from which the benefits of participants are paid.

The amount of annual earnings that may be considered in calculating benefits under a Federal income tax qualified pension plan is limited by law. The U.S. Internal Revenue Code also places other limitations on pensions that can accrue under tax qualified plans. Prior to being frozen, to the extent an employee's pension would have accrued under one of the Qualified Retirement Plans if it were not for such limitations, the additional benefits were accrued under an unfunded supplemental pension plan (referred to as the SERP). On December 31, 2018, approximately 207 individuals were covered by the SERP as active employees or terminated employees with vested benefits who did not

receive payments in 2018, and in 2018 approximately 124 individuals received payments from the SERP. Prior to a change in control of the Company, the SERP is unfunded and provides for payments to be made out of the Company's general assets. Because the Company froze the Qualified Retirement Plans as of December 31, 2011, generally no additional benefits will accrue under the Qualified Retirement Plan or the related SERP.

Some participants in the Qualified Retirement Plan, including those that have a cash balance or pension equity benefit, can elect to receive either a life annuity or a lump sum amount upon termination. Other participants will receive their Qualified Retirement Plan benefit in the form of a life annuity. Under a life annuity benefit, benefits are paid monthly after retirement for the life of the participant or, if the participant is married or chooses an optional benefit form, generally in a reduced amount for the lives of the participant and spouse or other named beneficiary.

Mr. Peterson and Mr. Ryan were hired after the Qualified Retirement Plan was frozen and thus they are not participants in the Qualified Retirement Plan or the SERP. For Messrs. Knotts, O'Brien and Pecaric, the table below shows the present value of their accumulated benefit under the Qualified Retirement Plan and the SERP as of December 31, 2018.

See Note 10 to the Consolidated Financial Statements included in our annual report on Form 10-K for the fiscal year ended December 31, 2018 for a discussion of the relevant assumptions used in calculating the present value of the current accrued benefit with respect to each NEO under the Qualified Retirement Plan and the SERP set forth in the table below.



**Table of Contents****EXECUTIVE COMPENSATION****2018 PENSION BENEFITS TABLE**

Name	Plan Name	Number of Years		Present Value of Accumulated Benefit	Payments During Last Fiscal Year
		Credited	Service		
		(#)		(\$)	(\$)
Daniel L. Knotts	Pension Plan	25		\$297,315	
	SERP	25		\$610,321	
Kenneth O Brien	Pension Plan	7		\$109,626	
	SERP	7		\$277,843	
John P. Pecaric	Pension Plan	26		\$324,564	
	SERP	26		\$ 81,787	

**NONQUALIFIED DEFERRED COMPENSATION**

Under our Deferred Compensation Plan, participants were able to defer up to 50% of base salary and 90% of annual incentive bonus payments under the Deferred Compensation Plan. Deferred amounts are credited with earnings or losses based on the rate of return of mutual funds selected by the executive, which the executive may change at any time. We do not make contributions to participants' accounts under the Deferred Compensation Plan. Participants could elect distribution options ranging from lump sum distribution on the latter of the first day of the year following the year in which the participant's employment with the Company terminated or the six-month anniversary of such termination or distributions quarterly for between 2 and 10 years. The plan also allowed for in service elections which provided a distribution three years after a deferral under certain circumstances. Only Mr. O'Brien participates in the Nonqualified Deferred Compensation Plan.

Name	Executive Contributions in Last FY (\$)	Registrant Contributions in Last FY (\$)	Aggregate Earnings in Last FY (\$)	Aggregate Withdrawals / Distributions (\$)	Aggregate Balance at Last FYE (\$)
Kenneth O Brien					
Deferred Compensation Plan	0	0	\$ (94,457)	0	\$ 1,310,676

**RRD** 2019 Notice of Meeting and Proxy Statement

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The summary contained in this section reflects the arrangements the Company had in place with its NEOs as December 31, 2018. As described above in *Changes to the Company Compensation Program after Fiscal Year End*, in February 2019, the Company entered into new arrangement with the NEOs, other than Mr. Knotts.

### **TERMINATION OTHER THAN AFTER A CHANGE IN CONTROL**

All of our NEOs have employment agreements with the Company. For each of these NEOs, their employment agreements provide for payments of certain benefits, as described below, upon termination of employment. The NEOs' rights upon a termination of his or her employment depend upon the circumstances of the termination. Central to an understanding of the rights of each NEO under the employment agreements is an understanding of the definitions of *Cause* and, with respect to Mr. Knotts, *Good Reason*, that are used in those agreements. For purposes of the employment agreements:

We have *Cause* to terminate the NEO if the NEO has engaged in any of a list of specified activities, including refusing to substantially perform duties consistent with the scope and nature of his or her position or refusal or failure to attempt in good faith to follow the written direction of the chief executive officer, chief financial officer or the Board, as applicable, committing an act materially injurious (monetarily or otherwise) to us or our subsidiaries, commission of a felony or other actions specified in the definition.

Mr. Knotts has *Good Reason* to terminate his employment (and thereby gain access to the benefits described below) if we assign him duties that represent a material diminution of his duties or responsibilities, reduce his compensation, generally require his principal office to be located other than in or around Chicago, Illinois or materially breach the employment agreement. No NEO other than Mr. Knotts has an employment agreement which provides for rights upon termination for *Good Reason*. The employment agreements for the NEOs require, as a precondition to the receipt of these payments, that the NEO sign a standard form of release in which he or she waives all claims that he or she might have against us and certain associated individuals and entities. The employment agreements also include noncompete and nonsolicit provisions that would apply for a period of one to two years, as set forth in such NEOs' agreement, following the NEOs' termination of employment.

The benefits to be provided to each NEO in each of those situations are described in the tables below, which assume that the termination took place on December 31, 2018.

### **TERMINATION AFTER A CHANGE IN CONTROL**

The employment agreements for our NEOs, other than Mr. Knotts, do not provide for additional payments or acceleration upon a change of control.

Mr. Knotts is not entitled to tax gross-ups upon a termination after a Change in Control (as defined in his employment agreement). Mr. Knotts' employment agreement provides that, if an excise tax is triggered, his Change in Control payments will be reduced below the threshold triggering the excise tax if the net, after-tax benefit to Mr. Knotts is higher.

As with the severance provisions described above, the rights to which Mr. Knotts is entitled under the Change in Control provisions upon a termination of employment are dependent on the circumstances of the termination. The definitions of Cause and Good Reason are the same in this termination scenario as in a termination other than after a Change in Control.

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**POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL**

**POTENTIAL PAYMENT OBLIGATIONS UNDER EMPLOYMENT AGREEMENTS UPON TERMINATION OF EMPLOYMENT**

The following tables set forth our payment obligations under the employment agreements under the circumstances specified upon a termination of the employment of our NEOs. The tables do not include payments or benefits that do not discriminate in scope, terms or operation in favor of the NEOs and are generally available to all salaried employees, or pension or deferred compensation payments that are discussed in the *Pension Benefits* and *Nonqualified Deferred Compensation* sections beginning on page 37 of this proxy statement.

Unless otherwise noted, the descriptions of the payments below are applicable to all of the tables relating to potential payments upon termination or termination after a change in control.

*Disability or Death* To the extent that an NEO participates in our pension plan, such NEO could be entitled to pension benefits upon death or disability according to the terms of the pension plan. The employment agreements provide that in the event of disability or death, in addition to payments under the Company's disability benefits plan or life insurance program, as applicable, and each as available to all salaried employees, each NEO is entitled to benefits paid under a supplemental disability insurance policy or supplemental life insurance policy, as applicable, maintained by the Company for the NEO's benefit. Pursuant to the terms of the Company's AIP, each NEO is also entitled to his or her pro-rated annual bonus for the year in which the disability or death occurs, payable at the same time as and to the extent that all other annual bonuses are paid and as available to all salaried employees.

Additionally, all unvested equity awards held by each NEO will immediately vest upon disability or death pursuant to the terms of the applicable award agreements.

*Equity Acceleration* Pursuant to the terms of their employment agreements, equity awards for all NEOs other than Mr. Knotts are treated in accordance with the underlying equity award agreements. These agreements specify that all equity awards are forfeited in the event of termination by the Company for any reason (other than death, disability or following a change of control) or in the event of the resignation of the NEO. With respect to Mr. Knotts, all outstanding equity awards will vest in the event Mr. Knotts' employment is terminated by the Company without Cause or if Mr. Knotts resigns for Good Reason. All NEOs, including Mr. Knotts, are generally entitled to immediate vesting of all outstanding equity awards upon termination following a change of control (as defined in the applicable performance incentive plan) under the terms of such performance incentive plan. PSUs will vest and become payable in accordance with the terms of the applicable award agreement in the event of any termination, with or without Cause, upon a change of control, or, with respect to Mr. Knotts, for any termination initiated by Mr. Knotts for Good Reason. Treatment of equity upon death or disability is discussed above in *Disability or Death*.

Value of accelerated RSUs is the fair market value on the date of termination. Value of accelerated PSUs is the fair market value on the date of determination. Value of accelerated options is determined by subtracting the exercise price from the fair market value on the date of termination. For purposes of the tables, fair market value is the closing price on December 31, 2018 (the last trading day of the fiscal year) of \$3.96.

*Health Care Benefits* The employment agreements generally provide that, after resignation for Good Reason (with respect to Mr. Knotts) or termination without Cause, the Company will continue providing medical, dental, and vision coverage to the NEO that the NEO was eligible to receive immediately prior to such termination for a period of time. For Mr. Knotts, this period is 24 months after such resignation or termination before a Change in Control, and the last day of the second calendar year following the calendar year in which such termination occurs after a Change in Control. For Messrs. Peterson, O'Brien, Pecaric and Ryan, this period is 18 months after such resignation or termination. In the event of resignation other than for Good Reason or termination with Cause, the NEO is entitled to the same benefits as all other employees would be entitled to after termination. Benefits payable upon disability or death are described above in Disability or Death.

*280G Tax Treatment* Upon a change in control (as defined in Section 4999) of the Company, an NEO may be subject to certain excise taxes under Section 4999 of the Internal Revenue Code with respect to payments that are treated as excess parachute payments under Section 280G. With respect to Mr. Knotts, the Company will reduce the amount of the payments the NEO would otherwise be entitled to receive to below the threshold triggering the excise taxes under Section 4999, provided that the net, after-tax benefit to the NEO is higher.

The tables assume that termination, including termination following a Change in Control, took place on December 31, 2018 based on the arrangements in place with each NEO on such date.

**Table of Contents****POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL**

Mr. Knotts, the Company's President and Chief Executive Officer, would be entitled to the following:

	Resignation for Good Reason or Termination Without Cause	Resignation for other than Good Reason or Cause	Resignation for Good Reason or Termination Without Cause after Change in Control	Disability	Death
	(\$)	(\$)	(\$)	(\$)	(\$)
<b>Cash:</b>					
Base Salary	1,957,000 <sup>(1)</sup>		2,925,715 <sup>(2)</sup>	<sup>(3)</sup>	
Bonus	2,446,250 <sup>(1)</sup>		3,657,144 <sup>(2)</sup>	<sup>(4)</sup>	<sup>(4)</sup>
Lump Sum			75,000		
<b>Equity:</b> <sup>(5)</sup>					
Restricted Share Units <sup>(6)</sup>	2,158,750		2,158,750	2,158,750	2,158,750
Performance Units <sup>(7)</sup>			912,352	912,352	912,352
<b>Benefits and Perquisites:</b> <sup>(8)</sup>					
Post-Termination Health Care	32,916		32,916		
Supplemental Life Insurance	4,100		4,100		2,000,000 <sup>(9)</sup>
Supplemental Disability Insurance	28,900		28,900	3,130,000 <sup>(10)</sup>	
Financial Planning	24,000		24,000		
Car Allowance	33,600		33,600		
<b>Total:</b>	<b>6,685,516</b>		<b>9,852,478</b>	<b>6,201,102</b>	<b>5,071,102</b>

(1) Mr. Knotts is entitled to 2x base salary and 2x target annual bonus as if all targets and objectives had been met, paid over the applicable severance period.

(2) Mr. Knotts is entitled to 2.99x base salary and 2.99x target annual bonus as if all targets and objectives had been met, paid over the applicable severance period. Mr. Knotts is also entitled to his pro-rated annual bonus for the year in which the termination after a Change in Control occurs, payable at the same time as and to the extent that all other annual bonuses are paid. This bonus is not reflected in this table as, assuming a termination date of December 31, 2018, Mr. Knotts would have been entitled to this bonus pursuant to the terms of the AIP under which the annual bonus is paid (which provides for payment of the bonus to any participant who is on the payroll of the Company as of December 31) which are the same terms generally available to all salaried employees who

participate in the plan.

- (3) Mr. Knotts is entitled to the same 50% of base salary until age 65 with a maximum \$10,000 per month that is generally available to all salaried employees upon disability.
- (4) Pursuant to the terms of the Company's AIP, Mr. Knotts is entitled to his pro-rated annual bonus for the year in which the disability or death occurs, payable at the same time as, and to the extent that, all other annual bonuses are paid which are the same terms generally available to all salaried employees who participate in the plan. As Mr. Knotts would have been entitled to his annual bonus on December 31 pursuant to the terms of the AIP, the bonus is not reflected in this table for a termination due to death or disability.
- (5) Assumes a price per share of \$3.96 on December 31, 2018.
- (6) All unvested equity awards held by Mr. Knotts will immediately vest under the terms of the 2012 and 2017 PIP.
- (7) All unvested PSU awards held by Mr. Knotts will forfeit upon a Resignation for Good Reason or Termination Without Cause (without a Change in Control) and vest at 50% (or actual, if greater) under the terms of the 2012 and 2017 PIP for Change in Control, Disability or Death scenarios.
- (8) Except as disclosed, Mr. Knotts receives the same benefits that are generally available to all salaried employees upon death or disability.
- (9) Represents benefits payable under a supplemental life insurance policy maintained by the Company for the benefit of Mr. Knotts in excess of the amount generally available to all salaried employees.
- (10) Represents benefits payable under a supplemental disability insurance policy maintained by the Company for the benefit of Mr. Knotts in excess of the amount generally available to all salaried employees.



**Table of Contents****POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL**

Mr. Peterson, the Company's Executive Vice President and Chief Financial Officer, would be entitled to the following:

	Termination Without Cause	Termination With Cause	Termination Without Cause after a Change in Control	Disability	Death
	(\$)	(\$)	(\$)	(\$)	(\$)
<b>Cash:</b>					
Base Salary	575,000 <sup>(1)</sup>		575,000 <sup>(1)</sup>	<sup>(2)</sup>	
Bonus	460,000 <sup>(1)</sup>		460,000 <sup>(1)</sup>	<sup>(3)</sup>	<sup>(3)</sup>
<b>Equity:</b> <sup>(4)</sup>					
Restricted Share Units <sup>(5)</sup>	500,000		489,187	489,187	489,187
Performance Share Units <sup>(6)</sup>			219,814	219,814	219,814
<b>Benefits and Perquisites:</b> <sup>(7)</sup>					
Post-Termination Health Care Supplemental Life Insurance <sup>(8)</sup>	7,633		7,633		2,000,000
Supplemental Disability Insurance <sup>(9)</sup>				2,492,667	
Financial Planning Car Allowance					
<b>Total:</b>	<b>1,542,633</b>		<b>1,751,634</b>	<b>3,201,668</b>	<b>2,709,001</b>

- (1) Mr. Peterson is entitled to 1x base salary and 1x target annual bonus as if all targets and objectives had been met, paid over the applicable severance period.
- (2) Mr. Peterson is entitled to the same 50% of base salary until age 65 with a maximum \$10,000 per month that is generally available to all salaried employees upon disability.
- (3) Pursuant to the terms of the Company's AIP, Mr. Peterson is entitled to his pro-rated annual bonus for the year in which the disability or death occurs, payable at the same time as and to the extent that all other annual bonuses are paid which are the same terms generally available to all salaried employees who participate in the plan. As Mr. Peterson would have been entitled to his annual bonus on December 31 pursuant to the terms of the AIP, the bonus is not reflected in this table for a termination due to death or disability.

- (4) Assumes a price per share of \$3.96 on December 31, 2018.
- (5) Pursuant to the terms of his unemployment agreement, the unvested grant value of Mr. Peterson's October 2016 equity award would be paid upon a termination without cause. All unvested equity awards held by Mr. Peterson will immediately vest upon disability or death, pursuant to the terms of the applicable award agreements.
- (6) All unvested PSU awards held by Mr. Peterson will forfeit upon a Termination with Cause without a change of control and vest at 50% (or actual, if greater) under the terms of the 2012 and 2017 PIP in the event of a change of control, disability or death.
- (7) Except as disclosed, Mr. Peterson receives the same benefits that are generally available to all salaried employees upon death or disability
- (8) Represents benefits payable under a supplemental life insurance policy maintained by the Company for the benefit of Mr. Peterson in excess of the amount generally available to all salaried employees.
- (9) Represents benefits payable under a supplemental disability insurance policy maintained by the Company for the benefit of Mr. Peterson in excess of the amount generally available to all salaried employees.

**Table of Contents****POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL**

Mr. O'Brien, the Company's Executive Vice President and Chief Information Officer, would be entitled to the following:

	Termination Without Cause	Termination With Cause	Termination Without Cause after a Change in Control	Disability	Death
	(\$)	(\$)	(\$)	(\$)	(\$)
<b>Cash:</b>					
Base Salary	712,500 <sup>(1)</sup>		712,500 <sup>(1)</sup>	(2)	
Bonus	570,000 <sup>(1)</sup>		570,000 <sup>(1)</sup>	(3)	(3)
<b>Equity:</b> <sup>(4)</sup>					
Restricted Share Units <sup>(5)</sup>			272,365	272,365	272,365
Performance Share Units <sup>(6)</sup>			96,622	96,622	96,622
<b>Benefits and Perquisites:</b> <sup>(8)</sup>					
Post-Termination Health Care	7,637		7,637		
Supplemental Life Insurance <sup>(8)</sup>					2,000,000
Supplemental Disability Insurance <sup>(9)</sup>				1,550,500	
Financial Planning Car Allowance					
<b>Total:</b>	<b>1,293,956</b>		<b>1,662,942</b>	<b>1,919,487</b>	<b>2,368,987</b>

(1) Mr. O'Brien is entitled to 1.5x base salary and 1x target annual bonus as if all targets and objectives had been met, paid over the applicable severance period.

(2) Mr. O'Brien is entitled to the same 50% of base salary until age 65 with a maximum \$10,000 per month that is generally available to all salaried employees upon disability.

(3) Pursuant to the terms of the Company's AIP, Mr. O'Brien is entitled to his pro-rated annual bonus for the year in which the disability or death occurs, payable at the same time as and to the extent that all other annual bonuses are paid which are the same terms generally available to all salaried employees who participate in the plan. As Mr. O'Brien would have been entitled to his annual bonus on December 31 pursuant to the terms of the AIP, the bonus is not reflected in this table for a termination due to death or disability.

- (4) Assumes a price per share of \$3.96 on December 31, 2018.
- (5) All unvested equity awards held by Mr. O'Brien will immediately vest upon disability or death, pursuant to the terms of the applicable award agreements.
- (6) All unvested PSU awards held by Mr. O'Brien will forfeit upon a Termination with Cause without a change of control and vest at 50% (or actual, if greater) under the terms of the 2012 and 2017 PIP in the event of a change of control, disability or death.
- (7) Except as disclosed, Mr. O'Brien receives the same benefits that are generally available to all salaried employees upon death or disability
- (8) Represents benefits payable under a supplemental life insurance policy maintained by the Company for the benefit of Mr. O'Brien in excess of the amount generally available to all salaried employees.
- (9) Represents benefits payable under a supplemental disability insurance policy maintained by the Company for the benefit of Mr. O'Brien in excess of the amount generally available to all salaried employees.

**Table of Contents****POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL**

Mr. Pecaric, the Company's President, RRD Business Services, would be entitled to the following:

	Termination Without Cause	Termination With Cause	Termination Without Cause after a Change in Control	Disability	Death
	(\$)	(\$)	(\$)	(\$)	(\$)
<b>Cash:</b>					
Base Salary	500,000 <sup>(1)</sup>		500,000 <sup>(1)</sup>	<sup>(2)</sup>	
Bonus	400,000 <sup>(1)</sup>		400,000 <sup>(1)</sup>	<sup>(3)</sup>	<sup>(3)</sup>
<b>Equity:</b> <sup>(4)</sup>					
Restricted Share Units <sup>(5)</sup>			371,345	371,345	371,345
Performance Share Units <sup>(6)</sup>			154,872	154,872	154,872
<b>Benefits and Perquisites:</b> <sup>(7)</sup>					
Post-Termination Health Care	7,633		7,633		
Supplemental Life Insurance <sup>(8)</sup>					2,000,000
Supplemental Disability Insurance <sup>(9)</sup>				1,995,333	
Financial Planning Car Allowance					
<b>Total:</b>	<b>907,633</b>		<b>1,433,850</b>	<b>2,521,550</b>	<b>2,526,217</b>

(1) Mr. Pecaric is entitled to 1x base salary and 1x target annual bonus as if all targets and objectives had been met, paid over the applicable severance period.

(2) Mr. Pecaric is entitled to the same 50% of base salary until age 65 with a maximum \$10,000 per month that is generally available to all salaried employees upon disability.

(3) Pursuant to the terms of the Company's AIP, Mr. Pecaric is entitled to his pro-rated annual bonus for the year in which the disability or death occurs, payable at the same time as and to the extent that all other annual bonuses are

paid which are the same terms generally available to all salaried employees who participate in the plan. As Mr. Pecaric would have been entitled to his annual bonus on December 31 pursuant to the terms of the AIP, the bonus is not reflected in this table for a termination due to death or disability.

- (4) Assumes a price per share of \$3.96 on December 31, 2018.
- (5) All unvested equity awards held by Mr. Pecaric will immediately vest upon disability or death, pursuant to the terms of the applicable award agreements.
- (6) All unvested PSU awards held by Mr. Pecaric will forfeit upon a Termination with Cause without a change of control and vest at 50% (or actual, if greater) under the terms of the 2012 and 2017 PIP in the event of a change of control, disability or death.
- (7) Except as disclosed, Mr. Pecaric receives the same benefits that are generally available to all salaried employees upon death or disability
- (8) Represents benefits payable under a supplemental life insurance policy maintained by the Company for the benefit of Mr. Pecaric in excess of the amount generally available to all salaried employees.
- (9) Represents benefits payable under a supplemental disability insurance policy maintained by the Company for the benefit of Mr. Pecaric in excess of the amount generally available to all salaried employees.

**Table of Contents****POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL**

Mr. Ryan, the Company's President, RRD marketing Solutions would be entitled to the following:

	Termination Without Cause	Termination With Cause	Termination Without Cause after a Change in Control	Disability	Death
	(\$)	(\$)	(\$)	(\$)	(\$)
<b>Cash:</b>					
Base Salary	550,000 <sup>(1)</sup>		550,000 <sup>(1)</sup>	(2)	
Bonus	440,000 <sup>(1)</sup>		440,000 <sup>(1)</sup>	(3)	(3)
<b>Equity:</b> <sup>(4)</sup>					
Restricted Share Units <sup>(5)</sup>			252,973	252,973	252,973
Performance Share Units <sup>(6)</sup>			75,519	75,519	75,519
<b>Benefits and Perquisites:</b> <sup>(7)</sup>					
Post-Termination Health Care	4,849		4,849		
Supplemental Life Insurance <sup>(8)</sup>					2,000,000
Supplemental Disability Insurance <sup>(9)</sup>				2,512,000	
Financial Planning Car Allowance					
<b>Total:</b>	<b>994,849</b>		<b>1,323,341</b>	<b>2,840,492</b>	<b>2,328,492</b>

- (1) Mr. Ryan is entitled to 1x base salary and 1x target annual bonus as if all targets and objectives had been met, paid over the applicable severance period.
- (2) Mr. Ryan is entitled to the same 50% of base salary until age 65 with a maximum \$10,000 per month that is generally available to all salaried employees upon disability.
- (3) Pursuant to the terms of the Company's AIP, Mr. Ryan is entitled to pro-rated annual bonus for the year in which the disability or death occurs, payable at the same time as and to the extent that all other annual bonuses are paid which are the same terms generally available to all salaried employees who participate in the plan. As Mr. Ryan would have been entitled to his annual bonus on December 31 pursuant to the terms of the AIP, the bonus is not reflected in this table for a termination due to death or disability.

- (4) Assumes a price per share of \$3.96 on December 31, 2018.
- (5) All unvested equity awards held by Mr. Ryan will immediately vest upon disability or death, pursuant to the terms of the applicable award agreements.
- (6) All unvested PSU awards held by Mr. Ryan will forfeit upon a Termination with Cause without a change of control and vest at 50% (or actual, if greater) under the terms of the 2012 and 2017 PIP in the event of a change of control, disability or death.
- (7) Except as disclosed, Mr. Ryan receives the same benefits that are generally available to all salaried employees upon death or disability.
- (8) Represents benefits payable under a supplemental life insurance policy maintained by the Company for the benefit of Mr. Ryan in excess of the amount generally available to all salaried employees.
- (9) Represents benefits payable under a supplemental disability insurance policy maintained by the Company for the benefit of Mr. Ryan in excess of the amount generally available to all salaried employees.



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In accordance with Item 402(u) of Regulation S-K, public companies are required to disclose the ratio of the median annual total compensation of all employees other than the CEO to the annual total compensation of the CEO. In accordance with this rule, we are providing the following information about the relationship of the median annual total compensation of our employees and the annual total compensation of Daniel L. Knotts, our CEO. The SEC rule permits a company to identify its median employee only once every three years, unless there has been a change in its employee population or employee compensation arrangements that the company reasonably believes would result in a significant change in the pay ratio disclosure. There has been no change in our employee population or employee compensation arrangements that we believe would significantly impact the pay ratio disclosure. Therefore, we elected to use the same median employee we identified in 2017 for purposes of calculating the CEO pay ratio for 2018.

For the fiscal year ended December 31, 2018, the annual total compensation of our previously identified median employee was \$26,034 and the annual total compensation of Mr. Knotts as set forth in the summary compensation table on page 22 of this proxy statement was \$5,822,882. Based on this information, the ratio of the total annual compensation of Mr. Knotts to the median of the annual total compensation of all employees was estimated to be 223 to 1. This pay ratio is a reasonable estimate calculated in a manner consistent with SEC rules based on payroll and employment records and the methodologies described below.

To identify our median employee in 2017 we pulled base salary and hourly wages (including overtime) for each of our approximately 42,700 employees globally as of December 31, 2017. No cost-of-living adjustment was applied and we used an exchange rate based on the monthly average for December 2017 to convert salaries and wages to comparable US dollar amounts.

In accordance with SEC rules and interpretations, for purposes of this calculation, we excluded employees from the following countries based on the small number of employees in each such country: Costa Rica (27 employees), Czech Republic (294 employees), Grenada (6 employees), Guatemala (13 employees), Honduras (41 employees), Mexico (835 employees), Saint Lucia (7 employees), Sri Lanka (680 employees) and Trinidad and Tobago (20 employees).

This process resulted in a median group consisting of several employees and a representative employee was selected in accordance with SEC guidance. Our resulting median employee is located in Asia.

The SEC's rules for identifying our median compensated employee and calculating the pay ratio based on that employee's annual total compensation allow companies to adopt a variety of methodologies, to apply certain exclusions and to make reasonable estimates and assumptions to reflect the employee population and compensation practices. As a result, the pay ratio reported by other companies may not be comparable to the pay ratio determined above, as other companies have different employee populations and compensation practices and may use different methodologies, exclusions, estimates and assumptions in calculating their own pay ratios.

**RRD** 2019 Notice of Meeting and Proxy Statement

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### **DIRECTOR COMPENSATION PROGRAM**

Pursuant to the Company's director compensation program, each non-employee director receives an annual cash retainer of \$105,000 and an annual equity retainer with a fair market value of \$140,000. In addition, each director will also receive, as applicable, the following additional cash and equity retainers:

Cash:

- \$25,000, for serving as the chair of the Audit or HR Committees;
- \$20,000, for serving as chair of Corporate Responsibility & Governance Committee;
- \$75,000, for serving as chair of the Board.

Equity:

- \$75,000, for serving as the chair of the Board

Director RSUs vest ratably over the life of the grant with the opportunity to defer any tranche of vesting RSU until termination of service on the Board. In the event of termination of service on the Board prior to a vesting date, all RSUs will vest. Dividend equivalents on the awards are deferred (credited with interest quarterly at the same rate as five-year U.S. government bonds) and paid out in cash with the corresponding RSU.

Fair market value is defined as the closing price of the Company's stock on the date of grant.

No changes were made to the director compensation program in 2018 from the prior year.

### **Pension**

Under the Wallace Computer Services Directors Pension Plan, Mr. Pope will receive quarterly payments of \$6,250 starting at the later of age 60 or termination of service on the Board and continuing until the balance in such director's pension account has been paid out. As of December 31, 2018, Mr. Pope had a balance of \$175,000. No other director will receive payments under this plan as the plan is frozen.

Mr. Pope also receives a benefit under the Moore Wallace Capital Accumulation Plan for Directors. Under this plan, Mr. Pope receives an annual payment of \$5,331, continuing until age 80. No other director receives payments under this plan and the plan is frozen.

### **Benefits**

Non-employee directors may also elect to participate in the Company's medical benefit plans. Any director who so elects pays the full cost of participation as if such director were a retiree of the Company.

### **Stock Ownership Requirements**

The Board has established stock ownership guidelines for all non-employee directors. These guidelines are designed to encourage the Board to have a meaningful equity ownership in the Company, thereby linking their interests with

those of our stockholders. Pursuant to the stock ownership guideline, each non-employee director is expected to own and retain 50,000 shares of capital stock or equivalents in the Company within five years from the annual meeting at which he or she is elected to the Board. For those non-employee directors who do not meet the guideline, it is expected that progress will be made towards the goal on an annual basis. The Corporate Responsibility & Governance Committee monitors compliance with the guidelines and conducts a formal review on an annual basis.

**Table of Contents****DIRECTOR COMPENSATION****2018 NON-EMPLOYEE DIRECTOR COMPENSATION TABLE**

Directors who are our employees receive no additional fee for service as a director. Non-employee directors receive compensation as described above.

Name	Fees Earned			Total
	or Paid in		All Other	
	Cash	Stock Awards	Compensation	
	(\$) <sup>(1)</sup>	(\$) <sup>(2)</sup>	(\$) <sup>(3)</sup>	(\$)
Irene M. Esteves	105,000	139,999	4,432	249,430
Susan M. Gianinno	125,000	139,999	7,463	272,462
Jeffrey G. Katz			12,032	12,032
Timothy R. McLevish	130,000	139,999	6,076	276,075
Jamie Moldafsky	105,000	139,999	6,076	251,075
P. Cody Phipps	130,000	139,999	6,076	276,075
John C. Pope	180,000	214,998	54,026	449,023

(1) In accordance with the director compensation plan effective October 1, 2016, amounts in this column include an annual retainer of \$105,000 plus \$25,000 for serving as the chair of the Audit or HR Committees; \$20,000 for serving as the chair of the Corporate Responsibility & Governance Committee; and \$75,000 for serving as the chair of the Board.

(2) The amounts shown in this column constitute restricted share units granted under the Company's 2017 PIP awarded as payment of non-employee director annual retainer and fees for serving as chairperson of the Board or committees calculated as set forth above. The grant date fair value with respect to the restricted share units is determined in accordance with ASC Topic 718. See Note 16 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2018 for a discussion of the relevant assumptions used in calculating grant date fair value pursuant to ASC Topic 718.

(3) Includes interest accrued on dividend equivalents on restricted share awards credited to each director's account.

- (4) Includes \$8,785.18 in dividends paid and interest accrued on amounts held in Mr. Pope's director's account under the Wallace Computer Services Inc. Director Retainer Fee Plan pursuant to which the director retainer fees were credited as shares of stock in Company maintained accounts, similar to phantom stock. Dividends paid and interest accrued on these shares are accrued and credited as additional shares on December 31 of each year. At year end, an additional purchase of shares was made with the dividends and interest earned in 2018. That purchase resulted in an additional 2,025 shares being purchased. As of December 31, 2018, Mr. Pope held a total of 21,196 shares of RRD common stock in the Wallace Computer Services Inc. Director Retainer Fee Plan. Mr. Pope's amount also includes a \$5,331 annual annuity payment payable to Mr. Pope under the Wallace Capital Accumulation Plan (the CAP), a frozen deferred compensation plan in which Mr. Pope participated while a director of Wallace Computer Services. The CAP provides for 15 annuity payments to be paid beginning at age 65.

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The Company has a written policy relating to approval or ratification of all transactions involving an amount in excess of \$120,000 in which the Company is a participant and in which a related person has or will have a direct or indirect material interest, including without limitation any financial transaction, arrangement or relationship (including any indebtedness or guarantee of indebtedness) or any series of similar transactions, arrangements or relationships, subject to certain enumerated exclusions. Under the policy, such related person transactions must be approved or ratified by (i) the Corporate Responsibility & Governance Committee or (ii) if the Corporate Responsibility & Governance Committee determines that the approval or ratification of such transaction should be considered by all of the disinterested members of the Board, such disinterested members of the Board by a majority vote. Related persons include any of our directors or certain executive officers, certain of our stockholders and their immediate family members.

In considering whether to approve or ratify any related person transaction, the Corporate Responsibility & Governance Committee or such disinterested directors, as applicable, may consider all factors that they deem relevant to the transaction, including, but not limited to, the size of the transaction and the amount payable to or receivable from a related person, the nature of the interest of the related person in the transaction, whether the transaction may involve a conflict of interest, and whether the transaction involves the provision of goods or services to the Company that are available from unaffiliated third parties and, if so, whether the transaction is on terms and made under circumstances that are at least as favorable to the Company as would be available in comparable transactions with or involving unaffiliated third parties.

To identify related person transactions, at least once a year all directors and executive officers of the Company are required to complete questionnaires seeking, among other things, disclosure with respect to such transactions of which such director or executive officer may be aware. In addition, each executive officer of the Company is required to advise the Chair of the Corporate Responsibility & Governance Committee of any related person transaction of which he or she becomes aware.

Section 16(a) of the Exchange Act requires the Company's officers and directors, and persons who own more than ten percent of the common stock of the Company, to file with the Securities and Exchange Commission reports of ownership of company securities and changes in reported ownership. Officers, directors and greater than ten percent stockholders are required by SEC rules to furnish the Company with copies of all Section 16(a) reports they file.

Based solely on a review of the copies of such forms furnished to the Company, or written representations from the reporting persons that no Form 5 was required, the Company believes that during 2018 all Section 16(a) filing requirements applicable to its officers, directors, and greater than ten percent beneficial owners were met.

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The Audit Committee has reviewed and discussed with management the Company's audited financial statements as of and for the year ended December 31, 2018. The Audit Committee has discussed with the Company's independent registered public accounting firm, which is responsible for expressing an opinion on the conformity of the Company's audited financial statements with generally accepted accounting principles, the matters required to be discussed by Public Company Accounting Oversight Board (PCAOB) Auditing Standard 1301, Communication with Audit Committees, including its judgments as to the quality of the Company's financial reporting. The Audit Committee has received from the independent registered public accounting firm written disclosures and a letter as required by applicable requirements of the PCAOB and discussed with the independent registered public accounting firm its independence from management and the Company. In considering the independence of the Company's independent registered public accounting firm, the Audit Committee took into consideration the amount and nature of the fees paid to the firm for non-audit services, as described on the next page.

During the course of the fiscal year ended December 31, 2018, management completed the documentation, testing and evaluation of the Company's system of internal control over financial reporting in response to the requirements set forth in Section 404 of the Sarbanes-Oxley Act of 2002 and related regulations.

In reliance on the review and discussions described above, the Audit Committee recommended to the Board of Directors that the year-end audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018 for filing with the Securities and Exchange Commission.

**The Audit Committee**

Timothy R. McLevish, Chairman

Irene M. Esteves

John C. Pope



**Table of Contents****FEES****Pre-Approval Policy**

The Audit Committee has policies and procedures that require the approval by the Audit Committee of all services performed by, and as necessary, fees paid to the Company's independent registered public accounting firm. The Audit Committee approves the proposed services, including the scope of services contemplated and the related fees, associated with the current year audit. In addition, Audit Committee pre-approval is also required for those engagements that may arise during the course of the year that are outside the scope of the initial services and fees pre-approved by the Audit Committee. The Audit Committee pre-approves, up to an aggregate dollar amount and individual dollar amount per engagement, certain permitted non-audit services anticipated to be provided by the Company's independent registered public accounting firm. In the event permitted non-audit service amounts exceed the thresholds established under the pre-approval policy, the Audit Committee must specifically approve such excess amounts. The Audit Committee chairman has the authority to approve any services outside the specific pre-approved non-audit services and must report any such approval at the next meeting of the Audit Committee.

Pursuant to the Sarbanes-Oxley Act of 2002, the fees and services provided as noted below were authorized and approved by the Audit Committee in compliance with the pre-approval policies and procedures described above.

Type of Fee	Fiscal 2018	Fiscal 2017
Audit Fees	\$ 5,639,000	\$ 5,968,000
Audit-Related Fees	\$ 1,143,000	\$
Tax Fees	\$ 73,000	\$ 53,000
All Other Fees	\$	\$
Total	\$ 6,855,000	\$ 6,021,000

*Audit Fees* Deloitte & Touche LLP (Deloitte) was the Company's independent registered public accounting firm for the years ended December 31, 2018 and 2017. Audit Fees primarily include the audit of the Company's annual financial statements included in the Company's Form 10-K and the review of the Company's quarterly financial statements included in the Company's Form 10-Q. Lastly, Audit Fees include fees for AT101 attestation reports over IT controls during 2018 and 2017.

*Audit-Related Fees* Total fees paid to Deloitte for audit-related services rendered during 2018 and 2017 were \$1,143,000 and \$0, respectively. Audit-related fees paid to Deloitte in 2018 primarily related to fees associated with an audit of carve-out financial statements for one of the Company's subsidiaries and for due diligence assistance.

*Tax Fees* Total fees paid to Deloitte for tax services rendered during 2018 and 2017 were \$73,000 and \$53,000, respectively, primarily related to international tax compliance.

*All Other Fees* No other fees were paid to Deloitte for any other services rendered during 2018 and 2017.

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Below are instructions on how to vote, as well as information on your rights as a stockholder as they relate to voting. Some of the instructions vary depending on how your stock is held. It is important to follow the instructions that apply to your situation.

**Q: Who can vote?**

**A:** You are entitled to one vote on each proposal for each share of the Company's common stock that you own as of the close of business on the record date, March 29, 2019.

**Q: What is the difference between holding shares as a stockholder of record and a street name holder?**

**A:** If your shares are registered directly in your name through Computershare, the Company's transfer agent, you are considered a stockholder of record. If your shares are held in a brokerage account or bank, you are considered a street name holder.

**Q: How do I vote if shares are registered in my name (as stockholder of record)?**

**A: By Mail:**

Sign, date and return the enclosed proxy card in the postage paid envelope provided. Your voting instructions must be received by May 15, 2019.

**By Telephone or Internet:**

Call the toll-free number listed on your proxy card, log on to the website listed on your proxy card or scan the QR code on your proxy card and follow the simple instructions provided.

The telephone and Internet voting procedures are designed to allow you to vote your shares and to confirm that your instructions have been properly recorded consistent with applicable law. Please see your proxy card for specific instructions. Stockholders who wish to vote over the Internet should be aware that there may be costs associated with electronic access, such as usage charges from Internet access providers and telephone companies, and that there may be some risk a stockholder's vote might not be properly recorded or counted because of an unanticipated electronic malfunction.

Voting by telephone and the Internet will be closed at 1:00 a.m. Chicago time on the date of the 2019 Annual Meeting.

**Q: How do I vote if my shares are held in street name?**

**A:** You should give instructions to your broker on how to vote your shares. If you do not provide voting instructions to your broker, your broker has discretion to vote those shares on matters that are routine.

However, a broker cannot vote shares on non-routine matters without your instructions. This is referred to as a broker non-vote.

Proposals 1, 2 and 3 are considered non-routine matters. Accordingly, your broker will not have the discretion to vote shares as to which you have not provided voting instructions with respect to any of these matters.

Proposal 4, the ratification of the appointment of the independent registered public accounting firm, is considered a routine matter, so there will not be any broker non-votes with respect to that proposal.

**Q: Can I vote my shares in person at the Annual Meeting?**

**A:** If you plan to attend the meeting and vote in person, your instructions depend on how your shares are held:

Shares registered in your name check the appropriate box on the enclosed proxy card and bring either the admission ticket attached to the proxy card or evidence of your stock ownership with you to the meeting.

Shares registered in the name of your broker or other nominee ask your broker to provide you with a broker's proxy card in your name (which will allow you to vote your shares in person at the meeting) and bring evidence of your stock ownership from your broker with you to the meeting.

Remember that attendance at the meeting will be limited to stockholders as of the record date with an admission ticket or evidence of their share ownership and guests of the Company.

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**QUESTIONS AND ANSWERS ABOUT HOW TO VOTE YOUR PROXY**

**Q: Can I revoke my proxy or change my vote after I have voted?**

**A:** If your shares are registered in your name, you may revoke your proxy at any time before it is exercised. There are several ways you can do this:

By delivering a written notice of revocation to the Secretary of the Company;

By executing and delivering another proxy that bears a later date;

By voting by telephone at a later time;

By voting over the Internet at a later time; or

By voting in person at the meeting.

If your shares are held in street name, you must contact your broker to revoke your proxy.

**Q: How are votes counted?**

**A:** In tallying the results of the voting, the Company will count all properly executed and unrevoked proxies that have been received in time for the 2019 Annual Meeting. To hold a meeting of stockholders, a quorum of the shares (which is a majority of the shares outstanding and entitled to vote) is required to be represented either in person or by proxy at the meeting. Abstentions and broker non-votes are counted in determining whether a quorum is present for the meeting.

**Q: What are my options when voting for directors?**

**A:** When voting to elect directors, you have three options:

Vote **FOR** a nominee;

Vote **AGAINST** a nominee; or

**ABSTAIN** from voting on a nominee.

In the election of directors, each nominee will be elected by the vote of the majority of votes cast. A majority of votes cast means that the number of votes cast **FOR** a nominee's election must exceed the number of shares voted **AGAINST** such nominee. Each nominee receiving a majority of votes cast **FOR** his or her election will be elected. If you elect to **ABSTAIN** with respect to a nominee for director, the abstention will not impact the election of such nominee.

Election of directors is considered a non-routine matter. Accordingly, broker non-votes will not count as a vote FOR or AGAINST a nominee's election and will not impact the election of such nominee. In tabulating the voting results for the election of directors, only FOR and AGAINST votes are counted.

**Q: What are my options when voting on the other proposals?**

**A:** When voting on the other proposals, you have three options:

Vote **FOR** a given proposal;

Vote **AGAINST** a given proposal; or

**ABSTAIN** from voting on a given proposal.

Each of these matters requires the affirmative vote of a majority of the shares present, or represented by proxy, at the meeting and entitled to vote on the proposal. If you indicate on your proxy card that you wish to **ABSTAIN** from voting on a proposal, your shares will not be voted on that proposal. Abstentions are not counted in determining the number of shares voted FOR or AGAINST any proposal, but will be counted as present and entitled to vote on the proposal. Accordingly, an abstention will have the effect of a vote against the Proposal.

Broker non-votes are not counted in determining the number of shares voted for or against any proposal and will not be counted as present and entitled to vote on any of proposals 1, 2 and 3.

**Q: How will my shares be voted if I sign and return my proxy card with no votes marked?**

**A:** If you sign and return your proxy card with no votes marked, your shares will be voted as follows:

**FOR** the election of all nominees for director identified in this proxy statement;

**FOR** the approval, on an advisory basis, of the compensation of our named executive officers;

**FOR** the approval of the Amended and Restated 2017 Performance Incentive Plan; and

**FOR** the ratification of the Company's independent registered public accounting firm.

**Q: How are proxies solicited and what is the cost?**

**A:** The Company actively solicits proxy participation. In addition to this notice by mail, the Company encourages banks, brokers and other custodian nominees and fiduciaries to supply proxy materials to stockholders, and reimburses them for their expenses. However, the Company does not reimburse its own employees for soliciting proxies. The Company has hired Morrow Sodali LLC, 470 West Ave., Stamford, CT 06902, to help solicit proxies, and has agreed to pay it \$8,000 plus out-of-pocket expenses for this service. All costs of this solicitation will be borne by the Company.

**Q: How many shares of stock were outstanding on the record date?**

**A:** As of the record date, there were 70,828,621 shares of common stock outstanding. This does not include 18,169,358 shares held in the Company's treasury. Each outstanding share is entitled to one vote on each proposal.

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Any proposals that stockholders wish to present at the 2020 Annual Meeting must be received by December 10, 2019 in order to be considered for inclusion in the Company's proxy materials. The 2020 Annual Meeting is currently scheduled to be held on May 14, 2020.

A stockholder wishing to nominate a candidate for election to the Board, or make a proposal at the 2020 Annual Meeting that will not be considered for inclusion in the Company's proxy materials, is required to give appropriate written notice to the Secretary of the Company, which must be received by the Company between 60 and 90 days before May 16, 2020 (i.e. between February 16, 2020 and March 17, 2020). If the 2020 Annual Meeting is scheduled on a date that is more than 30 days prior to or after May 16, 2020, stockholders are allowed to submit a notice or nomination proposal before the later of the date 60 days prior to the meeting date or the tenth day after the meeting date is announced.

A nomination or proposal that does not supply the required information about the nominee or proposal and the stockholder making the nomination or proposal will be disregarded. All proposals or nominations should be addressed to: Secretary, R. R. Donnelley & Sons Company, 35 West Wacker Drive, 36<sup>th</sup> Floor, Chicago, Illinois 60601.

The Company's management does not currently intend to bring any proposals to the 2019 Annual Meeting other than the election of directors, the advisory vote to approve executive compensation, the vote to approve the Amended and Restated 2017 Performance Incentive Plan and the ratification of the auditors and does not expect any stockholder proposals. If new proposals requiring a vote of the stockholders are brought before the meeting in a proper manner, the persons named in the accompanying proxy card intend to vote the shares represented by them in accordance with their best judgment.

By Order of the Board of Directors

Deborah L. Steiner, Corporate Secretary and General Counsel

Chicago, Illinois, April 8, 2019

**Table of Contents****APPENDIX A: Reconciliation of Non-GAAP Financial Measures****R. R. Donnelley & Sons Company**

Reconciliation of GAAP to Non-GAAP Net (Loss) Earnings Attributable to Common Stockholders Per Diluted Share

For the Twelve Months Ended December 31, 2018

*(UNAUDITED)*

	<b>For the Twelve Months Ended</b>	
	<b>December 31, 2018</b>	
GAAP basis measure	\$	(0.16)
Non-GAAP adjustments:		
Restructuring, impairment and other-net <sup>(1)</sup>		0.47
Loss on debt extinguishments <sup>(2)</sup>		0.45
Net gain on investments <sup>(3)</sup>		
Gain on disposal of businesses <sup>(4)</sup>		(0.07)
Tax expense related to the enactment of the Tax Cuts and Jobs Act <sup>(5)</sup>		0.08
Income tax adjustment <sup>(6)</sup>		(0.09)
All other <sup>(7)</sup>		0.02
Total Non-GAAP adjustments		0.86
Non-GAAP measure	\$	0.70

- (1) *Restructuring, impairment and other net*: charges incurred during the twelve months ended December 31, 2018 included pre-tax charges for lease termination and other restructuring charges; employee termination costs; and impairment and other charges, including MEPP withdrawal obligations.
- (2) *Loss on debt extinguishments*: related to premiums paid in connection with tenders, unamortized debt issuance costs and other expenses associated with the tender offer during the twelve months ended December 31, 2018.
- (3) *Net gain on investments*: included a pre-tax gain resulting from the sale of certain of our affordable housing investments during the twelve months ended December 31, 2018.
- (4) *Gain on disposal of businesses*: primarily included a gain on the sale of the Print Logistics business within the Business Services segment during the twelve months ended December 31, 2018.
- (5) *Tax expense related to the enactment of the Tax Cuts and Jobs Act*: the twelve months ended December 31, 2018 included an increase to adjust the provisional one-time transition tax recorded at December 31, 2017 and an expense related to the reduced corporate income tax rate.

- (6) *Income tax adjustment*: related to adjustments to deferred taxes.
- (7) *All other*: primarily included non-cash pension settlement charges during the twelve months ended December 31, 2018.

Reconciliation of GAAP to Non-GAAP Income from Operations

For the Twelve Months Ended December 31, 2018

(UNAUDITED)

(in millions)

	For the Twelve Months Ended	
	December 31, 2018	
GAAP basis measure	\$	208.6
Non-GAAP adjustments:		
Restructuring, impairment and other-net <sup>(1)</sup>		38.8
Gain on disposal of businesses <sup>(2)</sup>		(3.7)
All other <sup>(3)</sup>		0.1
Total Non-GAAP adjustments		35.2
Non-GAAP measure	\$	243.8

(1) *Restructuring, impairment and other net*: charges incurred during the twelve months ended December 31, 2018 included pre-tax charges of \$16.6 million for lease termination and other restructuring charges; \$12.9 million for employee termination costs; and \$9.3 million for impairment and other charges, including MEPP withdrawal obligations.

(2) *Gain on disposal of businesses*: primarily included a gain on the sale of the Print Logistics business within the Business Services segment during the twelve months ended December 31, 2018.

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- (3) *All other*: primarily included \$1.9 million of non-cash pension settlement charges during the twelve months ended December 31, 2018.

## Reconciliation of Reported to Organic Net Sales

For the Twelve Months Ended December 31, 2018

*(UNAUDITED)*

	Marketing		
	Business Services	Solutions	Consolidated
Reported net sales change	(2.5%)	0.4%	(2.0%)
Less:			
Year-over-year impact of changes in foreign currency rates	0.2%		0.2%
Year-over-year impact of dispositions <sup>(1)</sup>	(3.9%)		(3.3%)
Net organic sales change	1.2%	0.4%	1.1%

- (1) *Adjusted for net sales of our Print Logistics business, disposed in the third quarter of 2018.*

## Reconciliation of Total Debt to Net Debt

As of December 31, 2018 and December 31, 2017

*(UNAUDITED)**(in millions, except percentages)*

	12/31/2018	12/31/2017	% Change
Reported total debt	\$ 2,091.5	\$ 2,109.7	(0.9%)
Less:			
Cash and cash equivalents	370.6	273.4	35.6%
Net debt	\$ 1,720.9	\$ 1,836.3	(6.3%)

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**APPENDIX B: R. R. Donnelley & Sons Company**

**Amended and Restated 2017 Performance Incentive Plan**

**(As Adopted by the Board of Directors on April 4, 2019)**

**I. General**

1. *Plan.* To provide incentives to officers, other employees and other persons providing services to R.R. Donnelley & Sons Company (the *Company* ) through rewards based upon the ownership or performance of the common stock, par value \$0.01 per share, of the Company ( *common stock* ) or other performance measures, the Committee hereinafter designated may grant cash or bonus awards, stock options, stock appreciation rights ( *SARs* ), restricted stock, stock units or combinations thereof, to eligible participants, on the terms and subject to the conditions stated in this 2017 Performance Incentive Plan (the *Plan* ). In addition, to provide incentives to members of the Board of Directors (the *Board* ) who are not employees of the Company ( *non-employee directors* ), *non-employee directors* are eligible to receive awards as set forth in Article V of the Plan. For purposes of the Plan, references to employment by or service to the Company also means employment by or service to a direct or indirect majority-owned subsidiary of the Company and employment by or service to any other entity designated by the Board or the Committee in which the Company has a direct or indirect equity interest. Capitalized terms not defined herein shall have the meanings specified in the applicable award agreement.
2. *Eligibility.* Officers and other employees of, and other persons providing services to the Company ( *participants* ) shall be eligible, upon selection by the Committee, to receive cash or bonus awards, stock options, SARs, restricted stock and stock units, either singly or in combination, as the Committee, in its discretion, shall determine. In addition, non-employee directors shall receive awards on the terms and subject to the conditions stated in the Plan.
3. *Limitation on Shares to be Issued.* Subject to adjustment as provided in Section 5 of this Article I, 7,300,000 shares of common stock shall be available under the Plan, reduced by the aggregate number of shares of common stock which are issued or delivered pursuant to outstanding bonus awards, stock options, SARs which are not granted in tandem with or by reference to a stock option ( *free-standing SARs* ), restricted stock awards and stock unit awards. Shares subject to a grant or award under the Plan which are not issued or delivered, by reason of the expiration, termination, cancellation or forfeiture of all or a portion of the grant or award or the settlement of the grant or award in cash shall again be available for future grants and awards under the Plan; provided, however, that for purposes of this sentence, stock options and SARs granted in tandem with or by reference to a stock option granted prior to the grant of such SARs ( *tandem SARs* ) shall be treated as one grant. Shares tendered or withheld upon exercise of an option, vesting of restricted stock or stock units, settlement of an SAR or upon any other event to pay exercise price or tax withholding, or shares purchased by the Company using the proceeds of the exercise a stock option, shall not be available for future issuance under the Plan. In addition, upon exercise of an SAR, the total number of shares remaining available for issuance under the Plan shall be reduced by the gross number of shares for which the SAR is exercised.

No new grants shall be made under any equity plan of the Company that was in effect as of the date immediately prior to the date of the initial stockholder approval of the Plan (the *Existing Company Plans* ) and all such Existing Company Plans have been terminated, provided, however, that such termination has had and shall have no effect on

any outstanding awards granted under any Existing Company Plan.

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

4. *Administration of the Plan.* The Plan shall be administered by a Committee designated by the Board (the Committee ), provided that the Board may designate a separate committee, also meeting the requirements set forth in the following sentence, to administer Article V hereof. Each member of the Committee shall be a director that the Board has determined to be (i) an outside director within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code ), (ii) a Non-Employee Director within the meaning of Rule 6b-3 under the Securities Exchange Act of 1934, as amended (the Exchange Act ) and (iii) independent within the meaning of the rules of the principal stock exchange on which the common stock is traded. The Committee shall, subject to the terms of the Plan, select eligible participants for grants and awards; determine the form of each grant and award, either as cash, bonus awards, stock options, SARs, restricted stock awards, stock unit awards or a combination thereof; and determine the number of shares or units subject to the grant or award, the fair market value of the common stock or units when necessary, the timing and conditions of vesting, exercise or settlement, whether dividends or dividend equivalents accrue under any award, and all other terms and conditions of each grant and award, including, without limitation, the form of instrument evidencing the grant or award. Notwithstanding the foregoing, all stock option awards, SARs, restricted stock awards, stock unit awards, awards granted pursuant to Article V and any other equity awards granted under the Plan shall have a minimum vesting period of at least one year from the date of grant; provided, however, that the Committee may provide for early vesting upon the death, permanent and total disability, retirement or involuntary termination of service of the award recipient. Notwithstanding the foregoing, up to 5% of the shares available for grant under the Plan may be granted with a minimum vesting schedule that is shorter than that mandated in this Section 4 of Article I. The Committee may establish rules and regulations for the administration of the Plan, interpret the Plan, and impose, incidental to a grant or award, conditions with respect to competitive employment or other activities not inconsistent with the Plan. All such rules, regulations, interpretations and conditions shall be conclusive and binding on all parties.

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Notwithstanding anything in this Plan to the contrary, the Committee will not, without the approval of the stockholders of the Company, (i) reduce the purchase price or base price of any previously granted option or SAR, (ii) cancel any previously granted option or SAR in exchange for another option or SAR with a lower purchase price or base price or (iii) cancel any previously granted option or SAR in exchange for cash or another award if the purchase price of such option or the base price of such SAR exceeds the fair market value of a share of common stock on the date of such cancellation, in each case, other than in connection with a Change in Control or the adjustment provisions set forth in Section 5 of this Article I.

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

Notwithstanding anything to the contrary contained herein, the Board may, in its sole discretion, at any time and from time to time, grant Awards or administer the Plan. In any such case, the Board will have all of the authority and responsibility granted to the Committee herein.

5. *Adjustments.* In the event of any stock split, stock dividend, recapitalization, reorganization, merger, consolidation, combination, exchange of shares, liquidation, spin-off or other similar change in capitalization or event affecting the Company or its common stock, or any distribution to holders of the Company's common stock other than a regular cash dividend, the number, class and kind of securities (including, for this purpose, securities of any other entity that is a party to such transaction) available under the Plan, the specific share limitations otherwise set forth in the Plan, the number, class and kind of securities (including, for this purpose, securities of any other entity that is a party to such transaction) subject to each outstanding bonus award, the number, class and kind of securities (including, for this purpose, securities of any other entity that is a party to such transaction) subject to each outstanding stock option, the base price per security and the terms of each outstanding SAR and the performance conditions applicable to any award shall be appropriately adjusted by the Committee, such adjustments to be made in the case of outstanding stock options and SARs without an increase in the aggregate purchase price or base price. For purposes of the Plan, the fair market value of the common stock on a specified date shall be the closing market price of the common stock on such date, or, if no such trading in the common stock occurred on such date, then on the next preceding date when such trading occurred, or as otherwise determined by the Committee.
6. *Effective Date and Term of Plan.* The Plan, as amended and restated as set forth herein, shall be submitted to the stockholders of the Company for approval at the next meeting of stockholders held following the Board's adoption of the amended and restated Plan and, if approved, shall become effective on the date of such stockholder approval. If the stockholders of the Company do not approve the amendment and restatement of the Plan, as set forth herein, then the Plan shall continue to operate in accordance with its terms as in effect prior to such amendment and restatement. The Plan shall terminate on the date on which shares are no longer available for grants or awards under the Plan, unless terminated prior thereto by action of the Board; provided, however that if

the Plan itself has not previously terminated, Section 1 of Article V shall terminate on the date that is ten years from the date of stockholder approval of the amended and restated Plan. No further grants or awards shall be made under the Plan after termination, but termination shall not affect the rights of any participant under any grants or awards made prior to termination. Each award granted under the Plan or subject to a written binding contract on or before November 2, 2017 and not materially modified after such date (each such award, a *Grandfathered Award*) shall be subject to the terms of the Plan as in effect as of the date on which such award was granted, and it is intended that each such Grandfathered Award continue to be subject to Section 162(m) of the Code as in effect prior to the enactment of the Tax Cuts and Jobs Act.

7. *Amendments.* The Plan may be amended or terminated by the Board in any respect except that no amendment may be made without stockholder approval if stockholder approval is required by applicable law, rule or regulation, or such amendment would increase (subject to Section 5 of this Article I) the number of shares available under the Plan or would amend the prohibition on repricing of awards set forth in Section 4 of this Article I or otherwise permit the repricing of awards granted hereunder. No amendment may impair the rights of a holder of an outstanding grant or award without the consent of such holder.
  
8. *Indemnification.* No member of the Committee or any person to whom the Committee delegates its powers, responsibilities or duties in writing, including by resolution (each such person, a *Covered Person*), will have any liability to any person (including any grantee) for any action taken or omitted to be taken or any determination made with respect to the Plan or any award, except as expressly provided by statute. Each Covered Person will be indemnified and held harmless by the Company against and from:
  - (a) any loss, cost, liability or expense (including attorneys' fees) that may be imposed upon or incurred by such Covered Person in connection with or resulting from any action, suit or proceeding to which such Covered Person may be a party or in which such Covered Person may be involved by reason of any action taken or omitted to be taken under the Plan or any award agreement, in each case, in good faith and
  
  - (b) any and all amounts paid by such Covered Person, with the Company's approval, in settlement thereof, or paid by such Covered Person in satisfaction of any judgment in any such action, suit or proceeding against such Covered Person, provided that the Company will have the right, at its own expense, to assume and defend any such action, suit or proceeding and, once the Company gives notice of its intent to assume the defense, the Company will have sole control over such defense with counsel of the Company's choice.

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The foregoing right of indemnification will not be available to a Covered Person to the extent that a court of competent jurisdiction in a final judgment or other final adjudication, in either case, not subject to further appeal, determines that the acts or omissions of such Covered Person giving rise to the indemnification claim resulted from such Covered Person's bad faith, fraud or willful misconduct. The foregoing right of indemnification will not be exclusive of any other rights of indemnification to which Covered Persons may be entitled under the Company's articles of incorporation or bylaws, pursuant to any individual indemnification agreements between such Covered Person and the Company, as a matter of law, or otherwise, or any other power that the Company may have to indemnify such persons or hold them harmless.

**II. Bonus Awards**

1. *Form of Award.* Bonus awards, whether performance awards or fixed awards, may be made to eligible participants in the form of (i) cash, whether in an absolute amount or as a percentage of compensation, (ii) stock units, each of which is the economic equivalent of a share of common stock but for the power to vote and, if the Committee so determines, in its sole discretion, the entitlement to an amount equal to dividends or other distributions otherwise payable on a like number of shares of common stock, (iii) shares of common stock issued to the participant but forfeitable and with restrictions on transfer in any form as hereinafter provided or (iv) any combination of the foregoing.
  
2. *Performance Awards.* (a) Awards may be made in terms of a stated potential maximum dollar amount, percentage of compensation or number of units or shares, with such actual amount, percentage or number to be determined by reference to the level of achievement of corporate, sector, business unit, division, individual or other specific performance goals over a performance period of not less than one nor more than ten years, as determined by the Committee.
  - (a) Performance awards will be determined based on the attainment of written performance goals approved by the Committee for a performance period established by the Committee. At the time the performance goals are established, the Committee will prescribe a formula to determine the amount of the performance award that may be payable based upon the level of attainment of the performance goals during the performance period.
  
  - (b) Following the completion of each performance period, the Committee will have the sole discretion to determine whether the applicable performance goals, including the corporate financial target under the Company's Annual Incentive Plan, have been met with respect to a given grantee and, if they have, will so certify or approve in writing and ascertain the amount of the applicable performance award. No Grandfathered Award will be paid for such performance period until written certification is made by the Committee. The amount of the performance award actually paid to a given grantee may be less (but not more) than the amount determined by the applicable performance goal formula, at the discretion of the Committee. The amount of the performance award determined by the Committee for a performance period will be paid to the grantee at such time as determined by the Committee in its sole discretion after the end of such performance period.
  
  - (c) In no event shall any participant receive a payment with respect to any Grandfathered Award if the minimum threshold performance goals requirement applicable to the payment is not achieved during the performance



period.

- (d) If the Committee desires that compensation payable pursuant to Grandfathered Awards be qualified performance-based compensation within the meaning of Section 162(m) of the Code, then with respect to such performance awards, for any calendar year (i) the maximum compensation payable pursuant to any such Grandfathered Awards granted during such year, to the extent payment thereunder is determined by reference to shares of common stock (or the fair market value thereof), shall not exceed 900,000 shares of common stock (or the fair market value thereof), subject to adjustment as set forth in Section 5 of Article I, and (ii) the maximum compensation payable pursuant to any such Grandfathered Awards granted during such year, to the extent payment is not determined by reference to shares of common stock, shall not exceed \$9,000,000. The limits set forth in this Section 2(d) of Article II shall be proportionately increased for performance periods that are longer than 12 months.
- (e) The Committee may provide in any agreement evidencing a performance award under the Plan that the Committee shall retain sole discretion to reduce or, except for Grandfathered Awards, increase the amount of or eliminate any payment otherwise payable to a participant with respect to any performance award. If so provided in any agreement evidencing a performance award, the Committee may exercise such discretion by establishing conditions for payments in addition to the performance goals, including the achievement of financial, strategic or individual goals, which may be objective or subjective, as it deems appropriate.
- (f) For purposes of the Plan, performance goals means the objectives established by the Committee which shall be satisfied or met during the applicable performance period as a condition to a participant's receipt of all or a part of a performance-based award under the Plan. The performance goals shall be tied to one or more of the following business criteria, determined with respect to the Company or the applicable sector, business unit or division: net sales; cost of sales; gross profit; earnings from operations; earnings before interest, taxes, depreciation and amortization; earnings before income taxes; earnings before interest and taxes; cash flow measures; return on equity; return on assets; return on net assets employed; return on capital; working capital; leverage ratio; stock price measures; enterprise value; safety measures; net income per common share (basic or diluted); EVA (Economic Value Added, which represents the cash operating earnings of the Company after deducting a charge for capital employed); cost reduction objectives or, in the case of awards not intended to be qualified performance-based compensation within the meaning of Section 162(m) of the Internal Revenue Code, any other similar criteria established by the Plan Committee for the applicable performance period. The Committee may amend or adjust the performance goals or other terms or conditions of an outstanding award in recognition of unusual, nonrecurring or infrequently occurring events. If the Committee desires that compensation payable pursuant to any Grandfathered Award subject to performance goals be qualified performance-based compensation

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within the meaning of Section 162(m) of the Code, the performance goals (i) shall be established by the Committee no later than 90 days after the beginning of the applicable performance period (or such other time designated by the Internal Revenue Service) and (ii) shall satisfy all other applicable requirements imposed under Treasury Regulations promulgated under Section 162(m) of the Code, including the requirement that such performance goals be stated in terms of an objective formula or standard.

3. *Fixed Awards.* Awards may be made which are not contingent on the achievement of specific objectives, but are contingent on the participant's continuing in the Company's employ for a period specified in the award.
4. *Rights with Respect to Restricted Shares.* If shares of restricted common stock are subject to an award, the participant shall have the right, unless and until such award is forfeited or unless otherwise determined by the Committee at the time of grant, to vote the shares and to receive dividends thereon from the date of grant and the right to participate in any capital adjustment applicable to all holders of common stock; provided, however, that (i) distributions with respect to shares of common stock and (ii) regular cash dividends with respect to shares of restricted common stock, in each case, whether subject to time-based or performance-based vesting conditions, shall be deposited with the Company and shall be subject to the same restrictions as the shares of restricted common stock with respect to which any such distribution or dividend was made.

During the restriction period, the shares subject to a restricted stock award shall be held in book entry form, with the restrictions, terms and conditions duly noted. Upon termination of any applicable restriction period, including, if applicable, the satisfaction or achievement of applicable objectives, and subject to the Company's right to require payment of any taxes, the requisite number of shares of common stock shall be delivered to the holder of such award.

5. *Rights with Respect to Stock Units.* If stock units are credited to a participant pursuant to an award, then, except as otherwise provided by the Committee in its sole discretion, amounts equal to dividends and other distributions otherwise payable on a like number of shares of common stock after the crediting of the units (unless the record date for such dividends or other distributions precedes the date of grant of such award) shall be credited to a notional account for the participant and shall be subject to the same vesting conditions as the related stock unit award and interest may be credited on the account at a rate determined by the Committee. The Committee may grant awards of stock units in such amounts and subject to such terms and conditions as the Committee may determine. A grantee of a stock unit will have only the rights of a general unsecured creditor of the Company, until delivery of shares, cash or other securities or property is made as specified in the applicable award agreement. On the delivery date specified in the award agreement, the grantee of each stock unit not previously forfeited or terminated will receive one share of common stock, cash or other securities or property equal in value to a share of common stock or a combination thereof, as specified by the Committee in the applicable award agreement.
6. *Events Upon Vesting.* At the time of vesting of an award made pursuant to this Article II, (i) the award (and any dividend equivalents, other distributions and interest which have been credited), if in units, shall be paid to the participant either in shares of common stock equal to the number of units, in cash equal to the fair market value of such shares, or in such combination thereof as the Committee shall determine, (ii) the award, if a cash bonus award, shall be paid to the participant either in cash, or in shares of common stock with a then fair market value equal to the amount of such award, or in such combination thereof as the Committee shall determine and (iii) shares of restricted common stock issued pursuant to an award shall be released from the restrictions.

**III. Stock Options**

1. *Options for Eligible Participants.* Options to purchase shares of common stock may be granted to such eligible participants as may be selected by the Committee. These options may, but need not, constitute incentive stock options under Section 422 of the Code. To the extent that the aggregate fair market value (determined as of the date of grant) of shares of common stock with respect to which options designated as incentive stock options are exercisable for the first time by an optionee during any calendar year (under the Plan or any other plan of the Company, or any parent or subsidiary) exceeds the amount (currently \$100,000) established by the Code, such options shall not constitute incentive stock options. No incentive stock options may be granted under the Plan after the earlier of the tenth anniversary of (a) the date the Plan is approved by the Board or (b) the effective date of the Plan.
  
2. *Number of Shares and Purchase Price.* The number of shares of common stock subject to an option and the purchase price per share of common stock purchasable upon exercise of the option shall be determined by the Committee; provided, however, that the purchase price per share of common stock shall not be less than 100% of the fair market value of a share of common stock on the date of grant of the option; provided, further, that if an incentive stock option shall be granted to any person who, on the date of grant of such option, owns capital stock possessing more than ten percent of the total combined voting power of all classes of capital stock of the Company (or of any parent or subsidiary) (a Ten Percent Holder), the purchase price per share of common stock shall be the price (currently 110% of fair market value) required by the Code in order to constitute an incentive stock option.
  
3. *Exercise of Options.* The period during which options granted hereunder may be exercised shall be determined by the Committee; provided, however, that no stock option shall be exercised later than ten years after its date of grant; provided further, that if an incentive stock option shall be granted to a Ten Percent Holder, such option shall not be exercisable more than five years after its date of grant. The Committee may, in its discretion, establish performance measures which shall be satisfied or met as a condition to the grant of an option or to the exercisability of all or a portion of an option. The Committee shall determine whether an option shall become exercisable in cumulative or non-cumulative installments and in part or in full at any time. An exercisable option, or portion thereof, may be exercised only with respect to whole shares of common stock.  
An option may be exercised (i) by giving written notice to the Company (or following other procedures designated by the Company) specifying the number of whole shares of common stock to be purchased and accompanied by payment therefor in full (or

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arrangement made for such payment to the Company's satisfaction) either (A) in cash, (B) in previously owned whole shares of common stock (for which the optionee has good title free and clear of all liens and encumbrances) having a fair market value, determined as of the date of exercise, equal to the aggregate purchase price payable by reason of such exercise, (C) by authorizing the Company to withhold whole shares of Common Stock that would otherwise be delivered having a fair market value, determined as of the date of exercise, equal to the aggregate purchase price payable by reason of such exercise, (D) in cash by a broker-dealer acceptable to the Company to whom the optionee has submitted an irrevocable notice of exercise, (E) to the extent expressly authorized by the Committee, via a cashless exercise arrangement with the Company or (F) a combination of (A) and (B), (ii) if applicable, by surrendering to the Company any SARs which are canceled by reason of the exercise of the option and (iii) by executing such documents as the Company may reasonably request. The Committee shall have the sole discretion to disapprove of an election pursuant to clause (B), (C) or (D). Any fraction of a share of common stock which would be required to pay such purchase price shall be disregarded and the remaining amount due shall be paid in cash by the optionee. No shares of common stock shall be delivered until the full purchase price therefor has been paid.

4. *No Dividend Equivalent Rights.* No dividend equivalents shall be paid or shall accrue with respect to any shares of common stock subject to an option.

**IV. Stock Appreciation Rights**

1. *Grants.* Free-standing SARs entitling the grantee to receive cash or shares of common stock having a fair market value equal to the appreciation in market value of a stated number of shares of common stock from the date of grant to the date of exercise of such SARs, or in the case of tandem SARs, from the date of grant of the related stock option to the date of exercise of such tandem SARs, may be granted to such participants as may be selected by the Committee. The holder of a tandem SAR may elect to exercise either the option or the SAR, but not both. Tandem SARs shall be automatically canceled upon exercise of the related stock option.
2. *Number of SARs and Base Price.* The number of SARs subject to a grant shall be determined by the Committee. Any tandem SAR related to an incentive stock option shall be granted at the same time that such incentive stock option is granted. The base price of a tandem SAR shall be the purchase price per share of common stock of the related option. The base price of a free-standing SAR shall be determined by the Committee; provided, however, that such base price shall not be less than 100% of the fair market value of a share of common stock on the date of grant of such SAR.
3. *Exercise of SARs.* The agreement relating to a grant of SARs may specify whether such grant shall be settled in shares of common stock (including restricted shares of common stock) or cash or a combination thereof. Upon exercise of an SAR, the grantee shall be paid the excess of the then fair market value of the number of shares of common stock to which the SAR relates over the base price of the SAR. Such excess shall be paid in cash or in shares of common stock having a fair market value equal to such excess or in such combination thereof as the Committee shall determine. The period during which SARs granted hereunder may be exercised shall be determined by the Committee; provided, however, no SAR shall be exercised later than ten years after the date of its grant; and provided, further, that no tandem SAR shall be exercised if the related option has expired or has been canceled or forfeited or has otherwise terminated. The Committee may, in its discretion, establish performance measures which shall be satisfied or met as a condition to the grant of an SAR or to the exercisability of all or a

portion of an SAR. The Committee shall determine whether an SAR may be exercised in cumulative or non-cumulative installments and in part or in full at any time. An exercisable SAR, or portion thereof, may be exercised, in the case of a tandem SAR, only with respect to whole shares of common stock and, in the case of a free-standing SAR, only with respect to a whole number of SARs. If an SAR is exercised for restricted shares of common stock, the restricted shares shall be issued in accordance with Section 4 of Article II and the holder of such restricted shares shall have such rights of a stockholder of the Company as determined pursuant to such Section. Prior to the exercise of an SAR for shares of common stock, including restricted shares, the holder of such SAR shall have no rights as a stockholder of the Company with respect to the shares of common stock subject to such SAR.

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

4. *No Dividend Equivalent Rights.* No dividend equivalents shall be paid or shall accrue with respect to any shares of common stock subject to a SAR.

#### **V. Awards to Non-Employee Directors**

1. *Annual Grants to Non-Employee Directors.* On the date of the Company's 2017 annual meeting of stockholders, and on the date of each subsequent annual meeting prior to the termination of this Section 1 of Article V, the Company shall make an award under the Plan to each individual who is, immediately following such annual meeting, a non-employee director. Awards granted pursuant to this Section 1 of Article V shall be in the form of stock options, restricted stock, stock units or SARs. The form of such awards, and the number of shares subject to each such award, shall be determined by a committee meeting the requirements for the Committee described above in Section 4 of Article I in the exercise of its sole discretion.

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2. *Limits on Compensation to Non-Employee Directors.* No non-employee director of the Company may be granted (in any calendar year) compensation with a value in excess of \$1,000,000, with the value of any equity-based awards based on the accounting grant date value of such award.

**VI. Other**

1. *Non-Transferability of Awards.* No award granted under the Plan shall be transferable other than (i) by will, the laws of descent and distribution or pursuant to beneficiary designation procedures approved by the Company or (ii) to the extent expressly permitted in the agreement relating to such award, to the holder's family members, a trust or entity established by the holder for estate planning purposes, a charitable organization designated by the holder or pursuant to a domestic relations order, in each case without consideration. Each option or SAR may be exercised during the participant's lifetime only by the participant or the participant's guardian, legal representative or similar person or the permitted transferee of the participant. Except as permitted by the second preceding sentence, no award may be sold, transferred, assigned, pledged, hypothecated, encumbered or otherwise disposed of (whether by operation of law or otherwise) or be subject to execution, attachment or similar process. Upon any attempt to so sell, transfer, assign, pledge, hypothecate, encumber or otherwise dispose of any award, such award and all rights thereunder shall immediately become null and void.
2. *Tax Withholding.* The Company shall have the right to require, prior to the issuance or delivery of any shares of common stock or the payment of any cash pursuant to a grant or award hereunder, payment by the holder thereof of any federal, state, local or other taxes which may be required to be withheld or paid in connection therewith. An agreement may provide that (i) the Company shall withhold whole shares of common stock which would otherwise be delivered to a holder, having an aggregate fair market value determined as of the date the obligation to withhold or pay taxes arises in connection therewith (the "Tax Date"), or withhold an amount of cash which would otherwise be payable to a holder, in the amount necessary to satisfy any such obligation or (ii) the holder may satisfy any such obligation by any of the following means: (A) a cash payment to the Company, (B) delivery to the Company of previously owned whole shares of common stock (which the holder purchased on the open market and for which the holder has good title, free and clear of all liens and encumbrances) having an aggregate fair market value determined as of the Tax Date, equal to the amount necessary to satisfy any such obligation, (C) authorizing the Company to withhold whole shares of common stock which would otherwise be delivered having an aggregate fair market value determined as of the Tax Date or withhold an amount of cash which would otherwise be payable to a holder, equal to the amount necessary to satisfy any such liability, (D) in the case of the exercise of an option, a cash payment by a broker-dealer acceptable to the Company to whom the optionee has submitted an irrevocable notice of exercise or (E) any combination of (A), (B) and (C); provided, however, that the Committee shall have sole discretion to disapprove of an election involving clause (B), (C) or (D). An agreement relating to a grant or award hereunder may not provide for shares of common stock to be withheld having an aggregate fair market value in excess of the amount determined by applying the maximum individual statutory tax rate in the employee's applicable jurisdiction; provided that the Company shall be permitted to limit the number of shares so withheld to a lesser number if necessary, in the judgment of the Committee, to avoid adverse accounting consequences or for administrative convenience. Any fraction of a share of common stock which would be required to satisfy such an obligation shall be disregarded and the remaining amount due shall be paid in cash by the holder.
3. *Acceleration Upon Change in Control.* If while (i) any performance award or fixed award granted under Article II is outstanding, (ii) any stock option granted under Article III of the Plan or SAR granted under Article IV of the

Plan is outstanding or (iii) any award made to non-employee directors pursuant to Article V ( nonemployee director awards ) is outstanding:

- (a) any person, as such term is defined in Section 3(a)(9) of the Exchange Act, as modified and used in Section 13(d) and 14(d) thereof (but not including (i) the Company or any of its subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its subsidiaries, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, or (iv) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company) (hereinafter a Person ) is or becomes the beneficial owner, as defined in Rule 13d-3 of the Exchange Act, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its affiliates, excluding an acquisition resulting from the exercise of a conversion or exchange privilege in respect of outstanding convertible or exchangeable securities) representing 50% or more of the combined voting power of the Company's then outstanding securities; or
- (b) during any period of two (2) consecutive years beginning on the date that stockholders approve the Plan, individuals who at the beginning of such period constitute the Board and any new director (other than a director designated by a Person who has entered into any agreement with the Company to effect a transaction described in Clause (a), (c) or (d) of this Section) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or
- (c) a merger or consolidation of the Company with any other corporation (hereinafter, a Corporate Transaction ) is consummated, other than (i) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving or acquiring entity), in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of the Company, at least 50% of the combined voting power of the voting securities of the Company or such surviving or acquiring entity outstanding immediately after such merger or consolidation, or (ii) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person acquires more than 50% of the combined voting power of the Company's then outstanding securities; or



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(d) the stockholders of the Company approve a plan of complete liquidation of the Company or

(e) the consummation of the sale or disposition by the Company of all or substantially all of the Company's assets, (any of such events being hereinafter referred to as a "Change in Control"), then unless the Committee determines otherwise or as otherwise provided in the applicable award agreement, if a grantee's Employment is terminated by the Company or any successor entity thereto without Cause, or the grantee resigns his or her Employment for Good Reason, in either case, on or within two (2) years after a Change in Control, (i) each award granted to such grantee prior to such Change in Control will become fully vested (including the lapsing of all restrictions and conditions) and, as applicable, exercisable, and (ii) subject to Section 4 of this Article VI, any shares deliverable pursuant to restricted stock units will be delivered promptly (but no later than 15 days) following such grantee's termination of Employment. As of the Change in Control date, any outstanding performance awards shall be deemed earned at the greater of the target level and the actual performance level at the date of the Change in Control with respect to all open performance periods and will cease to be subject to any further performance conditions but will continue to be subject to time-based vesting following the Change in Control in accordance with the original performance period. In connection with such Change in Control, the Board (as constituted prior to the Change in Control) may, in its discretion:

(i) require that shares of capital stock of the corporation resulting from or succeeding to the business of the Company pursuant to such Change in Control, or a parent corporation thereof, be substituted for some or all of the shares of common stock subject to an outstanding award, with an appropriate and equitable adjustment to such award as determined by the Committee in accordance with Section 5 of Article I; and/or

(ii) require outstanding awards, in whole or in part, to be surrendered to the Company by the holder, and to be immediately cancelled by the Company, and to provide for the holder to receive (a) a cash payment in an amount equal to (1) in the case of an option or an SAR, the number of shares of common stock then subject to the portion of such option or SAR surrendered multiplied by the excess, if any, of the fair market value of a share of common stock as of the date of the Change in Control, over the exercise price or base price per share of common stock subject to such option or SAR, (2) in the case of a restricted stock award, stock unit award or bonus award denominated in shares of common stock, the number of shares of common stock then subject to the portion of such award surrendered, multiplied by the fair market value of a share of common stock as of the date of the Change in Control, and (3) in the case of a bonus award denominated in cash, the value of the bonus award then subject to the portion of such award surrendered; (b) shares of capital stock of the corporation resulting from or succeeding to the business of the Company pursuant to such Change in Control, or a parent corporation thereof, having a fair market value not less than the amount determined under clause (a) above; or (c) a combination of the payment of cash pursuant to clause (a) above and the issuance of shares pursuant to clause (b) above.

4. *Section 409A*. All awards made under the Plan that constitute "deferred compensation" subject to Section 409A will be interpreted, administered and construed to comply with Section 409A, and all awards made under the Plan that are intended to be exempt from Section 409A will be interpreted, administered and construed to comply with and preserve such exemption. The Board and the Committee will have full authority to give effect to the intent of the foregoing sentence. To the extent necessary to give effect to this intent, in the case of any conflict or potential inconsistency between the Plan and a provision of any award or award agreement with respect to an award, the Plan will govern. Without limiting the generality of this Section, with respect to any award made under the Plan

that constitutes deferred compensation subject to Section 409A:

- (a) any payment due upon a grantee's termination of employment will be paid only upon such grantee's separation from service from the Company within the meaning of Section 409A;
- (b) Any payment due upon a Change in Control of the Company will be paid only if such Change in Control constitutes a change in ownership or change in effective control within the meaning of Section 409A, and in the event that such Change in Control does not constitute a change in the ownership or change in the effective control within the meaning of Section 409A, such award will vest upon the Change in Control and any payment will be delayed until the first compliant date under Section 409A;
- (c) any payment to be made with respect to such award in connection with the grantee's separation from service from the Company within the meaning of Section 409A (and any other payment that would be subject to the limitations in Section 409A(a)(2)(B) of the Code) will be delayed until six months after the grantee's separation from service (or earlier death) in accordance with the requirements of Section 409A;
- (d) to the extent necessary to comply with Section 409A, any other securities, other awards or other property that the Company may deliver in lieu of shares in respect of an award will not have the effect of deferring delivery or payment beyond the date on which such delivery or payment would occur with respect to the shares that would otherwise have been deliverable (unless the Committee elects a later date for this purpose in accordance with the requirements of Section 409A);
- (e) with respect to any required consent under an applicable award agreement, if such consent has not been effected or obtained as of the latest date provided by such award agreement for payment in respect of such award and further delay of payment is not permitted in accordance with the requirements of Section 409A, such award or portion thereof, as applicable, will be forfeited and terminate notwithstanding any prior earning or vesting;
- (f) if the award includes a series of installment payments (within the meaning of Section 1.409A-2(b)(2)(iii) of the Treasury Regulations), the grantee's right to the series of installment payments will be treated as a right to a series of separate payments and not as a right to a single payment;

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- (g) if the award includes dividend equivalents (within the meaning of Section 1.409A-3(e) of the Treasury Regulations), the grantee's right to the dividend equivalents will be treated separately from the right to other amounts under the award; and
- (h) for purposes of determining whether the grantee has experienced a separation from service from the Company within the meaning of Section 409A, subsidiary will mean a corporation or other entity in a chain of corporations or other entities in which each corporation or other entity, starting with the Company, has a controlling interest in another corporation or other entity in the chain, ending with such corporation or other entity. For purposes of the preceding sentence, the term controlling interest has the same meaning as provided in Section 1.414(c)-2(b)(2)(i) of the Treasury Regulations, provided that the language at least 20 percent is used instead of at least 80 percent each place it appears in Section 1.414(c)-2(b)(2)(i) of the Treasury Regulations.
5. *Restrictions on Shares.* Each grant and award made hereunder shall be subject to the requirement that if at any time the Company determines that the listing, registration or qualification of the shares of common stock subject thereto upon any securities exchange or under any law, or the consent or approval of any governmental body, or the taking of any other action is necessary or desirable as a condition of, or in connection with, the delivery of shares thereunder, such shares shall not be delivered unless such listing, registration, qualification, consent, approval or other action shall have been effected or obtained, free of any conditions not acceptable to the Company.
6. *No Right of Participation or Employment.* No person (other than non-employee directors to the extent provided in Article V) shall have any right to participate in the Plan. Neither the Plan nor any grant or award made hereunder shall confer upon any person any right to employment or continued employment by the Company, any subsidiary or any affiliate of the Company or affect in any manner the right of the Company, any subsidiary or any affiliate of the Company to terminate the employment of any person at any time without liability hereunder.
7. *Rights as Stockholder.* No person shall have any right as a stockholder of the Company with respect to any shares of common stock or other equity security of the Company which is subject to a grant or award hereunder unless and until such person becomes a stockholder of record with respect to such shares of common stock or equity security.
8. *Awards Subject to Clawback.* The awards and any cash payment or securities delivered pursuant to an award are subject to forfeiture, recovery by the Company or other action pursuant to the applicable award agreement or any clawback or recoupment policy which the Company may adopt from time to time, including without limitation any such policy which the Company may be required to adopt under the Dodd-Frank Wall Street Reform and Consumer Protection Act and implementing rules and regulations thereunder, or as otherwise required by law.

9. *Nonassignability; No Hedging.* Unless otherwise provided in an award agreement, no award (or any rights and obligations thereunder) granted to any person under the Plan may be sold, exchanged, transferred, assigned, pledged, hypothecated or otherwise disposed of or hedged in violation of the Company policy on hedging, in any manner (including through the use of any cash-settled instrument), whether voluntarily or involuntarily and whether by operation of law or otherwise, other than by will or by the laws of descent and distribution, and all such awards (and any rights thereunder) will be exercisable during the life of the grantee only by the grantee or the grantee's legal representative. Notwithstanding the foregoing, the Committee may permit, under such terms and conditions that it deems appropriate in its sole discretion, a grantee to transfer any award to any person or entity that the Committee so determines. Any sale, exchange, transfer, assignment, pledge, hypothecation, or other disposition in violation of the provisions of this Section or Company policy will be null and void and any award which is hedged in any manner will immediately be forfeited. All of the terms and conditions of the Plan and the award agreements will be binding upon any permitted successors and assigns.
10. *Right of Offset.* The Company will have the right to offset against its obligation to deliver shares (or other property or cash) under the Plan or any award agreement any outstanding amounts (including, without limitation, travel and entertainment or advance account balances, loans, repayment obligations under any awards, or amounts repayable to the Company pursuant to tax equalization, housing, automobile or other employee programs) that the grantee then owes to the Company and any amounts the Committee otherwise deems appropriate pursuant to any tax equalization policy or agreement. Notwithstanding the foregoing, if an award provides for the deferral of compensation within the meaning of Section 409A of the Code, the Committee will have no right to offset against its obligation to deliver shares (or other property or cash) under the Plan or any award agreement if such offset could subject the grantee to the additional tax imposed under Section 409A of the Code in respect of an outstanding award.
11. *Governing Law.* The Plan, each grant and award hereunder and the related agreement, and all determinations made and actions taken pursuant thereto, to the extent not otherwise governed by the Code or the laws of the United States, shall be governed by the laws of the State of Delaware and construed in accordance therewith without giving effect to principles of conflicts of laws.
12. *Foreign Participants.* Notwithstanding any provision of the Plan to the contrary the Committee may, with a view to both promoting achievement of the purposes of the Plan and complying with (i) provisions of laws in countries outside the United States in which the Company or its subsidiaries operate or have employees and (ii) the rules of any foreign stock exchange upon which the common stock may be listed, determine which persons outside the United States shall be eligible to participate in the Plan on such terms and conditions different from those specified in the Plan as may in the judgment of the Committee be necessary or advisable and, to that end, the Committee may establish sub-plans, modified option exercise procedures and other terms and procedures.
13. *Insider Limits.* Notwithstanding any other provision of the Plan, (i) the maximum number of shares of common stock which may be reserved for issuance to insiders (as defined in the Ontario Securities Act) under the Plan, together with any other previously established or proposed incentive plan, shall not exceed 10% of the outstanding shares of common stock, (ii) the maximum number of

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shares of common stock which may be issued to insiders under the Plan, together with any other previously established or proposed incentive plan, within any one year period shall not exceed 10% of the outstanding shares of common stock, and (iii) the maximum number of shares of common stock which may be issued to any one insider and his or her associates under the Plan, together with any other previously established or proposed incentive plan, within a one-year period, shall not exceed 5% of the outstanding shares of common stock.

14. *Waiver of Jury Trial.* Each grantee waives any right it may have to trial by jury in respect of any litigation based on, arising out of, under or in connection with the Plan.
15. *Waiver of Claims.* Each grantee of an award recognizes and agrees that before being selected by the Committee to receive an award the grantee has no right to any benefits under the Plan. Accordingly, in consideration of the grantee's receipt of any award hereunder, the grantee expressly waives any right to contest the amount of any award, the terms of any award agreement, any determination, action or omission hereunder or under any award agreement by the Committee, the Company or the Board, or any amendment to the Plan or any award agreement (other than an amendment to the Plan or an award agreement to which his or her consent is expressly required by the express terms of an award agreement). Nothing contained in the Plan, and no action taken pursuant to its provisions, will create or be construed to create a trust of any kind or a fiduciary relationship between the Company and any grantee. The Plan is not intended to be subject to the Employee Retirement Income Security Act of 1974 (ERISA), as amended.
16. *Severability; Entire Agreement.* If any of the provisions of the Plan or any award agreement is finally held to be invalid, illegal or unenforceable (whether in whole or in part), such provision will be deemed modified to the extent, but only to the extent, of such invalidity, illegality or unenforceability and the remaining provisions will not be affected thereby; provided that if any of such provisions is finally held to be invalid, illegal, or unenforceable because it exceeds the maximum scope determined to be acceptable to permit such provision to be enforceable, such provision will be deemed to be modified to the minimum extent necessary to modify such scope in order to make such provision enforceable hereunder. The Plan and any award agreements contain the entire agreement of the parties with respect to the subject matter thereof and supersede all prior agreements, promises, covenants, arrangements, communications, representations and warranties between them, whether written or oral with respect to the subject matter thereof.
17. *No Liability With Respect to Tax Qualification or Adverse Tax Treatment.* Notwithstanding anything to the contrary contained herein, in no event will the Company be liable to a grantee on account of an award's failure to (a) qualify for favorable United States or foreign tax treatment or (b) avoid adverse tax treatment under United States or foreign law, including, without limitation, Section 409A.
18. *No Third-Party Beneficiaries.* Except as expressly provided in an award Agreement, neither the Plan nor any award agreement will confer on any person other than the Company and the grantee of any award any rights or remedies thereunder. The exculpation and indemnification provisions of Section 8 of Article I will inure to the benefit of a Covered Person's estate and beneficiaries and legatees.
- 19.

*Successors and Assigns of the Company.* The terms of the Plan will be binding upon and inure to the benefit of the Company and any successor entity, including as contemplated by Section 3 of Article VI.

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Using a **black ink** pen, mark your votes with an **X** as shown in this example. Please do not write outside the designated areas.

**Your vote matters here s how to vote!**

You may vote online or by phone instead of mailing this card.

**Votes submitted electronically must be received by 1:00am, Central Time, on May 16, 2019 (except as otherwise sat forth in this Proxy).**

**Online**

Go to **www.investorvote.com/RRD** or scan the QR code login details are located in the shaded bar below.

**Phone**

Call toll free 1-800-652-VOTE (8683) within the USA, US territories and Canada

**q IF VOTING BY MAIL, SIGN, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE. q**

**A Proposals The Board of Directors recommend a vote FOR all the nominees listed and FOR Proposals 2 4.**

1. Election of Directors:

<b>For Against Abstain</b>	<b>For Against Abstain</b>	<b>For Against Abstain</b>	<b>+</b>
01 - Irene M. Esteves	02 - Susan M. Gianinno	03 - Daniel L. Knotts	
04 - Timothy R. McLevish	05 - Jamie Moldafsky	06 - P. Cody Phipps	

07 - John C.  
Pope

**For Against Abstain**

2. Advisory Vote to Approve  
Executive Compensation.

3. To Approve the  
Amended and Restated  
2017 Performance  
Incentive Plan

**For Against Abstain**

4. Ratification of Independent  
Registered Public Accounting Firm

**B Authorized Signatures** This section must be completed for your vote to count. Please date and sign below.  
Please sign exactly as name(s) appears hereon. Joint owners should each sign. When signing as attorney, executor,  
administrator, corporate officer, trustee, guardian, or custodian, please give full title.

Date (mm/dd/yyyy) Please print  
date below.

Signature 1 Please keep signature  
within the box.

Signature 2 Please keep signature  
within the box.

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**R. R. Donnelley & Sons Company**

**2019 Annual Meeting of Stockholders**

**Thursday, May 16, 2019 at 11:00 a.m. (Central Time)**

**Hotel Arista**

**2139 City Gate Lane**

**Naperville, Illinois 60563**

**Upon arrival, please present this admission ticket and photo identification at the registration desk.**

This ticket admits the named stockholder(s). Photocopies will not be accepted.

You may be asked for identification at the time of admission.

**q IF VOTING BY MAIL, SIGN, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE. q**

**Proxy R.R. Donnelley & Sons Company**

+

**This Proxy is solicited on behalf of the Board of Directors for the Annual Meeting on May 16, 2019**

The undersigned hereby appoints Terry D. Peterson and Deborah L. Steiner, or any of them, proxies for the undersigned, each with full power of substitution, to attend the Annual Meeting of Stockholders of R. R. Donnelley & Sons Company to be held on May 16, 2019, at 11:00 a.m., Central time, and at any adjournments thereof, and to vote as specified in this Proxy all the shares of stock of the Company which the undersigned would be entitled to vote if personally present.

Please indicate your vote with respect to the election of Directors and the other proposals on the reverse. Nominees for Directors are: (01) Irene M. Esteves, (02) Susan M. Gianinno, (03) Daniel L. Knotts, (04) Timothy R. McLevish, (05) Jamie Moldafsky, (06) P. Cody Phipps and (07) John C. Pope.

**This Proxy, when properly executed, will be voted in the manner directed herein. If no direction is made, this Proxy will be voted in accordance with the recommendation of the Board of Directors, FOR the listed nominees, FOR Proposal 2, FOR Proposal 3 and FOR Proposal 4. Discretion will be used with respect to such**

**other matters as may properly come before the meeting or any adjournment thereof.**

This card also provides voting instructions for shares held in the Dividend Reinvestment Plan.

**Your vote is important! Please sign and date and return promptly in the enclosed postage-paid envelope.**

(Items to be voted appear on reverse side)

**C Non-Voting Items**

**Change of Address** Please print new address below.

**Comments** Please print your comments below.

**Meeting Attendance**

Mark box to the right if you plan to attend the Annual Meeting.

+