VALASSIS COMMUNICATIONS INC
Form SC 14D9
January 06, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14D-9

(Rule 14d-101)

Solicitation/Recommendation Statement

Under Section 14(d)(4) of the Securities Exchange Act of 1934

VALASSIS COMMUNICATIONS, INC.

(Name of Subject Company)

VALASSIS COMMUNICATIONS, INC.

(Name of Persons Filing Statement)

Common Stock, par value $0.01 per share

(Title of Class of Securities)

918866104

(CUSIP Number of Class of Securities)

Todd L. Wiseley, Esq.

Valassis Communications, Inc.

19975 Victor Parkway

Livonia, Michigan 48152

(734) 591-3000

(Name, address and telephone numbers of person authorized to receive notice and communications

on behalf of the persons filing statement)

With copies to:

Carol Anne Huff, Esq.

R. Henry Kleeman, Esq.

300 North LaSalle

Chicago, Illinois 60654

(312) 862-2000

¨ Check the box if the filing relates solely to preliminary communications made before the commencement of a tender offer.

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Item 1. Subject Company Information.

Name and Address.

The name of the subject company is Valassis Communications, Inc., a Delaware corporation (*Valassis* or the *Company*). The address of the Company s principal executive office is 19975 Victor Parkway, Livonia, Michigan 48152. The telephone number of the Company s principal executive office is (734) 591-3000.

Securities.

The title of the class of equity securities to which this Solicitation/Recommendation Statement on Schedule 14D-9 (this *Schedule 14D-9*) relates is the Company s common stock, par value of $0.01 per share (the *Shares*). As of December 31, 2013, there were (i) 38,812,034 Shares issued and outstanding, which includes 389,057 Shares subject to vesting pursuant to the Company s outstanding restricted stock, and (ii) 4,478,952 Shares subject to issuance pursuant to options to purchase Shares.

Item 2. Identity and Background of Filing Person.

Name and Address.

The name, business address and business telephone number of the Company, which is both the person filing this Schedule 14D-9 and the subject company, are set forth above under the heading *Name and Address* in Item 1.

Tender Offer.

This Schedule 14D-9 relates to the tender offer (the *Offer*) by V Acquisition Sub, Inc. (*Merger Sub*), a Delaware corporation and direct wholly owned subsidiary of Harland Clarke Holdings Corp. (*Parent* or *HCHC*), a Delaware corporation, to purchase all of the outstanding Shares at a price per Share equal to $34.04 (the *Offer Price*), upon the terms and subject to the conditions set forth in the Offer to Purchase, dated January 6, 2014 (as amended or supplemented from time to time, the *Offer to Purchase*), and in the related Letter of Transmittal (as amended or supplemented from time to time, the *Letter of Transmittal*). The Offer is described in a Tender Offer Statement on Schedule TO (as amended or supplemented from time to time, the *Schedule TO*), filed by Merger Sub and Parent with the Securities and Exchange Commission (the *SEC*) on January 6, 2014. The Offer to Purchase and form of Letter of Transmittal are filed as Exhibits (a)(1)(A) and (a)(1)(B) to this Schedule 14D-9, respectively, and are incorporated herein by reference.

The Offer is being made pursuant to an Agreement and Plan of Merger, dated as of December 17, 2013 (as it may be amended from time to time, the *Merger Agreement*), by and among the Company, Parent and Merger Sub. Following consummation of the Offer, the Merger Agreement provides that, among other things, upon its terms and subject to the satisfaction or (to the extent permitted by applicable law) waiver of each of the applicable conditions set forth therein, Merger Sub will be merged with and into the Company (the *Merger* and, together with the Offer and the other transactions contemplated by the Merger Agreement, the *Transactions*), with the Company surviving as a wholly owned subsidiary of Parent (the *Surviving Corporation*). Because the Merger will be governed by Section 251(h) of the General Corporation Law of the State of Delaware (*DGCL*), no stockholder vote will be required to consummate the Merger. The Company does not expect there to be a significant period of time between the consummation of the Offer and the consummation of the Merger. At the effective time of the Merger (the *Effective Time*), all remaining outstanding Shares not tendered in the Offer (other than Shares held by Parent or Merger Sub or held in treasury by the Company immediately prior to the Effective Time, or held by any stockholder of the Company who or which is

entitled to demand, and who properly demands, appraisal rights pursuant to Section 262 of the DGCL) will be canceled and converted into the right to receive an amount equal to the Offer Price in cash, net to the holder, without interest and less any applicable taxes required to be withheld.

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Merger Sub commenced (within the meaning of Rule 14d-2 promulgated under the Securities Exchange Act of 1934 (the *Exchange Act*)) the Offer on January 6, 2014. Subject to the terms and conditions of the Merger Agreement and the Offer, the Offer shall initially be scheduled to expire at 11:59 p.m., New York time, at the end of the day on February 3, 2014, the date that is 20 business days (for this purpose calculated in accordance with Rules 14d-1(g)(3) and 14d-2 promulgated under the Exchange Act) following commencement of the Offer.

The foregoing summary of the Offer, the Merger and the Merger Agreement is qualified in its entirety by the description contained in the Offer to Purchase and the Letter of Transmittal and the Merger Agreement. A copy of the Merger Agreement is filed as Exhibit (e)(1) to this Schedule 14D-9 and is incorporated herein by reference.

As set forth in the Schedule TO, the principal executive offices of Parent and Merger Sub are located at 10931 Laureate Drive, San Antonio, Texas 78249.

The information relating to the Offer, including the Offer to Purchase, the Letter of Transmittal and related documents and this Schedule 14D-9, can be obtained without charge from the SEC s website at www.sec.gov.

Item 3. Past Contacts, Transactions, Negotiations and Agreements.

Except as set forth in this Schedule 14D-9 or as otherwise incorporated herein by reference, as of the date hereof, to the knowledge of the Company, there are no material agreements, arrangements or understandings or any actual or potential conflicts of interest between the Company or its affiliates, on the one hand, and (i) its executive officers, directors or affiliates or (ii) Parent or its respective executive officers, directors or affiliates, on the other hand.

Arrangements between the Company and Parent.

Merger Agreement

The summary of the Merger Agreement contained in Section 11 of the Offer to Purchase and the description of the terms and conditions of the Offer contained in Section 1 and Section 15 of the Offer to Purchase are incorporated herein by reference. Such summary and description are qualified in their entirety by reference to the Merger Agreement, which is incorporated herein by reference to provide information regarding its terms.

The Merger Agreement governs the contractual rights among the Company, Parent and Merger Sub in relation to the Offer and the Merger. The Merger Agreement has been included as an exhibit to this Schedule 14D-9 to provide the Company s stockholders with information regarding the terms of the Merger Agreement and is not intended to modify or supplement any factual disclosures made in the Company s public reports filed with the SEC. In particular, the assertions embodied in the representations and warranties contained in the Merger Agreement are qualified by information in a confidential disclosure letter provided by the Company to Parent and Merger Sub in connection with the execution and delivery of the Merger Agreement. This disclosure letter contains information that modifies, qualifies and creates exceptions to the representations and warranties set forth in the Merger Agreement. Moreover, the representations and warranties in the Merger Agreement are the product of negotiations among the Company, Parent and Merger Sub, and certain representations and warranties in the Merger Agreement were used for the purpose of allocating risk among the Company, Parent and Merger Sub, rather than establishing matters of fact and may be subject to a contractual standard of materiality or material adverse effect different from that generally applicable to public disclosures to stockholders. Accordingly, the representations and warranties in the Merger Agreement may not represent the actual state of facts about the Company, Parent or Merger Sub. The Company s stockholders are not third-party beneficiaries of the Merger Agreement (except that after the Effective Time, any one or more of the Company s stockholders may enforce the provisions in the Merger Agreement relating to the payment of the

consideration in the Merger) and the Company s stockholders should not rely on the representations, warranties and covenants or any descriptions thereof as characterizations of the actual state of facts or conditions of the Company, Parent, Merger Sub or any of their respective subsidiaries or affiliates.

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The foregoing summary of the material terms of the Merger Agreement and the descriptions of the conditions to the Offer contained in the Offer to Purchase do not purport to be complete and are qualified in their entirety by reference to the Merger Agreement, a copy of which is filed as Exhibit (e)(1) to this Schedule 14D-9 and is incorporated herein by reference.

Confidentiality Agreement

On September 21, 2013, the Company and MacAndrews & Forbes Holdings Inc. (*M&F*), of which Parent is an indirect wholly owned subsidiary, entered into a Confidentiality Agreement (the *Confidentiality Agreement*), pursuant to which M&F agreed that, subject to certain limitations, any non-public information related to the Company and its affiliates furnished to M&F or its affiliates or their respective representatives by or on behalf of the Company or its representatives shall be used by M&F and its affiliates and their respective representatives solely for the purpose of evaluating a possible transaction between M&F and its affiliates and the Company and would be kept confidential, except as provided in the Confidentiality Agreement.

The foregoing summary of the provisions of the Confidentiality Agreement does not purport to be complete and is qualified in its entirety by reference to the Confidentiality Agreement, a copy of which is filed as Exhibit (e)(2) hereto and is incorporated herein by reference.

Arrangements between the Company and its Executive Officers, Directors and Affiliates

Certain of the Company s executive officers and directors may be deemed to have certain interests in the Transactions and related transactions that may be different from or in addition to those of the Company s stockholders generally. The Company s Board of Directors (the *Board*) was aware of those interests and considered them, among other matters, in reaching its decision to approve the Merger Agreement and related transactions.

Consideration for Shares Tendered Pursuant to the Offer

If the directors and executive officers of the Company who own Shares tender their Shares for purchase pursuant to the Offer, they will receive the same Offer Price as the other stockholders of the Company. As of December 31, 2013, the directors and executive officers of the Company and their affiliates beneficially owned, in the aggregate 700,758 Shares, which for purposes of this subsection excludes any restricted stock (*Company Restricted Stock*) and any Shares issuable upon exercise of options for Shares (*Company Options*) held by such individuals. For each Share that the directors, executive officers and their affiliates tender pursuant to the Offer that is accepted for purchase and purchased by Parent, the directors and executive officers will receive $34.04 in cash, less any required withholding taxes and without interest.

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The following table sets forth, as of December 31, 2013, the aggregate cash consideration that each executive officer, director and his or her affiliates would be entitled to receive in respect of his or her outstanding Shares, assuming such individual were to tender all of his or her outstanding Shares pursuant to the Offer and those Shares were accepted for purchase and purchased by Merger Sub.

Name	Position	Number of Shares		Consideration Payable in Respect of Shares
Joseph B. Anderson	Director	13,944	$	474,654
Suzanne C. Brown	Executive Vice President, Sales and Marketing	29,132	$	991,653
Kenneth V. Darish	Director	9,800	$	333,592
Ronald L. Goolsby	Chief Operating Officer	55,439	$	1,887,144
Brian Husselbee	President and Chief Executive Officer of NCH Marketing Services, Inc.	33,059	$	1,125,328
Robert A. Mason	President, Chief Executive Officer, Director	119,208	$	4,057,840
James D. Parkinson	Executive Vice President, Chief Digital and Technology Officer	13,169	$	448,273
Robert L. Recchia	Executive Vice President, Chief Financial Officer, Treasurer, Director	94,514	$	3,217,244
Thomas J. Reddin	Director	7,500	$	255,300
Alan F. Schultz	Chairman of the Board	256,188(1)	$	8,720,640(1)
Wallace S. Snyder	Director	11,800	$	401,672
Luis A. Ubiñas	Director		$	
Ambassador Faith Whittlesey	Director	19,350	$	658,674
Todd L. Wiseley	General Counsel and Executive Vice President of Administration	37,655	$	1,281,776
TOTAL		700,758	$	23,853,790

(1) The number of Shares and consideration payable in respect of Shares attributable to Mr. Schultz do not reflect 25,000 shares of Company Restricted Stock that vested on January 2, 2014. The consideration payable in respect of these Shares, assuming Mr. Schultz were to tender these Shares pursuant to the Offer and these Shares were accepted for purchase and purchased by Merger Sub, is $851,000.

Effect of the Merger on Company Options and Company Restricted Stock

Pursuant to the Merger Agreement, each Company Option outstanding and unexercised immediately prior to the Effective Time, whether vested or unvested, shall be canceled and converted automatically into the right to receive a cash payment with respect thereto equal to the product of (i) the number of Shares subject to such Company Option immediately prior to the Effective Time and (ii) the excess, if any, of the Offer Price over the exercise price per Share subject to such Company Option immediately prior to the Effective Time, less any required withholding taxes and without interest. Also, pursuant to the Merger Agreement, each unvested share of Company Restricted Stock shall

become fully vested and be converted into the right to receive an amount in cash equal to the Offer Price, less any required withholding taxes and without interest. In the case of either Company Options or Company Restricted Stock, the Surviving Corporation shall cause payment to be made in respect of such Company Options or Company Restricted Stock as promptly as practicable and in no event more than three business days after the Effective Time.

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The following table sets forth, as of February 1, 2014, the cash consideration that each executive officer and director would be entitled to receive in respect of his or her outstanding Company Options and Company Restricted Stock at the applicable time, assuming such Company Options and Company Restricted Stock are treated as described in the preceding paragraph.

Name	Position	Number of Shares Subject to Vested Options	Number of Shares Subject to Unvested Options	Weighted Average Exercise Price Per Share	Consideration Payable in Respect of Vested Stock Options	Consideration Payable in Respect of Unvested Stock Options	Number of Shares of Company Restricted Stock	Consideration Payable in Respect of Shares or Company Restricted Stock	Total
Joseph B. Anderson	Director	29,000	0	$ 22.89	$ 323,240	$	3,098	$ 105,456	$ 428,696
Suzanne C. Brown	Executive Vice President, Sales and Marketing	120,001	24,999	$ 19.35	$ 1,896,377	$ 233,223	25,666	$ 873,671	$ 3,003,271
Kenneth V. Darish	Director	37,000	0	$ 26.15	$ 291,880	$	3,098	$ 105,456	$ 397,336
Ronald L. Goolsby	Chief Operating Officer	67,367	25,333	$ 18.11	$ 1,202,212	$ 274,718	28,332	$ 964,421	$ 2,441,351
Brian Husselbee	President and Chief Executive Officer of NCH Marketing Services, Inc.	18,334	16,666	$ 24.16	$ 196,225	$ 149,625	18,332	$ 624,021	$ 969,871
Robert A. Mason	President, Chief Executive Officer, Director	134,334	24,666	$ 21.34	$ 1,808,255	$ 211,615	56,000	$ 1,906,240	$ 3,926,110
James D. Parkinson	Executive Vice President, Chief Digital and Technology Officer	24,667	32,333	$ 27.13	$ 187,322	$ 206,758	25,166	$ 856,651	$ 1,250,731
Robert L. Recchia	Executive Vice President, Chief Financial Officer, Treasurer, Director	334,667	5,333	$ 16.42	$ 5,924,897	$ 64,743	33,499	$ 1,140,306	$ 7,129,946
	Director	9,000	0	$ 29.01	$ 45,290	$	3,098	$ 105,456	$ 150,746

Thomas J. Reddin									
Alan F. Schultz	Chairman of the Board	75,000	0	$ 18.26	$ 1,183,500	$	28,750	$ 978,650	$ 2,162,150
Wallace S. Snyder	Director	19,000	0	$ 25.77	$ 157,040	$	3,098	$ 105,456	$ 262,496
Luis A. Ubiñas	Director	0	0	$	$	$	3,098	$ 105,456	$ 105,456
Ambassador Faith Whittlesey	Director	14,000	0	$ 28.76	$ 73,940	$	3,098	$ 105,456	$ 179,396
Todd L. Wiseley	General Counsel and Executive Vice President of Administration	62,667	3,333	$ 14.56	$ 1,244,957	$ 40,463	31,666	$ 1,077,911	$ 2,363,331
TOTAL		945,037	132,663		$ 14,535,136	$ 1,181,144	265,999	$ 9,054,606	$ 24,770,886

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Change in Control Agreements

In March 2013, the Board adopted a form of change in control agreement (the *CIC Agreement*). The Company entered into CIC Agreements with: Chief Executive Officer and President, Robert A. Mason; Executive Vice President, Chief Financial Officer and Treasurer, Robert L. Recchia; Chief Operating Officer, Ronald L. Goolsby, Executive Vice President, Chief Digital and Technology Officer, James D. Parkinson; Executive Vice President, Sales and Marketing, Suzanne C. Brown; General Counsel, Executive Vice President of Administration and Secretary, Todd L. Wiseley; and Chief Executive Officer of NCH Marketing Services, Inc., Brian J. Husselbee. The CIC Agreement provides that, if the executive officer s employment is terminated for good reason or other than for cause within twenty-four months after a change in control, or the Company terminates the executive officer s employment other than for cause within ninety days immediately prior to the execution of a definitive agreement, the consummation of which actually results in a change in control:

- the executive officer will be entitled to a lump sum payment in an amount ranging from 1.5x to 2.5x the respective executive officer s then-effective annual base salary on the date of termination or the date of change in control, whichever is greater;

- the executive officer will be entitled to a lump sum payment in an amount ranging from 1.5x to 2.5x the respective executive officer s then-effective maximum annual cash incentive bonus opportunity, on the date of termination or the date of change in control, whichever is greater;

- the executive officer will be entitled to continuation of health (including medical, dental, vision and prescription drug) benefits and life insurance benefits for the executive officer and/or the executive officer s family for a period of eighteen to thirty months following the date of termination;

- the foregoing payments and benefits continuation generally shall be in lieu of any cash severance payments and benefits continuation under the respective executive officer s employment agreement and any bonus payments due under any bonus or incentive plan;

- the payments and benefits to be received by the executive officer in connection with the change of control of the Company will be reduced to the extent that such payments or benefits would be within $1,000 of subjecting the executive officer to an excise tax under Section 4999 of the Internal Revenue Code, unless the executive officer would be better off by at least $50,000 on an after-tax basis receiving all such payments or benefits; and

- the Company will not be obligated to pay any excise tax gross-up under Section 280G of the Internal Revenue Code following a change in control of the Company.

The foregoing summary of the provisions of the CIC Agreement does not purport to be complete and is qualified in its entirety by reference to the CIC Agreement, a copy of which is filed as Exhibit (e)(3) hereto and is incorporated herein by reference.

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Information Regarding Golden Parachute Compensation

This section sets forth the information required by Item 402(t) of Regulation S-K regarding the compensation for each of the Company s named executive officers that is based on or otherwise relates to the Offer and the Merger. This compensation is referred to as golden parachute compensation by the applicable SEC disclosure rules. The table below assumes that the closing of the Merger occurs on February 1, 2014 and the employment of the executive will terminate without cause or by the executive for good reason on such date. The amounts set forth in the table are estimates based on the $34.04 per Share cash consideration payable under the Merger Agreement. As a result, the actual amounts, if any, that a named executive officer receives may materially differ from the amounts set forth in the table.

Name	Cash (1)	Equity (2)	Pension/Non-Qualified Deferred Compensation (3)	Perquisites/ Benefits (4)	Other (5)	Total
Robert A. Mason *Chief Executive Officer, President and Director*	$ 4,375,000	$ 2,117,855	$	$ 25,706	$ 1,400,000	$ 7,918,562
Robert L. Recchia *Executive Vice President, Chief Financial Officer, Treasurer and Director*	2,588,673	1,205,049	3,054,219		1,125,510	7,973,450
Ronald L. Goolsby *Chief Operating Officer*	1,725,000	1,239,139		15,175	1,000,000	3,979,314
James D. Parkinson *Executive Vice President, Chief Digital and Technology Officer*	1,252,125	1,063,408		15,175	630,000	2,960,708
Suzanne C. Brown *Executive Vice President, Sales and Marketing*	1,101,585	1,106,894		15,175	638,600	2,862,254

(1) Pursuant to the CIC Agreement, these lump sum payments are equal to a multiple of (a) the respective executive officer s then-effective annual base salary and (b) the respective executive officer s maximum annual cash incentive bonus opportunity on the date of termination or the date of change in control, whichever is greater. The payments set forth in this column are double-trigger, as they will only be payable in the event of certain terminations of employment following the consummation of the Merger.

Name	Multiple	Cash Paid Related to Annual Base Salary	Cash Paid Related to Cash Incentive Opportunity	Total
Robert A. Mason	2.5x	$ 1,750,000	$ 2,625,000	$ 4,375,000

Robert L. Recchia	2.0x	1,125,510	1,463,163	2,588,673
Ronald L. Goolsby	1.5x	750,000	975,000	1,725,000
James D. Parkinson	1.5x	472,500	779,625	1,252,125
Suzanne C. Brown	1.5x	478,950	622,635	1,101,585

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(2) This amount represents the aggregate in-the-money value of the Company Options and Company Restricted Stock that would vest as a direct result of the Merger. This accelerated vesting is single trigger, and will take place upon the consummation of the Merger, regardless of whether the executive officer s employment is terminated. These amounts do not include payments in respect of Company Options or Company Restricted Stock that already vested, because the named executive officer would already be entitled to the economic benefit of such equity regardless of the transaction. For information regarding all equity, including that which has already vested, see the table on page 5 of this Schedule 14D-9.

Name	Value of Company Options	Value of Company Restricted Stock	Total
Robert A. Mason	$ 211,615	$ 1,906,240	$ 2,117,855
Robert L. Recchia	64,743	1,140,306	1,205,049
Ronald L. Goolsby	274,718	964,421	1,239,139
James D. Parkinson	206,758	856,651	1,063,408
Suzanne C. Brown	233,223	873,671	1,106,894

(3) This amount represents the present value of benefits payable to Mr. Recchia under the terms of the Supplemental Benefit Plan. Mr. Recchia is the only named executive officer who participates in the Supplemental Benefit Plan. The annual amount of supplemental benefit is calculated by multiplying a participant s years of credited service by 2% of the participant s average annual base compensation while employed by the Company for the 36 months immediately preceding retirement or other termination of employment. The supplemental benefit is payable upon normal retirement, which age is presumed to be 65, or such earlier time as the participant is disabled, dies, is terminated without cause or voluntarily terminates his employment. The amount of supplemental benefit provided by the Supplemental Benefit Plan is payable in annual installments for a period of 10 years, commencing upon retirement, death or other termination of employment (or six months and a day thereafter with respect to certain amounts that were not earned and vested on December 31, 2004). The Supplemental Benefit Plan also provides that each participant is entitled to continued medical, prescription and dental benefits on terms similar to those provided under Company-sponsored plans for a period of 10 years following retirement or other termination of employment. This payment is due to Mr. Recchia only upon a termination of his employment; the occurrence of the Merger will not increase the amount of the payment to which Mr. Recchia is entitled.

(4) Pursuant to the CIC Agreement, these amounts represent between eighteen and thirty months of continuation of health (including medical, dental, vision and prescription drug) benefits and life insurance benefits for the executive officer and/or the executive officer s family. The value of such benefits attributable to Mr. Recchia have been included in the column entitled Pension/Non-Qualified Deferred Compensation. The payments set forth in this column are double-trigger, as they will only be payable in the event of certain terminations following the consummation of the Merger.

Name	Months of Continuing Benefits
Robert A. Mason	30 months
Robert L. Recchia	24 months
Ronald L. Goolsby	18 months
James D. Parkinson	18 months
Suzanne C. Brown	18 months

(5) For Mr. Recchia, the amount reflects the estimated value of all future payments (paid bi-weekly) that Mr. Recchia would be entitled to receive upon termination of his employment with the Company pursuant to the non-competition provision contained in his employment agreement; such payments would be payable regardless of whether Mr. Recchia s employment terminated in connection with a change in control. For the other named executive officers, the amounts in the table reflect the estimated value of all future payments (paid bi-weekly) that the named executive officer would be entitled to if the Company decided to enforce the non-competition provision contained in his or her employment agreement upon his or her termination of

employment for the full twenty-four month term. Pursuant to the employment agreements of the remaining named executive officers, the enforcement and payment of the non-competition provision of the employment agreements is at the sole discretion of the Company. The inclusion of such amounts herein does not reflect an election on the part of the Company to enforce or pay such non-compete payments in the event of the termination of the named executive officer.

All payments to be made pursuant to the CIC Agreement are subject to the condition that the executive officer (i) complies to the best of his or her abilities with the commitments contained in Sections 1 and 2 of his or her Employment Agreement regarding the general terms of the executive s employment, such as the term of the executive s agreement and the executive s position and duties; (ii) delivers to the Company a resignation from all offices, directorships and fiduciary positions with the Company, its affiliates and employee benefits plans and (iii) delivers to the Company (and does not subsequently revoke) an executed general release within 35 days of presentation by the Company to the executive officer.

Effect of the Merger on Director and Officer Indemnification and Insurance

Until the sixth anniversary of the Effective Time, Parent, the Surviving Corporation and its subsidiaries shall (i) indemnify and hold harmless each present and former director and officer of the Company or its subsidiaries (the *Indemnified Persons*) against any costs or expenses (including attorney s fees), judgments, fines, losses, claims, settlements, damages or liabilities incurred in connection with any claim, action, suit, proceeding or investigation arising out of or pertaining to (a) any action or omission or alleged action or omission in connection with such Indemnified Person s capacity as an officer, director or employee of the Company or any of its subsidiaries or affiliates or (b) the Offer, the Merger, the Merger Agreement and any transactions contemplated thereby; and (ii) pay in advance of the final disposition of any claim, action, suit, proceeding or investigation the expenses (including attorneys fees) of any Indemnified Person upon receipt of an undertaking by or on behalf of such Indemnified Person to repay such amount if it shall ultimately be determined that such Indemnified Person is not entitled to be indemnified. Neither Parent nor the Surviving Corporation shall settle or compromise or consent to the entry of any judgment for which indemnification may be sought unless such settlement or compromise, consent or termination includes an unconditional release of all Indemnified Persons from all liability arising out of such claim.

Prior to the Effective Time, the Company shall, and if the Company is unable to, Parent shall cause the Surviving Corporation as of the Effective Time to, obtain and fully pay the premium for the non-cancellable extension of the directors and officers insurance policies and the Company s existing fiduciary liability insurance policies, in each case for a claims reporting or discovery period of at least six years from the Effective Time with respect to any claim related to any period of time at or prior to the Effective Time from an insurance carrier with the same or better credit rating as the Company s current applicable insurance carrier (the *D&O Insurance*), with terms, conditions, retentions and limits of liability that are no less favorable than the coverage provided under the Company s existing policies. If the Company or the Surviving Corporation for any reason fails to obtain such tail insurance policies as of the Effective Time, (i) the Surviving Corporation shall continue to maintain in effect for a period of at least six years from and after the Effective Time the D&O Insurance in place as of the date hereof with the Company s current insurance carrier with respect to D&O Insurance with terms, conditions, retentions and limits of liability that are no less favorable than the coverage provided under the Company s existing policies, or (ii) Parent will provide, or cause the Surviving Corporation to provide, for a period of at least six years after the Effective Time, the Indemnified Persons who are insured under the Company s D&O Insurance with comparable D&O Insurance that provides for events occurring at or after the Effective time from an insurance carrier that is not less favorable than the existing policy of the Company or, if substantially equivalent insurance coverage is unavailable, the best available coverage. Notwithstanding the foregoing, in no event shall Parent or the Surviving Corporation be required to spend in excess of 300% of the annual premiums currently paid by the Company for such insurance; provided, however, if the annual premiums of such insurance coverage exceed 300% of the annual premiums currently paid by the Company, Parent or the Surviving

Corporation will be obligated to obtain a policy with the greatest coverage available with respect to matters occurring prior to the Effective Time, for a cost not exceeding that amount.

Item 4. The Solicitation or Recommendation.

Recommendation of the Board.

After careful consideration, the Board, among other things, has unanimously (i) approved and declared advisable the Merger Agreement and the transactions contemplated thereby, including the Offer and the Merger, (ii) declared the Merger Agreement and the transactions contemplated thereby, including the Offer and the Merger, fair to and in the best interests of the Company s stockholders, and (iii) recommended that holders of Shares accept the Offer and tender their Shares to Merger Sub pursuant to the Offer and in accordance with applicable law.

The Board hereby unanimously recommends that the Company s stockholders accept the Offer and tender their Shares pursuant to the Offer.

A copy of the letter to the Company s stockholders, dated January 6, 2014, communicating the Board s recommendation, is attached to this Schedule 14D-9 as Annex A. A copy of a joint press release of the Company and Parent, dated December 18, 2013, announcing the Merger Agreement, the Offer and the Merger, is filed as Exhibit (a)(1)(H) to this Schedule 14D-9 and is incorporated herein by reference.

Background of the Offer; Reasons for the Recommendation of the Board.

Background of the Offer

The Board and the Company s management regularly review the Company s results of operations and competitive position and periodically review the Company s strategic options, including whether the continued execution of its strategy as a stand-alone company or a possible strategic transaction, including a sale of the Company to a third party or other business combination, would offer the best opportunity to enhance stockholder value. The Company s performance over the last several years, coupled with changes in the Company s markets, uncertain industry trends and challenges posed by increased digital offerings by competitors, caused the Board and the Company s management to explore various strategic alternatives as discussed below.

On May 3, 2013, at a regularly scheduled meeting, after a discussion of the Company s business and three-year performance review, the Board discussed the possibility of exploring strategic alternatives for the Company. The Board agreed to engage legal and financial advisors to assist it in considering various strategic alternatives. Thereafter, the Company engaged Kirkland & Ellis LLP (*Kirkland & Ellis*) to serve as legal counsel and assist the Board as it explored various strategic alternatives.

On June 3, 2013, the Board held a special meeting at which representatives of Kirkland & Ellis made a presentation to the Board that included, among other things, a discussion of the directors fiduciary duties in connection with a review of strategic alternatives. Thereafter, the Board authorized the Audit Committee to engage a financial advisor to assist the Board in its review of strategic alternatives.

On July 31, 2013, the Chairman of the Board and a member of the Audit Committee of the Board, along with the Company s Chief Executive Officer, Chief Financial Officer, General Counsel and Senior Vice President, Finance and Corporate Development met with and interviewed representatives from three different financial advisory firms to discuss the Company s strategic options and how each potential advisor could best serve the Company as it explored various strategic options. One of the financial advisors interviewed was J.P. Morgan Securities LLC (*J.P. Morgan*), which had previously advised the Company from time to time. These discussions were continued on August 12, 2013. On August 20, 2013, the Company verbally informed representatives of J.P. Morgan that it had selected J.P. Morgan

to serve as the Company s financial advisor in connection with the exploration of strategic alternatives, including a possible sale of the Company. Thereafter, the Company and J.P. Morgan began negotiating an engagement letter, which was signed on September 18, 2013.

In early August 2013, representatives of Merrill Lynch, Pierce, Fenner & Smith Incorporated (*BofA Merrill Lynch*), separately contacted the Company s Chairman and Chief Financial Officer, by telephone on an unsolicited basis to express the interest of M&F in exploring strategic alternatives involving the Company.

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On August 29, 2013, at the direction of the Board, representatives of J.P. Morgan contacted an industry participant that the Board identified as potentially having an interest in acquiring one of the Company s divisions. The Company had previously contacted this industry participant a few weeks prior through an advisor to gauge this party s interest in this division. The industry participant subsequently informed J.P. Morgan that it was not interested in acquiring the division.

On September 3, 2013, the Company and M&F entered into a non-disclosure agreement in connection with exploring a potential transaction between the two parties prohibiting disclosure of confidential information of the Company and of the discussions between the two parties.

On September 4, 2013, the Company s Chief Executive Officer and Chief Financial Officer met at the Company s headquarters in Livonia, Michigan with Parent s Chief Executive Officer and Chief Operating Officer, and other representatives of Parent and of M&F, as well as a representative of BofA Merrill Lynch, Parent s and M&F s financial advisor, and provided an overview of the Company and its business.

On September 6, 2013, the Company s Chief Executive Officer and Chief Financial Officer had a follow up telephonic meeting with Parent s Chief Executive Officer and Chief Operating Officer, and other representatives of Parent and of M&F, as well as a representative of BofA Merrill Lynch. During this meeting, the Company s Chairman, Chief Executive Officer and Chief Financial Officer answered follow-up questions related to the overview that was given on September 4, 2013.

On September 10, 2013, the Board held a regularly scheduled meeting. Also present at the meeting were representatives of J.P. Morgan and representatives of Kirkland & Ellis. Representatives of J.P. Morgan reviewed with the Board the Company s business and performance, including the recent and historical stock price performance and the Company s position in the various markets in which it competes, as well as certain potential future growth opportunities that had been identified by the Company s management. The representatives of J.P. Morgan also reviewed with the Board certain potential strategic alternatives available to the Company, including (i) continuing to execute the Company s business plan; (ii) selling non-core assets; (iii) pursuing tack on acquisitions or larger acquisitions; (iv) recapitalizing the Company by using existing liquidity and debt capacity; and (v) selling the Company in an attempt to maximize the Company s near-term value. The Board was also informed of the discussions with Parent and M&F. After consideration of these alternatives, the Board decided to explore a possible sale of the Company to determine if it represented the best opportunity to increase shareholder value. In connection with a possible sale of the Company, the Board and the advisors also discussed various potential processes, including a broad-based public sale process and a targeted, confidential sale process. Among other things, the Board concluded that a confidential, targeted process would be less disruptive to the Company s customers and employees and would pose fewer risks to the Company, particularly if a transaction did not materialize at the conclusion of the process. Representatives of J.P. Morgan and the Board then discussed potential financial and strategic buyers to approach. Among strategic buyers, representatives of J.P. Morgan discussed publishers, commercial printing companies, marketing services firms, and large conglomerates that had the financial resources to acquire the Company and that had undertaken analogous transactions in the past. Representatives of J.P. Morgan also discussed each company s financial capabilities as it related to any potential acquisition. Among private equity firms, representatives of J.P. Morgan discussed various firms, their investment styles and their investment focus. At the conclusion of the discussion, representatives of J.P. Morgan and the Board agreed on approaching four private equity firms and three strategic buyers (including Parent), which together covered a wide variety of industries and investment styles, in furtherance of the confidential process that the Board had approved undertaking.

Thereafter, during September 2013, the Company s management, with assistance from representatives of J.P. Morgan, developed a management presentation to be used in meetings with interested parties participating in the Company s

confidential process. The Company also began assembling a virtual data room of documents to facilitate any due diligence by interested parties.

On September 13, 2013, the Company s Chief Financial Officer sent an e-mail to a representative of BofA Merrill Lynch directing BofA Merrill Lynch to coordinate Parent s and M&F s participation in the sale process through the Company s financial advisor, J.P. Morgan, and the Company s Chairman similarly advised a representative of BofA Merrill Lynch. On the same day, representatives of J.P. Morgan also informed a senior executive of M&F that the Company had retained J.P. Morgan and that all communications should be directed to representatives of J.P. Morgan.

On September 21, 2013, M&F and its affiliates entered into a new non-disclosure agreement in anticipation of a management presentation two days later.

On September 23, 2013, Parent s Chief Executive Officer and Chief Financial Officer, together with other representatives of Parent and M&F and of BofA Merrill Lynch, participated in a management presentation held in Plymouth, Michigan with representatives of J.P. Morgan and the Company s Chief Executive Officer, Chief Financial Officer, General Counsel and other representatives of the Company.

Beginning on September 27, 2013, representatives of J.P. Morgan formally contacted six other potential buyers, including two strategic buyers and four private equity firms, and described the Company, its industry and its interest in a possible transaction. Each of the four private equity firms expressed interest in a potential transaction and signed non-disclosure agreements. The two strategic buyers declined to participate in the process. After the four private equity firms expressed interest in being provided further information regarding the Company, representatives of J.P. Morgan scheduled management presentations to be made to each firm individually.