

VALASSIS COMMUNICATIONS INC
Form DEF 14A
March 29, 2012
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SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES EXCHANGE ACT OF 1934

Filed by the registrant

Filed by a party other than the registrant

Check the appropriate box:

- Preliminary proxy statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive proxy statement
- Definitive additional materials
- Soliciting material pursuant to Rule 14a-11(c) or Rule 14a-12

VALASSIS COMMUNICATIONS, INC.

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VALASSIS COMMUNICATIONS, INC.

19975 VICTOR PARKWAY

LIVONIA, MI 48152

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

AND PROXY STATEMENT

TO BE HELD MAY 3, 2012

It is my pleasure to invite you to this year's annual meeting of stockholders of Valassis Communications, Inc., which will be held at Valassis Corporate Headquarters, 19975 Victor Parkway, Livonia, Michigan 48152 on the 3rd day of May, 2012, at 9:00 a.m. (Eastern Daylight Time). The purpose of the annual meeting is to:

- (1) elect ten directors to our Board of Directors to hold office until our next annual meeting of stockholders or until their respective successors are duly elected and qualified;
- (2) approve an amendment to the Valassis Communications, Inc. 2008 Omnibus Incentive Compensation Plan to increase the number of shares available for issuance under the plan;
- (3) approve, on an advisory basis, the compensation of our named executive officers;
- (4) ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2012;
- (5) approve any adjournment of the annual meeting, if necessary or appropriate, to solicit additional proxies in favor of any or all of the foregoing proposals if there are not sufficient votes for those proposals; and
- (6) consider any other appropriate matters as may properly come before the annual meeting.

Our Board of Directors has fixed the close of business on March 5, 2012 as the record date for the determination of the stockholders entitled to notice of, and to vote at, the annual meeting. Each share of our common stock is entitled to one vote on all matters presented at the annual meeting.

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

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE

STOCKHOLDERS MEETING TO BE HELD ON MAY 3, 2012:

The proxy statement and our 2011 annual report are available on our web site at www.valassis.com under "Investors/SEC Filings" (with respect to the proxy statement) or "Investors /Annual Reports" (with respect to the 2011 annual report).

By Order of the Board of Directors,

TODD WISELEY

Secretary

March 29, 2012

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VALASSIS COMMUNICATIONS, INC.

PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD MAY 3, 2012

INTRODUCTION

This proxy statement is being furnished to stockholders of record of Valassis Communications, Inc. (Valassis, the Company, we, us or our) on March 5, 2012 in connection with the solicitation by our Board of Directors of proxies for the 2012 annual meeting of stockholders to be held at Valassis Corporate Headquarters, 19975 Victor Parkway, Livonia, Michigan 48152 on May 3, 2012 at 9:00 a.m. (Eastern Daylight Time), or at any and all adjournments thereof, for the purposes stated in the notice of annual meeting. The approximate date of mailing of this proxy statement and the enclosed form of proxy is March 29, 2012.

QUESTIONS AND ANSWERS

ABOUT THE ANNUAL MEETING AND VOTING

What is the purpose of the annual meeting?

At our annual meeting, stockholders will act upon the matters outlined in the notice of annual meeting on the cover page of this proxy statement, including (i) the election of directors, (ii) the approval of an amendment to the Valassis Communications, Inc. 2008 Omnibus Incentive Compensation Plan, or the Plan, to increase the number of shares available for issuance under the Plan, (iii) the approval, on an advisory basis, of the compensation of our named executive officers and (iv) the ratification of our independent registered public accounting firm.

Who is entitled to vote at the meeting?

Only stockholders of record at the close of business on March 5, 2012 are entitled to receive notice of, and to participate in, the annual meeting. If you were a stockholder of record on that date, you will be entitled to vote all of the shares that you held on that date at the meeting, or at any postponements or adjournments of the meeting.

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

Each share of our common stock, par value \$.01 per share, outstanding on March 5, 2012 will be entitled to one vote on each matter considered at the annual meeting.

Who can attend the annual meeting?

All stockholders of our common stock as of March 5, 2012, or their duly appointed proxies, may attend the annual meeting, and each may be accompanied by one guest. Registration will begin at 8:00 a.m., and seating will begin at 8:30 a.m. If you attend, please note that you may be asked to present valid picture identification, such as a driver's license or passport.

Please also note that if you hold your shares in street name (that is, through a broker or other nominee), you will need to bring a copy of a brokerage statement reflecting your stock ownership as of March 5, 2012 and check in at the registration desk at the meeting.

What constitutes a quorum?

The presence at the meeting, in person or by proxy, of the holders of a majority of the shares of our common stock, issued and outstanding as of March 5, 2012, will constitute a quorum. As of March 5, 2012, we had

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42,904,732 shares of our common stock outstanding. Therefore, the presence of the holders of our common stock representing at least 21,452,367 votes will be required to establish a quorum.

What is broker discretionary voting?

Under the rules of the New York Stock Exchange, or the NYSE, if you hold your shares through a broker, your broker is permitted to vote your shares on discretionary items, which includes ratification of our independent registered public accounting firm (Proposal 4) and the approval of any adjournment of the annual meeting (Proposal 5), in its discretion if it has transmitted the proxy materials to you and has not received voting instructions from you on how to vote your shares before the deadline set by your broker. **Under the NYSE rules, the election of directors (Proposal 1), the approval of an amendment to the Plan (Proposal 2) and the approval, on an advisory basis, of the compensation of our named executive officers (Proposal 3) are non-discretionary items. Therefore, your broker does not have discretionary authority to vote on Proposals 1, 2 and 3, so it is very important that you instruct your broker how to vote on these proposals.** A broker non-vote occurs where your broker has not received instructions from you as to how to vote your shares on a proposal and does not have discretionary authority to vote on the proposal.

How do I vote?

By Mail

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

By Telephone or on the Internet

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

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

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

Telephone and Internet voting facilities for stockholders will be available 24 hours a day, 7 days a week until 12:00 a.m. (Eastern Standard Time) on May 3, 2012. If you vote by telephone or on the Internet, you do not have to return your proxy card.

In Person at the Annual Meeting

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

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

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

Yes. Even after you have submitted your proxy, you may revoke or change your vote at any time before the proxy is exercised by filing with our Corporate Secretary either a notice of revocation or a duly executed proxy

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bearing a later date or by voting another proxy by telephone or on the Internet at a later date. The powers of the proxy holders will be suspended if you attend the meeting in person and so request, although attendance at the meeting will not by itself revoke a previously granted proxy.

What are our Board of Directors' recommendations?

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

for election of the nominated slate of directors (see Proposal 1);

for approval of an amendment to the Plan to increase the number of shares available for issuance under the Plan (see Proposal 2);

for approval, on an advisory basis, of the compensation of our named executive officers (see Proposal 3);

for ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2012 (see Proposal 4); and

for approval of any adjournment of the annual meeting, if necessary or appropriate, to solicit additional proxies in favor of any or all of the foregoing proposals if there are not sufficient votes for those proposals (see Proposal 5).

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

What vote is required to approve each item?

Election of Directors (Proposal 1)/Majority Vote Policy. Under our by-laws, directors must be elected by a majority of votes cast in uncontested elections. A majority of the votes cast means that the number of votes cast *for* a director nominee must exceed the number of votes cast *against* that director nominee. In contested elections, the vote standard would be a plurality of votes cast. **Under the NYSE rules, brokers do not have discretionary authority to vote shares with respect to the election of director nominees in an uncontested election without direction from the beneficial owner.** Abstentions and, if applicable, broker non-votes, are not counted as votes *for* or *against* this proposal. Therefore, a broker non-vote will have no effect in determining whether proposal 1 has been approved by the stockholders.

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

Approval of an amendment to the Plan (Proposal 2). Under our by-laws, the affirmative vote of the holders of a majority of the votes cast will be required for approval of an amendment to the Plan, meaning the votes cast *for* must exceed the votes cast *against*. In addition, because we are a NYSE-listed company, the

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total votes cast on this proposal must represent greater than 50% of the voting power of the total outstanding shares of stock entitled to vote, which we refer to as the outstanding votes. Votes for and against and abstentions count as votes cast, while broker non-votes do not count as votes cast, but count as outstanding votes. Thus, the total sum of votes for, plus votes against, plus abstentions, which we refer to as the NYSE votes cast, must be greater than 50% of the total outstanding votes. Further, the number of votes for the proposal must be greater than 50% of the NYSE votes cast. Thus, abstentions have the same effect as a vote against the proposal. **Under the NYSE rules, brokers do not have discretionary authority to vote shares with respect to this proposal without direction from the beneficial owner.** Thus, broker non-votes could impair our ability to satisfy the requirement that the NYSE votes cast represent over 50% of the outstanding votes.

Say-on-Pay (Proposal 3). Our Board of Directors is seeking a non-binding advisory vote regarding the compensation of our named executive officers. The vote is advisory and non-binding in nature but our Board of Directors and Compensation/Stock Option Committee will take into account the outcome of the vote when considering future executive compensation arrangements. The affirmative vote of a majority of the votes cast will be required to approve this proposal, meaning the votes cast for must exceed the votes cast against this proposal. **Under the NYSE rules, brokers do not have discretionary authority to vote shares with respect to this proposal without direction from the beneficial owner.** Abstentions and, if applicable, broker non-votes, are not counted as votes for or against this proposal. Therefore, a broker non-vote will have no effect in determining whether proposal 3 has been approved by the stockholders.

Ratification of Auditors (Proposal 4). Under our by-laws, the affirmative vote of the holders of a majority of the votes cast will be required for approval, meaning the votes cast for must exceed the votes cast against. Abstentions are not counted as votes for or against this proposal.

Approval of Any Adjournment of the Annual Meeting (Proposal 5). Under our by-laws, the affirmative vote of the holders of a majority of the votes cast will be required for approval, meaning the votes cast for must exceed the votes cast against. Abstentions are not counted as votes for or against this proposal.

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DIRECTORS AND EXECUTIVE OFFICERS

Our Board of Directors presently is comprised of ten directors. Directors who are elected at the 2012 annual meeting, and any directors who are elected after the meeting to fill vacancies and newly created directorships, shall hold office until the next annual meeting of stockholders and until their successors are elected and qualified or until their earlier resignation or removal.

ELECTION OF DIRECTORS (PROPOSAL 1)

Set forth below is certain information with respect to each of our nominees for the office of director and each of our other executive officers. Shares represented by proxies that are duly executed and returned will be voted, unless otherwise specified, in favor of the following ten nominees: Joseph B. Anderson, Jr., Patrick F. Brennan, Kenneth V. Darish, Dr. Walter H. Ku, Robert A. Mason, Robert L. Recchia, Thomas J. Reddin, Alan F. Schultz, Wallace S. Snyder and Ambassador Faith Whittlesey. All of the nominees are currently serving as directors. Since last year's annual meeting, our Board of Directors, in connection with his promotion to President and Chief Executive Officer effective January 1, 2012, elected Robert A. Mason as a director effective September 1, 2011. Each nominee for director has consented to serve on our Board of Directors and will be elected by a majority of the votes cast, which means that the number of votes cast for a director nominee must exceed the number of votes cast against that director nominee. In contested elections (an election in which the number of nominees for director is greater than the number of directors to be elected), the vote standard will be a plurality of votes cast.

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

If an incumbent director fails to receive the required vote for re-election, then, within 90 days following certification of the stockholder vote, our Corporate Governance/Nominating Committee will consider whether to accept the director's resignation and will submit the recommendation for prompt consideration by our Board of Directors, and our Board of Directors will act on our Corporate Governance/Nominating Committee's recommendation. Our Corporate Governance/Nominating Committee and our Board of Directors may consider any factors they deem relevant in deciding whether to accept a director's resignation. Thereafter, our Board of Directors will promptly disclose its decision regarding whether to accept or reject the director's resignation.

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

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

Directors

The following paragraphs provide information about each director nominee. The information presented includes information each director has given us about his or her age, all positions he or she holds, his or her

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

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

Joseph B. Anderson, Jr., 69, has served as our director since July 2006. Since 2002, Mr. Anderson has served as the Chairman and Chief Executive Officer of TAG Holdings, LLC, the parent company of a diverse range of businesses in the United States, Korea and China, including the manufacture of automotive parts, plumbing products and assembly and supply chain management services. Prior to joining TAG Holdings, Mr. Anderson was the Chairman and Chief Executive Officer of Chivas Industries, LLC, a manufacturer of products for the automotive industry, from 1994 until 2002. Mr. Anderson began his business career with General Motors in 1979 and in 1990 was appointed as General Director of a GM business. Mr. Anderson currently also serves on the boards of Rite Aid Corporation, Quaker Chemical Corporation, ArvinMeritor, Inc. and NV Energy, Inc. Mr. Anderson's professional and civic affiliations include director of the Original Equipment Suppliers Association, director of the Society of Automotive Engineers Foundation and executive committee member of the National Association of Black Automotive Suppliers. We believe Mr. Anderson's qualifications to sit on our Board of Directors include his CEO experience leading a large, international organization and his service on several additional public company boards.

Patrick F. Brennan, 80, has served as our director since August 1998. After serving for 33 years in the paper industry, he retired in December 1996 as the President and Chief Executive Officer of Consolidated Papers, Inc. (CPI), where under his leadership CPI was one of the nation's leading paper companies. Until November 2001, Mr. Brennan served as a member of the Board of Directors of Northland Cranberries, Inc., a juice manufacturing company. We believe Mr. Brennan's qualifications to sit on our Board of Directors include his extensive experience in the paper industry, including his tenure as CEO of CPI and his leadership skills.

Kenneth V. Darish, 53, has served as our director since June 2001. From February 2005 until March 2010, he served as the Chief Financial Officer of BBDO Windsor, Ontario, a subsidiary of Omnicom Group, Inc., a global advertising and marketing communications company. From September 2001 until February 2005, he served as the Director of Business Operations of BBDO Detroit, providing operational consulting services to the Creative Director. From September 1984 until July 2001, Mr. Darish served as the Chief Financial Officer and Senior Vice President of FCB Advertising-Detroit, a subsidiary of Interpublic Group of Companies. Mr. Darish is a certified public accountant. We believe Mr. Darish's qualifications to sit on our Board of Directors include his significant financial, advertising and operational experience.

Dr. Walter H. Ku, Ph.D., 76, has served as our director since February 2003. Dr. Ku is an internationally known scientist in the fields of electronic circuits and systems, chip and integrated circuit (IC) designs, and wireless communications systems. He is professor emeritus of electrical and computer engineering at the University of California, San Diego, La Jolla, CA, and is the founding Director of the National Science Foundation Industry/University Cooperative Research Center on Ultra High-Speed Integrated Circuits and Systems (ICAS). His extensive consulting activities and internationally recognized expertise have assisted businesses with developing high-level international relationships and opportunities. He was a full professor at Cornell University and the first occupant of the Naval Electronic Systems Command Research Chair

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Professorship at the Naval Post-Graduate School, Monterey, CA. Over the years, he has been a consultant to the Department of Defense, TRW Electronic Systems Group, Rockwell Science Center, Qualcomm, Nokia, and AtBox Technology. Dr. Ku also consults and teaches in China and Taiwan. We believe Mr. Ku's qualifications to sit on our Board of Directors include his considerable knowledge of the technology industry and knowledge of, and recognition within, the international markets.

Robert A. Mason, 54, has served as our director since September 2011. Mr. Mason has been our President and Chief Executive Officer since January 2012. Prior to that, he served as Executive Vice President, Sales and Marketing since January 2011. He served as Chief Sales Officer from January 2008 until January 2011. He served as President of ADVO from the consummation of our ADVO acquisition on March 2, 2007 until December 2007. Previously, he served as our Vice President, Retail and Services Sales from 2005 until 2007 and as our Vice President, Targeted Print and Media Solutions from 2002 until 2005. Prior to these roles, Mr. Mason was a successful Account Executive and Director of Sales for us, and has been recognized by us as Sales Person of the Year and Team Player of the Year. Before joining us in 1995, he held a variety of positions within the newspaper and printing industries. We believe Mr. Mason's qualifications to sit on our Board of Directors include his substantial business, operating, leadership and management experience. His extensive knowledge of the media and marketing industry, in general, and our business, in particular, provides crucial insight to our Board of Directors on our strategic planning and operations. As President and Chief Executive Officer, Mr. Mason provides an essential link between management and our Board of Directors on management's business perspectives.

Robert L. Recchia, 55, has been our Executive Vice President, Chief Financial Officer, Treasurer and our director since October 1991. During his tenure, Mr. Recchia has managed various functions at the Company, including operations, finance, accounting, purchasing and information technology. Mr. Recchia has been with us since 1982. Mr. Recchia is a certified public accountant with audit experience with Deloitte & Touche LLP. We believe Mr. Recchia's qualifications to sit on our Board of Directors include his 29 years of experience in the media and marketing industry, including his 22 years as our Chief Financial Officer, as well as his extensive experience with public and financial accounting matters.

Thomas J. Reddin, 51, has served as our director since June 2010. Since June 2009, Mr. Reddin has been the owner and managing partner of Red Dog Ventures, a venture capital and advisory firm for early stage digital companies. From January 2008 until June 2009, Mr. Reddin served as the Chief Executive Officer of Richard Petty Motorsports, a top five NASCAR team that fielded four cars in the Sprint Cup Series. Previously, Mr. Reddin worked at LendingTree.com, an on-line lending exchange, including serving as its Chief Executive Officer from 2005 until 2008. In 1999, he became LendingTree.com's Chief Marketing Officer. Prior to joining LendingTree.com, Mr. Reddin spent 17 years in the consumer packaged goods industry including 12 years at Kraft General Foods in various capacities and five years at Coca-Cola USA, where he ran the Coca-Cola brand as Vice President of Consumer Marketing. Mr. Reddin currently serves on the board of directors of Tanger Factory Outlet Centers, Inc., or Tanger, and Premier Farnell PLC (a company traded on the London Stock Exchange). Mr. Reddin also has served on the board of directors of R.H. Donnelley Corporation (now Dex One Corporation), The Charlotte Housing Trust Fund, the Charlotte Heart Walk and Junior Achievement of the Central Carolinas. He is currently a member of the board of trustees of Queens University of Charlotte. We believe Mr. Reddin's qualifications to sit on our Board of Directors include his vast leadership experience at several large, international organizations, his extensive digital marketing and branding experience and his service on several additional public company boards.

Alan F. Schultz, 53, has served as our director since December 1995. He is Chairman of our Board of Directors and retired as our President and Chief Executive Officer on December 31, 2011. Mr. Schultz was elected Chief Executive Officer and President in June 1998 and appointed Chairman of the Board of Directors in December 1998. He served as our Executive Vice President and Chief Operating Officer from 1996 through 1998 and served as our Executive Vice President of Sales and Marketing from 1992 through 1996. Mr. Schultz has held positions as our Director of Insert Operations and Vice President of the Central Sales Division beginning in

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1984. Mr. Schultz is a certified public accountant with audit experience with Deloitte & Touche LLP and currently serves on the Board of Directors of Dex One Corporation. We believe Mr. Schultz's qualifications to sit on our Board of Directors include his 27 years in the media and marketing industry, including his 13 years as our former President and Chief Executive Officer, as well as his extensive leadership and management experience and service on another publicly-traded company board.

Wallace S. Snyder, 69, has served as our director since January 2008. Mr. Snyder served as the President and Chief Executive Officer of the American Advertising Federation, the AAF, from January 1992 to November 2008. Mr. Snyder joined the AAF in October 1985 as Senior Vice President, Government Relations, was promoted to Executive Vice President, Government Relations in June 1990 and became President and Chief Executive Officer on January 1, 1992. Mr. Snyder has frequently testified before federal and state lawmakers on issues of importance to the advertising industry and has also served the industry as a board member of several national organizations, including the Advertising Council, Inc., the Advertising Educational Foundation and the National Advertising Review Council, which oversees advertising self-regulation, and was inducted into the Advertising Hall of Fame in 2010. Prior to joining the AAF, Mr. Snyder was associate director for advertising practices at the Federal Trade Commission's, the FTC, Bureau of Consumer Protection, where he served as principal adviser to the FTC on advertising issues. Mr. Snyder is a graduate of the University of Iowa, received his Juris Doctor degree from the University of Iowa College of Law and is a member of the bar of the District of Columbia. He is currently a visiting professor at the University of Missouri and the Executive Director for the Institute for Advertising Ethics. We believe Mr. Snyder's qualifications to sit on our Board of Directors include his noteworthy service in the advertising industry, leadership experience, service as a board member on several national organizations and public policy expertise.

Ambassador Faith Whittlesey, 73, has served as our director since January 1992. Ambassador Whittlesey has had a long career in law, diplomacy and government at local, state, and national levels. She currently serves as Chairman Emeritus of the American Swiss Foundation, headquartered in New York, and previously served 19 years as Chairman of the Board of the American Swiss Foundation. She has also served as President and Chief Executive Officer of Maybrook Associates, a consulting firm, since 1998. She served two tours of duty as U.S. Ambassador to Switzerland from 1981 to 1983 and from 1985 to 1988. From 1983 to 1985, Ambassador Whittlesey was a member of the senior White House staff. Ambassador Whittlesey is also a member of the Board of the Institute of World Politics in Washington, DC, where she served as Chairman for six years. Ambassador Whittlesey served as a member of the Board of Directors and the Compensation Committee of the Sunbeam Corporation from November 1996 until December 2002. We believe Ambassador Whittlesey's qualifications to sit on our Board of Directors include her CEO experience leading a large, international communications organization, extensive experience as Chairman of the Board of the American Swiss Foundation and her legal, public policy and financial expertise.

Additional Executive Officers

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

Suzanne C. Brown, 52, has served as Executive Vice President, Sales and Marketing since January 2012. Prior to that, Ms. Brown served as our Chief Marketing Officer since 2007 in which she was responsible for the sales and marketing integration of Valassis and ADVO. Ms. Brown has more than 25 years of industry and leadership experience, and, prior to assuming the Chief Marketing Officer role at Valassis, held a wide variety of senior leadership roles within Valassis, including Senior Vice President of Sales Development, President and CEO of Save.com, Vice President of Internet/E-commerce Services Division, and Sales Vice President. Her career with Valassis began in sales, and she is a member of the Valassis Sales Hall of Fame and a recipient of our Company's prestigious James F. Rourke Award for outstanding performance and collaboration. Prior to joining Valassis in 1984, Ms. Brown worked for Procter & Gamble.

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Ronald Goolsby, 51, has served as our Chief Operating Officer since January 2012. In this role, he is responsible for manufacturing, client support, information technology and purchasing. Prior to that, he served as our Executive Vice President, Manufacturing and Client Services since January 2011. Prior to his role as our Executive Vice President, he was Senior Vice President of Corporate Process Improvement from May 2009 through December 2010. From March 2007 to May 2009, Mr. Goolsby led the shared mail Client Services group as Senior Vice President, Client Services. From August 2003 to March 2007, he was General Manager of Valassis 1 to 1 Solutions, which included integrating and consolidating operations from three different business units, and from January 2000 to August 2003, he held several leadership roles in Operations and served as the General Manager of Valassis Canada, our wholly-owned subsidiary. Prior to these roles, he held a number of positions throughout our print manufacturing organization, including seven years as Vice President of the Company's largest manufacturing facility in Livonia, Michigan. His career with our Company began in print manufacturing in 1983. Mr. Goolsby is a graduate of North Carolina State University where he earned a Bachelor of Science degree in industrial engineering.

Richard Herpich, 59, retired as our Executive Vice President, Strategic Initiatives on December 31, 2011, a role he had held since January 1, 2011. Prior to that, he served as Executive Vice President, Sales and Marketing from August 2007 until January 2011, and as Executive Vice President of U.S. Sales from December 2003 to August 2007. From June 1998 through November 2003, he served as our Executive Vice President of Manufacturer Services. He served as National Sales Manager from January 1996 through June 1998, Vice President, Midwest Sales Division from June 1994 through December 1995 and Account Manager from 1978 through June 1994.

Brian Husselbee, 60, has been the President and Chief Executive Officer of NCH Marketing Services, Inc. (NCH), our wholly-owned subsidiary, since July 1997, and was General Manager of NCH from January 1997 to July 1997. We acquired NCH in February 2003. Mr. Husselbee served as a director of Valassis from August 1998 until February 2003, the time that the NCH acquisition was consummated.

Jim Parkinson, 52, has served as our Executive Vice President, Chief Digital and Technology Officer since January 2012. In this position, Mr. Parkinson leads our digital efforts. Mr. Parkinson joined our Company in April 2011 as Senior Vice President and Chief Technology Officer. Prior to joining us, Mr. Parkinson spent 24 years at Sun Microsystems in a variety of positions including Senior Vice President of Cloud Computing Engineering.

Todd L. Wiseley, 42, has served as our General Counsel and Senior Vice President of Administration since July 2008 and our Corporate Secretary since January 1, 2008. Previously, Mr. Wiseley served as Director, Law and Administration from September 2005 until January 2008 and as Director of Integration from July 2003 until September 2005. Mr. Wiseley served as the Director of Finance and Administration at Valassis Relationship Marketing Systems, LLC, one of our wholly-owned subsidiaries, from January 2001 until July 2003 and as our Assistant Controller from March 1999 until January 2001. Mr. Wiseley is a graduate of Michigan State University, and received his Juris Doctor degree from the University of Michigan Law School. Mr. Wiseley is also a certified public accountant with seven years of audit experience with Deloitte & Touche LLP.

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OUR CORPORATE GOVERNANCE PRINCIPLES

Our Board of Directors has general oversight responsibilities for our business, property and affairs pursuant to the General Corporation Law of the State of Delaware and our by-laws. In exercising its fiduciary duties, our Board of Directors represents and acts on behalf of our stockholders. Although the Board of Directors does not have responsibility for the day-to-day management of our Company, members of the Board of Directors stay informed about our business through discussions with Mr. Mason, our President and Chief Executive Officer, and with Mr. Darish, our presiding director, and with key members of our management, by reviewing materials provided to them and by participating in meetings of our Board of Directors and its committees. Our Board of Directors provides guidance to management through periodic meetings, site visits and other interactions. Additional details concerning the role and structure of our Board of Directors are in our Corporate Governance Guidelines, which can be found in the Investors/Corporate Governance section of our web site at www.valassis.com.

Policies and Procedures

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

Voting on Directors. In accordance with our by-laws, in an uncontested election, a director nominee must receive more votes cast for than against his or her election or re-election in order to be elected or re-elected to our Board of Directors. In accordance with our Corporate Governance Guidelines, each nominee for director must tender an irrevocable resignation that will become effective if he or she fails to receive the required vote in an uncontested election at an annual meeting and our Board of Directors accepts the tendered resignation. Our Corporate Governance/Nominating Committee is required to make recommendations to our Board of Directors with respect to any such resignation. Our Board of Directors is required to take action with respect to this recommendation and disclose its decision regarding whether to accept or reject the director's resignation. Full details of this policy are set forth in our Corporate Governance Guidelines and under Item 1 Election of Directors above.

Related Person Transactions. Our Board of Directors has adopted a Policy on Related Person Transactions, which sets forth policies and procedures governing the review, and when required pursuant to the policy, the approval or ratification of related person transactions by the disinterested directors of our Corporate Governance/Nominating Committee. The policy defines a related person transaction as (i) a transaction between us and any of our executive officers or directors (other than with respect to compensation of executive officers or directors that is addressed by our Board of Directors and/or Compensation/Stock Option Committee or disclosed pursuant to Item 402 of Regulation S-K), (ii) a transaction between us and any security holder who we know owns of record or beneficially more than five percent of any class of our voting securities (each a 5% holder), (iii) a transaction between us and any immediate family member (as such term is defined in Regulation S-K, Item 404, as then in effect) of an executive officer, director or 5% holder of ours, or (iv) any other transaction involving us that would be required to be disclosed pursuant to Regulation S-K, Item 404, as then in effect. Furthermore, under the policy, a related person transaction with us is defined as including transactions with any of our subsidiaries or affiliates.

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

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

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with the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act and any rule changes made by the SEC and the NYSE. We believe that our current policies and procedures form the foundation for an open relationship among colleagues that contributes to good business conduct as well as the high integrity level of our employees.

Determination of Director Independence

Under the rules of the NYSE, our Board of Directors is required to affirmatively determine the independence of each director based on the absence of any material relationship between us and the director. These determinations are required to be disclosed in this proxy statement. Our Board of Directors has established guidelines to assist it in making these determinations. These guidelines, which are attached to this proxy statement as Exhibit A, include all elements of the Corporate Governance Rules of the NYSE on this subject. For relationships between us and a director not covered by the guidelines, the determination of independence is made by the other members of our Board of Directors who are independent. Members of the Audit, Compensation/Stock Option and Corporate Governance/Nominating Committees must meet all applicable independence tests of the NYSE, SEC and the Internal Revenue Service. During our fiscal year ended December 31, 2011, Messrs. Anderson, Brennan, Darish, Reddin and Snyder and Dr. Ku and Ambassador Whittlesey served as our independent directors. Based on these guidelines, our Board of Directors, at its meeting on February 27, 2012, determined that Messrs. Anderson, Brennan, Darish, Reddin and Snyder and Dr. Ku and Ambassador Whittlesey are independent of our Company and its management. In determining the independence of Mr. Anderson, who is also a member of the board of directors of Rite Aid Corporation, our Board of Directors considered the relationship arising out of the ordinary course of business between our Company and Rite Aid Corporation, a long-standing client of ours, but did not consider that fact material to its independence determination. In determining the independence of Mr. Reddin, who is also a member of the board of directors of Tanger, our Board of Directors considered the relationship arising out of the ordinary course of business between our Company and Tanger, a long-standing client of ours, but did not consider that fact material to its independence determination. Messrs. Mason, Schultz and Recchia are not independent of our Company based on their status as current or, in the case of Mr. Schultz, recent management of the Company and his current consulting agreement (for additional information regarding his consulting agreement, see Compensation Discussion and Analysis Named Executive Officer Developments).

Board Leadership Structure

Chairman of the Board of Directors

The Chairman of the Board of Directors position demands an individual with strong leadership skills and a comprehensive knowledge of our Company. Our Board of Directors believes it should appoint the best person for the job in this position, regardless of whether that person is someone who is currently serving, or has previously served, as one of our executive officers. Our Board of Directors recognizes that, given the dynamic environment in which we operate, the right Board of Director leadership structure may vary as circumstances warrant. Consistent with this understanding, our Board of Directors considers its leadership structure on an annual basis.

Our Board of Directors considered its leadership structure in connection with the retirement on December 31, 2011 of Mr. Schultz, our former President and Chief Executive Officer, who has also served as our Chairman since 1998. Our Board of Directors determined that splitting the roles of Chairman and Chief Executive Officer and the designation of Mr. Schultz as a non-executive Chairman is optimal for the Company at the present time. Although Mr. Schultz is not considered an independent director, as described above, this leadership structure is optimal for us because it provides us with consistency and continuity at the senior board leadership level and allows the new Chief Executive Officer to concentrate on our business operations.

Our Board of Directors believes that our current leadership structure, when combined with the functioning of the independent director component of our Board of Directors and our overall corporate governance structure, creates an appropriate balance between strong and consistent leadership and independent oversight of our business. More than a majority of our current directors are independent under NYSE standards, as more fully

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described above. Further, the non-management directors meet in executive session separately from our management at each Board of Directors meeting and at least once a year there is an executive session including only the independent directors. The independent directors are very active in the oversight of our Company. Each independent director has the ability to add items to the agenda for Board of Directors meetings or raise subjects for discussion that are not on the agenda for that meeting. In addition, our Board of Directors and each committee of our Board of Directors has complete and open access to any member of management and the authority to retain independent legal, financial and other advisors as they deem appropriate.

Presiding Director

Our non-management directors meet in executive session without management present at each regularly scheduled Board of Directors meeting, with one of such non-management directors presiding. At least once a year there is an executive session including only the independent directors. Mr. Darish serves as the presiding director at all such executive sessions. In such role, Mr. Darish acts as the principal liaison between the President and Chief Executive Officer and the non-management directors. In addition, the presiding director coordinates information sent to our Board of Directors, recommends changes to improve our Board of Directors, our committees and individual director effectiveness, and performs such other functions and responsibilities as requested by our Board of Directors from time to time.

The Board's Role in Risk Oversight

Our Board of Directors administers its risk oversight function directly and through its various committees. Our Board of Directors' role in our Company's risk oversight process includes receiving regular reports from members of senior management on areas of material risk to our Company, including operational, financial, competitive, client, consumer, management retention and legal risks. Our Board of Directors regularly discusses with senior management our major risk exposures, their potential financial impact on our Company, and the steps (both short-term and long-term) we take to manage them. While our Board of Directors is ultimately responsible for risk oversight at our Company, our Board of Directors' committees assist our Board in fulfilling its oversight responsibilities in certain areas of risk. In particular, our Audit Committee assists our Board of Directors in fulfilling its oversight responsibilities with respect to the areas of financial reporting, internal controls and compliance with legal and regulatory requirements, and, in accordance with NYSE requirements, discusses policies with respect to risk assessment and risk management and their adequacy and effectiveness. Our Audit Committee regularly discusses with senior management and our independent registered public accounting firm any financial risk exposures, including risks related to financial reporting, tax, accounting, disclosure, internal control over financial reporting, financial policies and credit and liquidity matters, steps taken to manage those exposures and our Company's risk tolerance in relation to our overall strategy. Our Compensation/Stock Option Committee also assists our Board of Directors in fulfilling its oversight responsibilities with respect to the management of risks arising from our compensation policies and programs. In addition, our Corporate Governance/Nominating Committee assists our Board of Directors in fulfilling its oversight responsibilities with respect to risk assessment and management in a general manner and specifically the management of risks associated with board organization, membership and structure, succession planning for our directors and executive officers, and corporate governance. Additional details regarding the roles and responsibilities of our Board of Directors' committees are set forth below under **Committees of the Board**.

Attendance

During the fiscal year ended December 31, 2011, our Board of Directors held four meetings. Each director attended at least 75% of the meetings held by our Board of Directors during the period in which that director served, including the meetings held by the committees on which that director served as a member. Pursuant to our Corporate Governance Guidelines, the directors must attend our annual meeting of stockholders absent exceptional circumstances. All of the directors nominated at the 2011 annual meeting of stockholders attended such annual meeting.

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COMMITTEES OF THE BOARD

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

Our Executive Committee, whose members are Alan F. Schultz, Robert L. Recchia and Ambassador Faith Whittlesey, is generally authorized to exercise the management powers of our Board of Directors; provided, however, that our Executive Committee does not have the authority to declare cash dividends, amend our certificate of incorporation, adopt an agreement of merger or consolidation, recommend the disposition of all or substantially all of our assets or recommend our dissolution. Our Executive Committee did not meet during the fiscal year ended December 31, 2011.

Our Audit Committee, whose members are Kenneth V. Darish, Thomas J. Reddin and Wallace S. Snyder, recommends the selection of our independent registered public accounting firm, discusses and reviews the scope and the fees of the prospective annual audit and reviews the results of each audit with the independent registered public accounting firm. Our Audit Committee also reviews compliance with our existing major accounting and financial policies, reviews the adequacy of our financial organization and reviews management's procedures and policies relevant to the adequacy of our internal accounting controls and compliance with federal and state laws relating to accounting practices. We have appointed an internal auditor that reports directly to our Audit Committee. Our Audit Committee held eight meetings during the fiscal year ended December 31, 2011. Our Board of Directors has determined that Kenneth V. Darish meets the NYSE standard of having accounting or related financial management expertise and the SEC's definition of an audit committee financial expert. Each of the other members of our Audit Committee has financial management experience or is financially literate. Our Board of Directors has determined that each committee member meets the additional independence requirements for members of an audit committee in the New York Stock Exchange Corporate Governance Rules. Our Board of Directors has adopted a written charter for this committee setting out the functions that this committee is to perform, which can be found on our web site at www.valassis.com.

Our Compensation/Stock Option Committee, whose members are Patrick F. Brennan, Dr. Walter H. Ku and Thomas J. Reddin, administers our equity compensation plans. Our Compensation/Stock Option Committee also reviews and approves the annual salary, bonus and other benefits, direct or indirect, of our executive officers, including our President and Chief Executive Officer, whose salary, bonus and other benefits are also reviewed and ratified by our Board of Directors. The Committee's primary procedures for establishing and overseeing executive compensation can be found in the Compensation Discussion and Analysis section under Compensation-Setting Process. Our Compensation/Stock Option Committee has engaged Towers Watson & Co., a human resources consulting firm, or Towers Watson, from time to time to assist it in reviewing our executive and non-employee director compensation programs and assist in negotiating the terms of our executive officers' contracts when they come up for renewal or are amended. Our Compensation/Stock Option Committee has the sole authority to retain, at our expense, and terminate any such consultant, including the sole authority to approve such consultant's fees and other terms of engagement. We believe that the use of an outside consultant provides additional assurance that our executive compensation programs are reasonable and consistent with our objectives and industry standards. Our Compensation/Stock Option Committee is comprised entirely of non-employee directors as such term is defined under Rule 16b-3 of the Securities Exchange Act of 1934, as amended, or the Exchange Act, or any successor provision, and outside directors, as such term is defined under Section 162(m) of the Internal Revenue Code of 1986, or the Code, or any successor provision. During the fiscal year ended December 31, 2011, our Compensation/Stock Option Committee met four times. Our Board of Directors has adopted a written charter for this committee setting out the functions that this committee is to perform, which can be found on our web site at www.valassis.com.

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

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

Our Corporate Governance/Nominating Committee, whose members are Joseph B. Anderson, Jr., Dr. Walter H. Ku and Ambassador Faith Whittlesey, (i) assists our Board of Directors by identifying individuals qualified to become Board members and recommends to our Board of Directors the director nominees for the next annual meeting of stockholders, (ii) recommends to our Board of Directors the corporate governance guidelines applicable to us and (iii) takes a leadership role in shaping our corporate governance and risk management. Our Corporate Governance/Nominating Committee held four meetings during the fiscal year ended December 31, 2011. Our Board of Directors has adopted a written charter for this committee setting out the functions that this committee is to perform, which can be found on our web site at www.valassis.com.

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

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

Our Corporate Governance/Nominating Committee will consider recommendations from stockholders of potential candidates for nomination as director. Recommendations should be made in writing, and should include the candidate's written consent to be nominated and to serve, and sufficient background information on the candidate to enable our Corporate Governance/Nominating Committee to properly assess the candidate's qualifications. Recommendations should be addressed to our Corporate Secretary at our principal office and must be received no later than October 1, 2012 in order to be considered for the next annual meeting. The process for evaluating potential candidates recommended by stockholders and derived from other sources is substantially the same.

Table of Contents**COMPENSATION/STOCK OPTION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

During the fiscal year ended December 31, 2011, our Compensation/Stock Option committee consisted of Patrick F. Brennan, Dr. Walter H. Ku and Thomas J. Reddin. None of our Compensation/Stock Option Committee members (i) have ever been an officer or employee of our Company, or (ii) is or was a participant in a related person transaction in fiscal year 2011 (see the section entitled Certain Relationships and Related Transactions for a description of our Policy on Related Person Transactions). During the fiscal year ended December 31, 2011, no executive officer of our Company served on the compensation committee (or its equivalent) or board of directors of any company that has an executive officer that serves on our Board of Directors or our Compensation/Stock Option Committee.

INDEPENDENT DIRECTOR COMPENSATION FOR FISCAL YEAR 2011

The table below summarizes the compensation paid by us to our independent directors for the fiscal year ended December 31, 2011.

Name	Fees Earned or Paid in Cash (\$)	Restricted Stock Awards (\$ (1))	Stock Option Awards (\$ (2))	Total (\$)
Joseph B. Anderson, Jr.	59,600	81,968	16,980	158,548
Patrick F. Brennan	59,600	81,968	16,980	158,548
Kenneth V. Darish	62,200	81,968	16,980	161,148
Dr. Walter H. Ku, PhD	59,600	81,968	16,980	158,548
Thomas J. Reddin	61,550	81,968	16,980	160,498
Wallace S. Snyder	62,200	81,968	16,980	161,148
Ambassador Faith Whittlesey	59,600	81,968	16,980	158,548

- (1) Compensation shown in this column represents the aggregate grant date fair value of the awards computed in accordance with the Financial Accounting Standards Board Accounting Standards Codification Topic 718 (FASB ASC Topic 718). For additional information, refer to Note 10 of our consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2011, as filed with the SEC. These amounts do not represent the actual amounts paid to or realized by the independent directors during fiscal year 2011. The independent directors held the following outstanding number of shares of restricted stock as of December 31, 2011: Mr. Anderson (3,000), Mr. Brennan (3,000), Mr. Darish (3,000), Dr. Ku (3,000), Mr. Reddin (3,000), Mr. Snyder (3,000) and Ambassador Whittlesey (3,000).
- (2) Compensation shown in this column represents the aggregate grant date fair value of the awards computed in accordance with FASB ASC Topic 718. For additional information, refer to Note 10 of our consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2011, as filed with the SEC. These amounts do not represent the actual amounts paid to or realized by the independent directors during fiscal year 2011. As of December 31, 2011, the independent directors held unexercised outstanding stock options for the following number of shares of our common stock: Mr. Anderson (27,000), Mr. Brennan (42,000), Mr. Darish (50,000), Dr. Ku (72,000), Mr. Reddin (7,000), Mr. Snyder (27,000) and Ambassador Whittlesey (27,000).

Our compensation program entitles each of our independent directors to receive the following fees in connection with their participation on our Board of Directors and related Board committees: (i) an annual independent director cash retainer fee of \$49,500; (ii) quarterly awards of 750 shares of restricted stock pursuant to our 2008 Omnibus Incentive Compensation Plan that become fully vested one year from the date of grant; (iii) semi-annual awards of non-qualified options to purchase 1,000 shares of our common stock at an exercise price equal to the closing fair market value of our common stock on the date of grant, which become fully vested one year from the date of grant; (iv) \$2,500 per Board meeting attended in person and \$1,300 per Board meeting

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attended by telephone; and (v) \$1,300 per Board committee meeting attended in person and \$650 per Board committee meeting attended by telephone. The committee attendance fees are payable only if the committee meeting is not scheduled in conjunction with (just before or after) a Board of Directors meeting and telephonic meeting fees are paid on a pro-rated basis if an independent director does not participate via telephone for the entire meeting.

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

Pursuant to the terms of our Rule of 75 policy (as defined below), if a director meets the Rule of 75 and his or her service with our Company terminates under certain circumstances, then, depending on the date of grant of the applicable awards, the director's stock option and restricted stock grants will continue to vest, and, in the case of a stock option, remain exercisable, in accordance with the regularly scheduled dates set forth in the applicable award agreements. As of December 31, 2011, Mr. Brennan, Dr. Ku and Ambassador Whittlesey met the Rule of 75, and, effective March 2012, Mr. Anderson also meets the Rule of 75. For additional information regarding the Rule of 75, see Compensation Discussion and Analysis Compensation-Setting Process, Compensation Discussion and Analysis Equity Compensation Stock Price Performance-Accelerated Options and Compensation Discussion and Analysis Equity Compensation Restricted Stock.

Directors who are also our employees or employees of any of our affiliates do not receive any compensation for their services as a director. Accordingly, Messrs. Mason and Recchia do not receive compensation for their services as directors. In addition, Mr. Schultz will forego compensation for his role on the Board of Directors during the term of his consulting agreement (see Certain Relationships and Related Transactions for additional information related to Mr. Schultz's consulting agreement).

In addition, our Corporate Governance Guidelines provide that all of our independent directors are encouraged to hold at least 6,000 shares of our common stock (excluding stock options) within three years of joining the Board. Currently, all of our independent directors, other than Mr. Reddin who joined our Board of Directors in June 2010, satisfy these stock ownership guidelines.

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EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

2011 EXECUTIVE SUMMARY

In 2011, general uncertainty in the economy continued to weigh on the media and marketing industry. Similar to all of the companies in our stock performance graph peer group, our stock price was down for the year. In spite of the economic challenges, we completed a profitable year, strengthened our balance sheet and positioned our Company for future success by continuing to make investments in our digital and in-store businesses. Our 2011 adjusted net earnings increased 35.3% from 2010. Our 2011 adjusted net earnings per common share, diluted increased 44.2% from 2010. Business highlights for 2011 also include:

the reduction of our total debt by \$103.7 million;

the repurchase of \$215.1 million of shares of our common stock; and

the strong performance of our Shared Mail and NCH coupon clearing businesses.

Adjusted net earnings and adjusted net earnings per common share, diluted, referred to above, are non-GAAP financial measures. For a reconciliation and other information regarding these non-GAAP financial measures, see p. 20 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

The core principle of our compensation philosophy for executive officers continues to be a strong pay-for-performance structure that ties a significant portion of each executive officer's compensation to both company and, other than in the case of Messrs. Schultz and Recchia, individual performance. Consistent with our compensation philosophy of aligning executive compensation with stockholder interests and achievement of strategic business objectives, total compensation for our named executive officers (as defined below) during fiscal year 2011 generally was lower than historical levels and, with the exception of Mr. Mason, was significantly lower than fiscal year 2010 (even after excluding certain non-recurring compensation from fiscal year 2010) as a result of not achieving our semi-annual incentive bonus target for the six-month period ended December 31, 2011 and the decline in our stock price during 2011.

2011 SAY-ON-PAY VOTE

At the annual meeting of our stockholders held on May 5, 2011, more than 98% of the votes cast on the say-on-pay advisory vote were in favor of our named executive officer compensation as disclosed in our 2011 proxy statement. Our Board of Directors and our Compensation/Stock Option Committee reviewed these vote results and determined that, given the significant level of support, no significant changes to our executive compensation policies and decisions were warranted in 2011.

NAMED EXECUTIVE OFFICER DEVELOPMENTS

In August 2011, the Company announced the retirement of Mr. Schultz, effective December 31, 2011. In conjunction with the foregoing:

pursuant to the terms of Mr. Schultz's employment agreement, Mr. Schultz is prohibited from competing with us for a period of seven years following his retirement, and we will pay Mr. Schultz his annual base salary at retirement of \$1,030,000 during each of the first three years of such seven-year period as well as \$515,000 during each of the last four years of such period;

in accordance with the Rule of 75, Mr. Schultz's stock options and restricted stock awards outstanding as of December 31, 2011, as described below in Outstanding Equity Awards at 2011 Fiscal Year-End, will continue to vest, and, in the case of stock options, remain exercisable, in accordance with the regularly scheduled dates set forth in the applicable award agreements;

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effective January 1, 2012, Mr. Schultz began receiving benefits under the Supplemental Benefit Plan and is subject to the related non-competition and non-solicitation provisions of the Supplemental Benefit Plan as described below;

we entered into a three-year consulting agreement with Mr. Schultz that commenced on January 1, 2012. See [Certain Relationships and Related Transactions](#) for additional information related to Mr. Schultz's consulting agreement; and

effective January 1, 2012, Mr. Schultz became the non-executive Chairman of our Board of Directors and agreed to forego compensation for his role on the Board of Directors during the term of his consulting agreement.

Also in August 2011, the Company announced the promotion of Mr. Mason to President and Chief Executive Officer, effective January 1, 2012. In conjunction with this promotion, our Board of Directors elected Mr. Mason as a director effective September 1, 2011. In addition, Mr. Mason's employment agreement was amended to (i) extend the expiration of his employment agreement until December 31, 2014, (ii) set his annual base salary, effective January 1, 2012, at \$600,000 and (iii) entitle Mr. Mason to semi-annual cash incentive bonus opportunities of up to 100% of his semi-annual base salary, if and to the extent certain performance goals set by our Board of Directors or our Compensation/Stock Option Committee under the terms of our 2008 Senior Executives Semi-Annual Bonus Plan are met or exceeded. The amendments to Mr. Mason's employment agreement were determined by the Compensation/Stock Option Committee, in part, based on advice received from the Compensation/Stock Option Committee's independent consultant, Towers Watson, resulting from their review of competitive market data, and were intended to more appropriately align Mr. Mason's compensation with that of other chief executive officers.

The employment agreement of Mr. Herpich expired June 30, 2011 and he became an at-will employee of the Company. In October 2011, Mr. Herpich announced his retirement from the Company, effective December 31, 2011. In conjunction with the foregoing:

Effective January 1, 2012, Mr. Herpich began receiving benefits under the Supplemental Benefit Plan and is subject to the related non-competition and non-solicitation provisions of the Supplemental Benefit Plan as described below.

Mr. Herpich's employment agreement contained a non-competition provision that could continue for up to two years following his retirement, at our option, provided that we pay Mr. Herpich his then-existing annual base salary during the extended period. We elected not to invoke the specific non-compete provision of his employment agreement.

In accordance with the Rule of 75, Mr. Herpich's stock options and restricted stock awards outstanding as of December 31, 2011, as described below in [Outstanding Equity Awards at 2011 Fiscal Year-End](#), will continue to vest, and, in the case of stock options, remain exercisable, in accordance with the regularly scheduled dates set forth in the applicable award agreements.

We entered into a one-year consulting agreement with Mr. Herpich that commenced on January 1, 2012. See [Certain Relationships and Related Transactions](#) for additional information related to Mr. Herpich's consulting agreement.

COMPENSATION PHILOSOPHY

Our compensation philosophy is to develop and implement policies that will encourage and reward outstanding financial performance, seek to increase our profitability, and thereby increase stockholder value. Accordingly, a high proportion of the compensation of our executives is tied in some manner to both short-term and long-term corporate performance. Maintaining competitive compensation levels in order to attract, retain,

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motivate and reward executives who bring valuable experience and skills to us is also an important consideration. Our executive compensation programs are designed to attract, hire and retain high caliber individuals and motivate them to achieve our business objectives, succession goals and performance targets, including increasing long-term stockholder value. Most of our compensation elements simultaneously fulfill one or more of our performance, alignment and retention objectives.

COMPENSATION-SETTING PROCESS

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

evaluating executive performance;

establishing business performance targets and objectives; and

recommending salary levels and equity awards.

At the direction of our Compensation/Stock Option Committee, management has periodically worked with Towers Watson to develop information about the compensation of our executive officers. Our Chief Executive Officer uses this information to make recommendations to our Compensation/Stock Option Committee regarding compensation of our executive officers, other than the Chief Executive Officer, and Towers Watson provides guidance to our Compensation/Stock Option Committee about these recommendations. Our Compensation/Stock Option Committee uses this information and considers these recommendations in developing and implementing the compensation plans for our senior management. During 2011, our Compensation/Stock Option Committee retained Towers Watson to review our compensation program and advise the committee with respect to the long-term incentive equity awards granted in December 2011 (each as described further below), to evaluate Mr. Mason's compensation in conjunction with his promotion to President and Chief Executive Officer effective January 1, 2012 and with respect to the compensation to be provided to Mr. Schultz under the terms of his consulting agreement effective January 1, 2012 (see Certain Relationships and Related Transactions for additional information related to Mr. Schultz's consulting agreement), and used the findings and analysis of Towers Watson in making its compensation decisions. Towers Watson is independent of the Company and our management.

All decisions regarding compensation of executive officers, including all of our executive officers named in the Summary Compensation Table for Fiscal Year 2011 (whom we refer to as our named executive officers) except the President and Chief Executive Officer, are made by our Compensation/Stock Option Committee and/or our Board of Directors. The President and Chief Executive Officer's salary, bonus and other benefits are reviewed and approved by our Compensation/Stock Option Committee and, based on a recommendation from our Compensation/Stock Option Committee, ratified by our Board of Directors. Our Compensation/Stock Option Committee conducts an annual review of our goals and objectives as related to the form and amount of executive compensation. Members of management and representatives of Towers Watson may be asked to attend portions of a committee meeting where our Compensation/Stock Option Committee wishes such persons to provide information to the committee or where such attendance will otherwise be helpful. Historically, management has also periodically reviewed levels of compensation paid to officers at comparable companies with similar responsibilities in order to make appropriate recommendations to our Compensation/Stock Option Committee for approval.

Generally, each of our named executive officers is employed pursuant to a multi-year employment agreement. These multi-year employment agreements retain the services of the executives for an extended period and may bind former executives to non-competition and non-solicitation obligations. We place great value on the long-term commitment that our named executive officers have made to us. Messrs. Recchia and Husselbee have been employed by us (or in the case of Mr. Husselbee, NCH, which we acquired in 2003) for over 25 years, as were each of Messrs. Schultz and Herpich prior to their retirements on December 31, 2011. Mr. Mason has been

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employed by us for over 15 years. As further discussed below, our Compensation/Stock Option Committee periodically reviews the terms of the employment agreements with each of our named executive officers. The length of time employment agreements are extended into the future is determined by a variety of factors, including the staggering of expiration dates of other executive employment agreements, the roles and responsibilities of the executive and a risk assessment of the executive being hired by one of our competitors.

In an effort to reward our directors and employees, including our named executive officers, for their long-term dedication and loyalty to our Company and to incentivize other directors and employees and attract potential directors and employees, our Board of Directors adopted a policy in December 2009, which we began implementing in fiscal year 2010, with respect to our stock option and restricted stock awards of employees and directors who meet the Rule of 75 (as defined below) at the time of their termination of employment or service as a director with our Company. An employee or director meets the Rule of 75 if his or her age plus his or her years of service (including any fractions thereof) with our Company or our subsidiaries and affiliates equals or exceeds 75 (collectively, the Rule of 75). If an employee or director meets the Rule of 75 and his or her employment or service with our Company terminates under certain circumstances, then, depending on the date of grant of the applicable awards, the employee's or director's stock option and restricted stock grants will continue to vest, and, in the case of a stock option, remain exercisable, in accordance with the regularly scheduled dates set forth in the applicable award agreements. We believe this policy is an appropriate and meaningful way to reward our employees and directors for their time, efforts, skills and the business experience they bring to our Company. Under applicable accounting standards, we recognize stock-based compensation expense over the lesser of the vesting period of the award and the requisite service period. Accordingly, the compensation expense for awards made to grantees who satisfy the Rule of 75 on the grant date must be recognized on the grant date and the compensation expense for awards made to grantees who will satisfy the Rule of 75 prior to the vesting date must be recognized on a straight-line basis over the period between the grant date and the date the grantee will satisfy the Rule of 75. As of December 31, 2011, Messrs. Schultz, Recchia, Herpich and Husselbee met the Rule of 75.

Pursuant to the agreements described above, our President and Chief Executive Officer has historically received the highest level of compensation, including salary, bonus opportunities and equity-based compensation. During the year ended December 31, 2011, he was followed by our Chief Financial Officer by reason of his duties and responsibilities, and then by our other Executive Vice Presidents. This internal pay relationship among our named executive officers was established at the time our Company completed its initial public offering in 1992. Our Compensation/Stock Option Committee has never taken a formulaic approach to this relationship, but, as a general principle, has strived to maintain these relative levels of compensation among the named executive officers. In September 1998, when Mr. Schultz was promoted to Chief Executive Officer of our Company from Chief Operating Officer, his employment agreement was revised to reflect his increased responsibilities and to mirror certain components of the former Chief Executive Officer's employment contract. Through Mr. Schultz's retirement on December 31, 2011, we did not have a Chief Operating Officer position and this explains certain disparities between Mr. Schultz's salary and equity awards and the next highest paid named executive officer's salary and equity awards. Our Compensation/Stock Option Committee believes that Mr. Schultz's compensation level reflected the Committee's confidence in Mr. Schultz and Mr. Schultz's performance throughout his tenure as Chief Executive Officer (and effectively, also as Chief Operating Officer).

The minimum compensation to which each named executive officer is entitled is generally specified in their respective employment agreements. While our Compensation/Stock Option Committee's primary opportunity to modify fixed terms of executive compensation to reflect policy changes is at the time the agreement is up for renewal, our Compensation/Stock Option Committee annually assesses whether any executive should receive an increase in annual base salary or whether any amendments to the employment agreement are desirable.

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

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

Because our named executive officers are in a position to directly influence our performance, a significant portion of their compensation is delivered in the form of performance-based compensation. We rely on a mix of compensation components intended to reward short-term results (in the form of semi-annual cash incentive bonuses) and motivate long-term performance (in the form of stock option and restricted stock grants). We do not have a specific allocation target between cash and equity-based compensation or between annual and long-term incentive compensation. Instead, we retain the flexibility when determining the compensation mix to react to the business environment, our specific hiring and retention requirements and our overall performance. This mix has historically been influenced by the advice received from Towers Watson. Our commitment to ensuring that our Company is led by the right executives at the right time is a high priority, and we make our compensation decisions accordingly.

Over the past several years, we have placed increased focus on performance-based compensation by implementing policies and compensation practices that tie compensation directly to our Company's financial goals and reward our executives appropriately when such goals are achieved. Beginning in December 2010, our Compensation/Stock Option Committee and our Board of Directors granted performance-based restricted stock awards, as further described below, to certain of our employees, including the named executive officers. As opposed to our typical stock option and restricted stock grants, both of which vest, among other ways, within a certain amount of time following the grant date, this type of award only vests if designated financial metrics or stock price appreciation targets are achieved during a specified period. Therefore, we believe these performance-based restricted stock award grants provide more incentive to increase stockholder returns and obtain increased share value, as the value of such grants depend exclusively on the financial performance of our Company.

COMPENSATION ELEMENTS

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

base salary;

cash bonuses;

stock options and restricted stock awards;

retirement and other benefits; and

perquisites and other personal benefits.

Cash Compensation

The annual cash compensation of our named executive officers consists of annual salary and cash bonuses. The cash compensation of each named executive officer (other than the Chief Executive Officer) may be increased based on an annual review of such officer's performance by the Chief Executive Officer and his recommendations to our Compensation/Stock Option Committee. The cash compensation of the Chief Executive Officer may be increased based on an annual review of his performance by our Compensation/Stock Option Committee and the Board of Directors or in conjunction with an extension of his employment or changes in his responsibilities.

Table of Contents**(1) Salary**

Base salary is the guaranteed element of an executive's annual cash compensation. Base salaries are provided as compensation for day to day responsibilities and services to us and provide a consistent cash flow to our executives. The salaries of our named executive officers are generally governed by their respective employment agreements. Effective January 1, 2011, Messrs. Schultz, Recchia and Husselbee received modest base salary increases, which, on a percentage basis, were generally consistent with merit increases provided to other associates of the Company. Mr. Herpich's annual salary for fiscal year 2011 remained consistent with fiscal years 2010 and 2009. Mr. Mason's annual salary for fiscal year 2011 decreased slightly as compared to fiscal year 2010 as the modest base salary increase he received effective January 1, 2011 was off-set by the removal of a cost of living adjustment he had previously received when he lived in Connecticut. In fiscal year 2011, our named executive officers were entitled to the following annual base salaries: Mr. Schultz (\$1,030,000), Mr. Recchia (\$530,450), Mr. Herpich (\$372,000), Mr. Mason (\$314,580) and Mr. Husselbee (\$296,640).

(2) Semi-Annual Cash Bonus Program

Pursuant to the employment arrangements with Messrs. Recchia, Herpich (see *Named Executive Officer Developments* for additional information with respect to Mr. Herpich's employment agreement), Mason and Husselbee, each is entitled to incentive bonuses of up to an aggregate of 100% of base salary if certain performance goals (discussed below) set by our Compensation/Stock Option Committee, or, in the case of Messrs. Herpich, Mason and Husselbee, our Compensation/Stock Option Committee and Chief Executive Officer, are met. Prior to his retirement on December 31, 2011, Mr. Schultz was entitled to an incentive bonus of up to an aggregate of 200% of base salary if and to the extent certain performance goals set by our Board of Directors or our Compensation/Stock Option Committee under the terms of our 2008 Senior Executives Semi-Annual Bonus Plan were met or exceeded. We believe providing semi-annual bonus opportunities is consistent with our long-standing belief that a shorter bonus period will provide our named executive officers with a greater sense of urgency for them to meet the specified targets and thereby enhance stockholder value.

2011 Performance Targets

Historically, we have established and structured our semi-annual cash bonus program to align executive goals with our earnings growth objectives for the current year. In the past several years, the incentive bonuses for our executives were contingent upon meeting semi-annual performance targets based on adjusted EBITDA minus capital expenditures (compensation EBITDA), as opposed to targets based on earnings per share (EPS), which we had used in the past. In December 2010, our Compensation/Stock Option Committee determined that diluted cash EPS was the most relevant performance measurement criterion for our business as a result of our reduction in leverage and decided to use it as the performance target metric for fiscal year 2011 bonus awards and as the fiscal year 2011 performance metric included in the performance-based restricted stock awards granted to Mr. Schultz and Mr. Recchia (discussed below). For fiscal year 2011, we defined diluted cash EPS as net earnings per common share, diluted, plus the per-share effect of depreciation, amortization, stock-based compensation expense, impairment charges and other non-recurring costs, net of tax, and loss on extinguishment of debt and related charges, net of tax, less the per-share effect of capital expenditures. For purposes of measuring diluted cash EPS, we utilized a diluted share base of 53.1 million, which differs from our actual, weighted-average share base for fiscal 2011, but prevented the achievement of the diluted cash EPS targets being impacted, either positively or negatively, by repurchases of our common stock or certain factors outside the control of the named executive officers, such as stock option exercises and the lapsing of restrictions on restricted stock awards. The use of diluted cash EPS provides a measure of our profitability on a more comparable basis to historical periods and provides a more meaningful basis for forecasting future performance, by replacing non-cash amortization and depreciation expenses, which are currently running significantly higher than our annual capital needs, with actual and forecasted capital expenditures. Our earnings guidance that we publicly disclosed for fiscal year 2011 included diluted cash EPS in recognition of its widespread use in the financial community as an indicator of performance.

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Pursuant to our named executive officers' employment agreements, the 2011 semi-annual incentive bonuses were paid in two installments and were contingent upon our meeting semi-annual diluted cash EPS targets that were set by our Compensation/Stock Option Committee in December 2010 for the six-month periods ended on each of June 30, 2011 and December 31, 2011. The diluted cash EPS targets for the six-month periods ended on June 30, 2011 and December 31, 2011 were \$1.64 per share and \$2.04 per share, respectively. No bonus attributable to diluted cash EPS performance targets is payable to any named executive officer unless actual diluted cash EPS exceeds 70% of the diluted cash EPS target for the period. In addition to the diluted cash EPS targets, our Chief Executive Officer set the annual individual performance targets for Messrs. Herpich, Mason and Husselbee in December 2010. We have never awarded incentive compensation absent attainment of the performance targets.

Each semi-annual incentive bonus paid to Mr. Schultz for 2011 represents the applicable portion of the potential bonus opportunity (100% of annual base salary for each semi-annual bonus) that correlates to the percentage of the diluted cash EPS target (between 70% and 115%) achieved for the related six-month period during fiscal 2011. Each semi-annual incentive bonus paid to Mr. Recchia for 2011 represents the applicable portion of the potential bonus opportunity (50% of annual base salary for each semi-annual bonus) that correlates to the percentage of the diluted cash EPS target (between 70% and 100%) achieved for the related six-month period during fiscal 2011. The incentive bonuses paid to Messrs. Herpich, Mason and Husselbee for 2011 also consisted of two semi-annual incentive bonuses. Each of their first semi-annual incentive bonuses represents the applicable portion of their respective potential bonus opportunity (25% of annual base salary) that correlates to the percentage of the diluted cash EPS target (between 70% and 100%) achieved for the six-month period ended June 30, 2011. Each of their second semi-annual incentive bonuses represents: (i) the applicable portion of their respective potential bonus opportunity (25% of annual base salary) that correlates to the percentage of the diluted cash EPS target (between 70% and 100%) achieved for the six-month period ended December 31, 2011, and (ii) the applicable portion of each executive's annual bonus opportunity (50% of annual base salary) that correlates to the annual individual performance targets achieved during fiscal 2011 set by our Chief Executive Officer; provided that, in no event can the sum of the semi-annual and annual bonuses for either Messrs. Herpich, Mason or Husselbee exceed 100% of their respective annual base salary. The performance targets set by our Chief Executive Officer for Messrs. Herpich, Mason and Husselbee are based on their individual responsibilities (both qualitative and quantitative) at our Company, or, in the case of Mr. Husselbee, NCH. After the conclusion of the relevant six-month performance periods, our Compensation/Stock Option Committee reviews our applicable financial results and determines the actual payments to be made.

For the six-month period ended June 30, 2011, we achieved our semi-annual diluted cash EPS target of \$1.64 per share. For the six-month period ended December 31, 2011, our actual diluted cash EPS was 90.7% of the related diluted cash EPS target of \$2.04 per share. In addition, the semi-annual incentive bonuses awarded to Messrs. Herpich, Mason and Husselbee for the six-month period ended December 31, 2011 included amounts corresponding to the annual individual performance targets set by our Chief Executive Officer. The following table summarizes the amounts received by our named executive officers related to the fiscal 2011 semi-annual cash bonus program:

Name	Semi-Annual Cash Bonus		Semi-Annual Cash Bonus			Semi-Annual Cash Bonus	
	for the Six-Month Period Ended June 30, 2011 (\$)	% of Applicable Semi-Annual Bonus Opportunity	% of Annual Salary	for the Six-Month Period Ended December 31, 2011 (\$)	% of Applicable Semi-Annual Bonus Opportunity	% of Annual Salary	Semi-Annual Cash Bonus Program Awards for Year Ended December 31, 2011 (\$)
Alan F. Schultz	515,000	50%	50%	354,258	34%	34%	869,258
Robert L. Recchia	265,225	100%	50%	182,443	69%	34%	447,668
Richard Herpich	93,000	100%	25%	145,917	52%	39%	238,917
Robert A. Mason	78,645	100%	25%	129,393	55%	41%	208,038
Brian Husselbee	74,160	100%	25%	199,250	90%	67%	273,410

The total actual payments related to the fiscal year 2011 semi-annual cash bonus program are reported in the Summary Compensation Table for Fiscal Year 2011 in the column entitled Non-Equity Incentive Compensation. In addition, the threshold and target award opportunities for the semi-annual cash incentive bonuses and additional annual cash incentive bonuses with respect to Messrs. Herpich, Mason and Husselbee for 2011 are reported in the Grants of Plan-Based Awards in 2011 Fiscal Year table below.

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Equity Compensation

We believe that equity compensation fosters a long-term perspective on the part of our executives that is both necessary for our success and ensures that the executives properly focus on increasing stockholder value. Non-cash compensation of named executive officers historically has consisted of stock options and restricted stock granted under our 2008 Omnibus Incentive Compensation Plan. We believe this structure of stock option and restricted stock grants (both contractual-based and performance-based) provides an appropriate balance among aligning executive interests with those of our stockholders, encouraging executive retention, and rewarding executives for sustained performance results. Whether our named executive officers receive stock options or restricted stock will depend on a variety of factors, which may include their role at our Company, the combination of equity awards that they have previously received, applicable accounting treatment, our Company's equity burn rate and the availability of shares of common stock under our equity compensation plan.

(1) Stock Price Performance-Accelerated Stock Options

Historically, our Compensation/Stock Option Committee has granted stock price performance-accelerated stock options to our named executive officers. The exercise price of each stock option awarded to our named executive officers under our 2008 Omnibus Incentive Compensation Plan is the closing sales price of our common stock on the date of grant. The grant dates are determined without regard to anticipated earnings or other major announcements by us.

To further strengthen the commonality of interest between named executive officers and our stockholders, these performance-accelerated stock options provide accelerated vesting in one-third increments as our common stock meets certain specified price per share targets, which are typically increases of \$5.00, \$10.00 and \$15.00 per share over the then-current fair market value at the time of grant; provided that in no event shall any option be exercised for the first six months following the date of grant and provided further such market price targets must be achieved within three years from the date of grant of the option. Generally, if our common stock does not reach the price per share targets, these options vest in full after five years from the date of grant for all of our named executive officers except Mr. Schultz, whose options vest in full after three years from the date of grant. Our Compensation/Stock Option Committee believes that these stock price performance-accelerated stock options provide even greater motivation for our named executive officers to achieve our performance targets and to align interests with those of our stockholders.

On December 5, 2011, our Compensation/Stock Option Committee granted discretionary options to purchase shares of our common stock in December to our named executive officers as follows: Mr. Recchia (16,000), Mr. Mason (24,000) and Mr. Husselbee (20,000). As discussed in *Named Executive Officer Developments*, the Company underwent a leadership transition with the retirement of Mr. Schultz effective December 31, 2011 and the promotion of Mr. Mason to President and Chief Executive Officer on January 1, 2012. In preparation for his transition to President and Chief Executive Officer, Mr. Mason named his executive management team, which included among others, Messrs. Recchia and Husselbee. Accordingly, the stock price performance-accelerated stock option grants on December 5, 2011 reflect the future senior leadership roles of Messrs. Mason, Recchia and Husselbee post-transition and were designed to ensure alignment of the interests of this new team with our shareholders. The grants for Messrs. Mason, Recchia and Husselbee were determined appropriate by Towers Watson. In light of their impending retirements, Messrs. Schultz and Herpich were not granted discretionary options to purchase shares of our common stock in December 2011.

Stock options will become immediately exercisable in the event of a change of control of our Company (as defined in the plan) unless otherwise provided in an individual award agreement. Stock options will, depending on the date of grant of the applicable awards, become immediately exercisable or, pursuant to the Rule of 75 policy, continue to vest and remain exercisable in accordance with the terms of the applicable award agreement, upon certain events of termination as specified in an individual award agreement and upon the death and disability of the grantee. For additional information regarding the Rule of 75 policy, see *Compensation-Setting Process*.

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(2) Restricted stock

We believe that grants of restricted stock further a sense of stock ownership by our named executive officers, further tie their compensation to our performance, further align their interests with those of our stockholders and provide additional motivation to key executives.

(a) Contractual-Based Restricted Stock Awards

Pursuant to Mr. Recchia's employment agreement we are, and pursuant to Messrs. Schultz's and Herpich's employment agreements we were, required to make annual restricted stock awards to such executives in January for service and performance in the preceding fiscal year. As described below, certain of these awards are performance-based and the applicable performance target is set by our Compensation/Stock Option Committee each year. In accordance with applicable SEC rules, the Grants of Plan-Based Awards in 2011 Fiscal Year table appearing elsewhere in this proxy statement reflects the annual restricted stock grants made to Messrs. Schultz, Recchia and Herpich on January 3, 2011 related to fiscal year 2010 performance. Our Compensation/Stock Option Committee used the same compensation EBITDA target used for the fiscal year 2010 semi-annual incentive bonuses as the performance target for restricted stock awards related to fiscal year 2010 granted on January 3, 2011. See the Grants of Plan-Based Awards in 2011 Fiscal Year table appearing elsewhere in this proxy statement and the footnotes thereto.

Mr. Recchia is, and Mr. Herpich was, entitled to 2,250 shares each of restricted stock each fiscal year under the terms of their respective employment agreements, which are generally granted on the first day of the subsequent fiscal year. An additional 2,250 shares of restricted stock may be earned if our Compensation/Stock Option Committee determines that 80% of the performance target previously set by such Committee has been met and an additional 2,250 shares of restricted stock may be earned if 115% of the performance target has been met. In order to enhance the awards' ability to incentivize longer term focus and retention, the shares of restricted stock granted to Mr. Recchia are subject to vesting in approximately equal portions over a three-year period. See Cash Compensation Incentive Bonuses 2011 Performance Targets for the actual target selected for 2011. During fiscal year 2011, the 80% performance target was satisfied; however, the 115% performance target was not satisfied. Therefore, Mr. Recchia received 2,250 shares of restricted stock, plus an additional performance-based award of 2,250 shares of restricted stock on January 3, 2012.

Pursuant to Mr. Schultz's employment agreement, which expired on December 31, 2011, he was entitled to receive a grant of 11,250 shares of restricted stock each fiscal year if our Compensation/Stock Option Committee determined that 70% of the performance target had been met. Mr. Schultz was entitled to an additional 11,250 shares of restricted stock if our Compensation/Stock Option Committee determined that 80% of the performance target was met and an additional 11,250 shares of restricted stock if our Compensation/Stock Option Committee determined that 115% of the performance target was met, all of which were generally granted on the first day of the subsequent fiscal year. See Cash Compensation Incentive Bonuses 2011 Performance Targets for the actual target selected for 2011. During fiscal year 2011, the 70% and 80% performance targets were satisfied; however, the 115% performance target was not satisfied. Therefore, on January 3, 2012, Mr. Schultz received a performance-based award of 22,500 shares of restricted stock related to fiscal year 2011 performance. The shares received in connection with satisfying 70% of the performance target vest ratably over three years, while the shares received in connection with satisfying 80% of the performance target vest one year from the date of grant.

We are not obligated to award restricted stock to Messrs. Mason and Husselbee under the terms of their respective employment agreements.

(b) Performance-Based Restricted Stock Awards

Since 2010, our Compensation/Stock Option Committee has approved grants of performance-based restricted stock to certain of our named executive officers under our 2008 Omnibus Incentive Compensation Plan in an effort to (i) further align our executives' interests with those of our stockholders and drive performance,

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(ii) further reward and incentivize management, and (iii) reduce our Company's equity burn rate, resulting in less dilution to our stockholders, and better manage the number of shares granted under our 2008 Omnibus Incentive Compensation Plan. Restrictions on the performance-based restricted shares will lapse only upon the achievement of previously-established annual financial performance metrics or upon attainment of specified stock prices within a specified time period. As a result of achieving the annual financial performance metrics established for fiscal year 2011, the initial tranche of performance-based restricted stock awards granted on December 14, 2010 vested on February 27, 2012.

On December 5, 2011, our Compensation/Stock Option Committee granted Messrs. Recchia, Mason and Husselbee discretionary, performance-based restricted stock awards in the following amounts: Mr. Recchia (32,000), Mr. Mason (48,000) and Mr. Husselbee (10,000). As discussed in Named Executive Officer Developments, the Company underwent a leadership transition with the retirement of Mr. Schultz effective December 31, 2011 and the promotion of Mr. Mason to President and Chief Executive Officer on January 1, 2012. In preparation for his transition to President and Chief Executive Officer, Mr. Mason named his executive management team, which included among others, Messrs. Recchia and Husselbee. Accordingly, the performance-based restricted stock awards granted on December 5, 2011 reflect the future senior leadership roles of Messrs. Mason, Recchia and Husselbee post-transition and were designed to ensure alignment of the interests of this new team with our shareholders. The grants for Messrs. Mason, Recchia and Husselbee were determined appropriate by Towers Watson. In light of their impending retirements, Messrs. Schultz and Herpich did not receive discretionary, performance-based restricted stock awards in December 2011. The restricted shares vest in accordance with the following terms: (a) one-third of the restricted shares vest and the restrictions with respect to those restricted shares will lapse if our actual diluted cash EPS for our 2012 fiscal year is at least 70% of the target set by our Board of Directors in December 2011 or if our common stock increases five dollars (\$5.00) above the fair market value of our common stock on the grant date; (b) one-third of the restricted shares shall vest and the restrictions with respect to those restricted shares shall lapse if our performance for our 2013 fiscal year meets or exceeds a specified metric determined by our Compensation/Stock Option Committee before the end of the first quarter of our 2013 fiscal year or if our common stock increases ten dollars (\$10.00) above the fair market value of our common stock on the grant date; and (c) the remaining one-third of the restricted shares shall vest and the restrictions with respect to those restricted shares shall lapse if our performance for our 2014 fiscal year meets or exceeds a specified metric determined by our Compensation/Stock Option Committee before the end of the first quarter of our 2014 fiscal year or if our common stock increases fifteen dollars (\$15.00) above the fair market value of our common stock on the grant date; provided, however, that such stock price targets must be achieved within three years from the grant date. If vesting occurs pursuant to (a), (b) or (c) because the specified performance metric is achieved (e.g. diluted cash EPS for fiscal year 2012), then no vesting can occur pursuant to the corresponding stock price appreciation target and, similarly, if vesting occurs pursuant to (a), (b) or (c) because the stock price appreciation target is met, then no vesting can occur pursuant to achievement of the corresponding performance metric.

Shares of contractual-based restricted stock granted to executives vest immediately upon the death or disability of the grantee or upon a change of control of our Company or other special circumstances and, pursuant to the Rule of 75 policy, will continue to vest in accordance with the terms of the applicable award agreement in the event of voluntary termination. Shares of performance-based restricted stock vest immediately upon a change of control of our Company and, pursuant to the Rule of 75 policy, continue to remain eligible for vesting in accordance with the terms of the applicable award agreement upon the death or disability of the grantee or other special circumstances, including voluntary termination. For additional information regarding the Rule of 75 policy, see Compensation-Setting Process.

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Voluntary Stock Ownership Guidelines

To align the interests of executive officers with the interest of our stockholders, we have adopted the following voluntary guidelines for executive officers to maintain a minimum number of shares of our common stock:

Chief Executive Officer of Valassis:	4X annual base salary
Executive Vice Presidents of Valassis and President of NCH:	3X annual base salary
Senior Vice Presidents of Valassis:	2.5X annual base salary
Vice Presidents of Valassis:	1.5X annual base salary

Executives have four years from an initial promotion to the Vice President level to be in compliance with these voluntary guidelines, and two years from each subsequent promotion to a new level.

Shares that count toward the satisfaction of the guidelines include: (i) shares of our common stock owned outright by the executive or members of the executive's immediate family living in the same household, (ii) shares of our common stock held in trust for the benefit of the executive and the executive's immediate family, (iii) restricted shares of our common stock issued and held by the executive under our restricted stock award plans, (iv) shares of our common stock held for the benefit of our executives in our retirement and savings plans, and (v) the value of in-the-money stock options.

As of December 31, 2011, all of our named executive officers satisfied their respective stock ownership guidelines.

Retirement Plans

Executive officers (as well as all of our employees) also are eligible to participate in the Valassis Employees' Retirement Savings Plan, subject to its terms, and certain named executive officers are eligible to participate in the Supplemental Benefit Plan, which provides for supplemental benefits to those participants payable annually, for a period of 10 years, commencing upon death, retirement or other voluntary or involuntary 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 annual amount of supplemental benefit takes into account the participant's years of service with our Company and a percentage of the participant's annual base compensation for a period of time prior to retirement or other termination with our Company. Historically, base compensation excluded all bonuses, commissions or other compensation of any kind. However, after a review of an analysis prepared by Towers Perrin, a predecessor of Towers Watson, we amended the Supplemental Benefit Plan in July 2010 to include bonus amounts (not to include any special, ad hoc, or one-time bonuses, including without limitation, the one-time success bonuses awarded in fiscal year 2010) to the extent such amounts exceed one hundred percent (100%) of a participant's annual base pay. In determining who is eligible to participate in the Supplemental Benefit Plan, our Compensation/Stock Option Committee evaluates our overall compensation structure, the terms of the individual employment agreements and our need to provide competitive compensation arrangements in order to attract, retain and motivate key executives. Messrs. Schultz, Recchia and Herpich participate in the Supplemental Benefit Plan, and, as result of their retirements effective December 31, 2011, Messrs. Schultz and Herpich began receiving benefits under the Supplemental Benefit Plan on January 1, 2012. The benefits under the Supplemental Benefit Plan are provided subject to the participating employee's compliance with the non-competition and non-solicitation provision in the Supplemental Benefit Plan. Any participant who violates the non-competition and non-solicitation restrictions forfeits participation under the Supplemental Benefit Plan and any further benefits thereunder.

Non-Compete Provisions

We place significant importance on protecting our interests by including meaningful non-compete provisions in the executive employment agreements. As a general principle, the more we believe that the industry

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values the executive, the more essential the non-compete is to us. Accordingly, Mr. Recchia's employment agreement contains a mandatory two-year non-compete restriction. The mandatory non-compete provision for Mr. Recchia is coupled with a mandatory obligation by him to provide advisory and consulting services during such two-year period. In the case of Messrs. Mason and Husselbee, each of their employment agreements provide that the non-competition provision may continue for up to two years following the termination of such executive's employment, at our option (or the option of NCH, in the case of Mr. Husselbee), provided that we pay such executive his then-existing annual base salary during the extended period.

See the sections entitled "Pension Benefits" and "Potential Payments and Benefits Upon Termination" for additional information and "Named Executive Officer Developments" for information related to the non-compete provisions of Messrs. Schultz's and Herpich's employment agreements as a result of their respective retirements effective December 31, 2011.

Perquisites and Other Personal Benefits

Pursuant to the terms of their individual employment agreements, our named executive officers are entitled to perquisites and personal benefits including all or a combination of, a company car, tax and accounting advice and a country club membership. In addition, our named executive officers are entitled to use a private airplane from time to time. Our Aircraft Policy allows our named executive officers, and, Mr. Schultz effective January 1, 2012 pursuant to his consulting agreement, to bring family and others on business and other flights aboard the private aircraft; provided that all aircraft use, whether by the named executive officer and/or others or for business or personal reasons, must be approved by our President and Chief Executive Officer.

We do not feel that perquisites should play an important role in the compensation of our executives, but also feel that the benefits described above are reasonable and in line with those provided to management level employees at similar companies and align with our overall compensation goal of providing competitive compensation to our executive officers that maximizes the interests of our stockholders.

Change of Control

Our named executive officers are entitled to certain benefits upon a change of control (as defined in our applicable stock plan). These change of control benefits are designed to promote stability and continuity of senior management in the face of the potential uncertainty that a change of control may bring. Information regarding applicable payments upon a change of control for the named executive officers is provided under the heading "Potential Payments and Benefits Upon Termination."

INCOME TAX AND ACCOUNTING CONSIDERATIONS

In the event total compensation for any named executive officer exceeds the \$1 million threshold at which tax deductions are limited under Code Section 162(m), our Compensation/Stock Option Committee balances tax deductibility of executive compensation with its responsibility to retain and motivate executives with competitive compensation programs. As a result, our Compensation/Stock Option Committee may take such actions as it deems to be in the best interests of the stockholders, including: (i) provide non-deductible compensation above the \$1 million threshold; (ii) require deferral of a portion of the bonus or other compensation to a time when payment may be deductible by us; and/or (iii) modify existing programs to qualify bonuses and other performance-based compensation to be exempt from the deduction limit.

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COMPENSATION/STOCK OPTION COMMITTEE REPORT

We, the Compensation/Stock Option Committee of the Board of Directors of Valassis Communications, Inc, have reviewed and discussed the Compensation Discussion and Analysis set forth above with the management of the Company, and, based on such review and discussion, have recommended to the Board of Directors inclusion of the Compensation Discussion and Analysis in this Proxy Statement and, through incorporation by reference from this Proxy Statement, the Company's Annual Report on Form 10-K for the year ended December 31, 2011.

This Compensation/Stock Option Committee Report shall not be deemed to be incorporated by reference by any general statement incorporating by reference this proxy statement into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, and shall not otherwise be deemed filed under such Acts.

COMPENSATION/STOCK OPTION COMMITTEE OF THE BOARD OF DIRECTORS

Patrick F. Brennan, Chairman

Dr. Walter H. Ku

Thomas J. Reddin

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The following Summary Compensation Table sets forth the compensation of our named executive officers during the 2011, 2010 and 2009 fiscal years; however, 2009 information is not provided for Mr. Mason as he was not a named executive officer during such fiscal year.

Name and Principal Position	Year	Salary (\$)	Bonus (\$ (1))	Restricted Stock Awards (\$ (2))	Stock Option Awards (\$ (3))	Non-Equity Incentive Plan Compensation (\$ (4))	Change in Pension Value and Nonqualified Deferred Compensation	All Other Compensation (\$ (7))	Total
							Earnings (\$ (5))		
Alan F. Schultz (6) Chief Executive Officer, President and Director	2011	1,030,000		738,225		869,258	1,904,515	182,635	4,724,633
	2010	1,000,000	3,500,000	4,097,275	3,234,000	1,646,667	1,527,775	234,110	15,239,827
	2009	1,000,000		29,700	396,000	2,000,000	474,951	48,195	3,948,846
Robert L. Recchia Executive Vice President, Chief Financial Officer, Treasurer and Director	2011	530,450		848,445	173,958	447,668	372,222	32,420	2,405,163
	2010	515,000	2,000,000	1,863,755	1,848,000	515,000	170,707	66,925	6,979,387
	2009	515,000		5,940	126,000	515,000	224,672	27,170	1,413,782
Richard Herpich (6) Executive Vice President, Strategic Initiatives	2011	372,000		147,645		238,917	205,626	32,283	996,471
	2010	372,000	130,000	123,255	1,386,600	372,000	175,637	34,295	2,593,787
	2009	372,000		5,940	72,000	323,640	102,148	37,726	913,454
Robert A. Mason (6) Executive Vice President, Sales and Marketing	2011	314,580		1,051,200	260,938	208,038		28,805	1,863,561
	2010	319,508	50,000		1,225,050	319,508		33,038	1,947,104
Brian Husselbee President and Chief Executive Officer of NCH Marketing Services, Inc.	2011	296,640		219,000	217,448	273,410		25,605	1,032,103
	2010	288,000	40,000	223,685	619,380	285,120		25,122	1,481,307
	2009	288,000				288,000		24,988	600,988

- (1) This column represents one-time special cash bonuses awarded to each of the named executive officers in connection with our successful settlement of our long-standing lawsuits against News America Marketing in February 2010, pursuant to which News America Marketing, among other things, paid us \$500.0 million in cash.
- (2) This column represents the aggregate grant date fair value of the awards computed in accordance with FASB ASC Topic 718. For additional information, refer to Note 10 of our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2011, as filed with the SEC. See the Grants of Plan-Based Awards Table for additional information on awards made in 2011. These amounts do not represent the actual amounts paid to or realized by the named executive officers during fiscal years 2011, 2010 and 2009.
- (3) This column represents the aggregate grant date fair value of the awards computed in accordance with FASB ASC Topic 718. For additional information, refer to Note 10 of our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2011, as filed with the SEC. See the Grants of Plan-Based Awards Table for additional information on awards made in 2010. These amounts do not represent the actual amounts paid to or realized by the named executive officers during fiscal years 2011, 2010 and 2009.
- (4) This column reflects amounts earned for each year (whether payable in such year or the subsequent year) pursuant to bonus opportunities established under the named executive officers' employment agreements, and, in the case of Mr. Schultz, in accordance with our 2008 Senior Executives Semi-Annual Bonus Plan. The compensation EBITDA performance targets for fiscal years 2009 and 2010 and the diluted cash

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EPS targets for fiscal year 2011 were set by our Compensation/Stock Option Committee as described in the Compensation Discussion and Analysis. In addition, a portion of the performance targets for Messrs. Herpich, Mason and Husselbee were set by our Chief Executive Officer.

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- (5) This column represents the change during each year in the present value of the benefits payable under the Supplemental Benefit Plan to each of Messrs. Schultz, Recchia and Herpich, the participants under the plan. See the section entitled Pension Benefits for additional information, including the present value assumptions used in this calculation. We do not maintain a nonqualified deferred compensation plan.
- (6) Messrs. Schultz and Herpich retired effective December 31, 2011 and, effective January 1, 2012, Mr. Mason was promoted to President and Chief Executive Officer. Effective January 1, 2012, Mr. Schultz became the non-executive Chairman of our Board of Directors.
- (7) The compensation represented by the amounts set forth in the All Other Compensation column for the named executive officers are actual costs associated with each item of compensation, except with respect to aircraft usage which are incremental costs to our Company, and are detailed in the following table:

Name	Year	Contribution to Employee Profit		Company Car (\$)	Country Club Dues (\$)	Private Air Travel (\$) (b)	Other Personal Benefits (\$)	Total (\$)
		Sharing Plan (\$ (a))	Tax Preparation Fees (\$)					
Alan F. Schultz	2011	7,350	10,640	15,744	15,802	133,099		182,635
	2010	9,800	15,640	14,815	15,208	143,740	34,907(c)	234,110
	2009	11,025	9,010	13,652	14,508			48,195
Robert L. Recchia	2011	7,350	1,580	9,210	14,280			32,420
	2010	9,800	1,440	9,278	7,020		39,387(d)	66,925
	2009	11,025	1,440	9,355	5,350			27,170
Richard Herpich	2011	7,350		9,131	15,802			32,283
	2010	9,800		9,287	15,208			34,295
	2009	11,025		10,565	16,136			37,726
Robert A. Mason	2011	7,350		13,752	7,703			28,805
	2010	9,800		13,158	10,080			33,038
Brian Husselbee	2011	7,350	1,166	17,089				25,605
	2010	9,800		14,439			883(e)	25,122
	2009	11,025		13,963				24,988

- (a) This column represents discretionary contributions we made on behalf of the named executive officers to our Employees Profit Sharing Plan, pursuant to which all employees participate.
- (b) The calculation of incremental cost for personal use of private aircraft includes the following variable costs incurred as a result of personal flight activity: aircraft fuel, a portion of ongoing maintenance and repairs, catering, landing fees, flight crew expenses, including layover costs, if any, costs incurred for deadhead flights (i.e. flights without passengers) and the amount of disallowed tax deductions associated with use of the aircraft. It excludes non-variable costs, such as hanger fees, general administrative costs and insurance payments, which would have been incurred regardless of whether there was any personal use of aircraft. Aggregate incremental cost, if any, of travel by the named executive officer's family or other guests when accompanying the named executive officer on both business and non-business occasions is also included. For income tax purposes, the amount included in the named executive officer's income is based on IRS regulations and is generally lower than the amount included in the table above. This amount is not grossed-up for taxes.
- (c) Represents \$20,665 for the actual cost of a commemorative timepiece given to such named executive officer in connection with the settlement of our long-standing lawsuits against News America Marketing in February 2010 and \$14,242 for the associated tax gross-up payment made by us in connection with the commemorative timepiece.
- (d) Represents \$22,725 for the actual cost of a commemorative timepiece given to such named executive officer in connection with the settlement of our long-standing lawsuits against News America Marketing in February 2010, \$15,662 for the associated tax gross-up payment made by us in connection with the commemorative timepiece and a \$1,000 cash prize won at a company leadership function.
- (e) Represents \$535 for the actual cost of a prize won at a company leadership function and \$348 for the associated tax gross-up payment made by us in connection with the prize.

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The following table shows the range of potential payments that could have been earned under the cash incentive awards granted to our named executive officers in 2011, as well as the time-vested and performance-based stock awards granted to them during the year ended December 31, 2011.

Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards		Stock Awards: Number of Shares of Stock or Units (#) (1)	Option Awards: Number of Shares of Stock or Units (#)	Exercise or Base Price of Option Awards (\$/Sh) (2)	Grant Date Fair Value of Stock and Options Awards (\$) (3)
		Threshold (\$)	Target (\$)				
Alan F. Schultz	1/3/2011	10,300(7)	1,030,000(8)	22,500(4)			738,225
		8,240(7)	1,030,000(8)				
Robert L. Recchia	1/3/2011			4,500(9)			147,645
	12/5/2011				16,000(5)	21.90	173,958
	12/5/2011	5,305(7)	265,225(10)	32,000(6)			700,800
Richard Herpich	1/3/2011	1,860(7)	93,000(10)	4,500(9)			147,645
		1,488(7)	279,000(11)				
Robert A. Mason	12/5/2011				24,000(5)	21.90	260,938
	12/5/2011			48,000(6)			1,051,200
		1,573(7)	78,645(10)				
Brian Husselbee	12/5/2011	1,258(7)	235,935(11)				
					20,000(5)	21.90	217,448
		1,483(7)	74,160(10)	10,000(6)			219,000
		1,187(7)	222,480(11)				

- (1) Pursuant to Messrs. Schultz's, Recchia's and Herpich's respective employment agreements, we deliver annual restricted stock awards to such executives in January for service and performance in the preceding fiscal year. Accordingly, this column reflects the annual restricted stock grants made to Messrs. Schultz, Recchia and Herpich on January 3, 2011 related to fiscal year 2010 performance. For information regarding our annual restricted stock awards to Messrs. Schultz, Recchia and Herpich relating to fiscal year 2011, see Executive Compensation/Compensation Discussion and Analysis Compensation Elements Equity Compensation Restricted Stock Contractual-Based Restricted Stock Awards. Messrs. Mason and Husselbee are not entitled to grants of restricted stock under their employment agreements; however, they may receive discretionary grants of restricted stock. This column also reflects the performance-based restricted stock grants made to Messrs. Recchia, Mason and Husselbee on December 5, 2011, which relate to future performance as discussed in footnote 6 below.
- (2) This exercise price represents the closing sales price of our common stock on the date of grant.
- (3) This column shows the full grant date fair value of equity awards granted in 2011 determined in accordance with FASB ASC Topic 718. A discussion of the assumptions used in calculating grant date fair value is set forth in Note 10 of our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2011, as filed with the SEC.
- (4) This amount reflects awards granted to Mr. Schultz for fiscal 2010 performance. Pursuant to his employment agreement, Mr. Schultz was entitled to receive 11,250 shares of restricted stock if our Company achieved 70% of the compensation EBITDA target in 2010, which shares vest ratably over three years. Mr. Schultz was entitled to an additional 11,250 shares of restricted stock if our Company achieved

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- 80% of the compensation EBITDA target in 2010 and was entitled to an additional 11,250 shares of restricted stock if our Company achieved 115% of the compensation EBITDA target in 2010. In the latter two cases, the restricted stock vests one year from the date of grant. During fiscal 2010, the 70% and 80% performance targets were satisfied; therefore, Mr. Schultz was entitled to a total restricted stock grant of 22,500 shares for 2010. Although in accordance with his employment agreement such grant was not awarded to Mr. Schultz until January 3, 2011, the award pertains to fiscal 2010 and the related expense was recognized for financial statement reporting purposes in 2010.
- (5) Reflects a discretionary grant of stock-price performance-accelerated stock options, which vests in increments of 33.333%, 33.333% and 33.334% at such time that the closing sales price per share of our common stock increases five dollars (\$5.00), ten dollars (\$10.00) and fifteen dollars (\$15.00), respectively, above the fair market value of our common stock on the grant date reflected in the table above, provided that such stock price targets are achieved within three years of the grant date. In any event, however, the options vest in full on the fifth anniversary of the grant date.
 - (6) Reflects a discretionary grant of performance-based restricted stock, which only vests if designated financial metrics or stock price appreciation targets are achieved during a specified period. For additional information regarding the vesting schedule see Executive Compensation/Compensation Discussion and Analysis Compensation Elements Equity Compensation Restricted Stock Performance-Based Restricted Stock Awards.
 - (7) These amounts reflect the minimum value of the potential incentive cash bonus payout if our diluted cash EPS exceeded 70% of the diluted cash EPS target for each applicable six-month performance period. The diluted cash EPS target is set by our Compensation/Stock Option Committee, as more fully described in the Compensation Discussion and Analysis. See the Compensation Discussion and Analysis for additional information regarding the bonus opportunities for fiscal year 2011. Actual bonus amounts earned in 2011 by our named executive officers are included in the Non-Equity Incentive Plan Compensation column in the Summary Compensation Table.
 - (8) These amounts reflect the value of the potential incentive cash bonus payout if 115% of the diluted cash EPS target was satisfied for each applicable six-month performance period. See the Compensation Discussion and Analysis for additional information regarding the bonus opportunities for fiscal year 2011. Actual bonus amounts earned in 2011 by our named executive officers are included in the Non-Equity Incentive Plan Compensation column in the Summary Compensation Table.
 - (9) This amount reflects awards granted to Messrs. Recchia and Herpich for fiscal 2010 performance. Pursuant to their employment agreements, Messrs. Recchia and Herpich each were entitled to receive non-performance based grants of 2,250 shares of restricted stock for fiscal 2010. Messrs. Recchia and Herpich each were entitled to an additional 2,250 shares of restricted stock if our Company achieved 80% of the compensation EBITDA target in 2010 and each were entitled to an additional 2,250 shares of restricted stock if our Company achieved 115% of the compensation EBITDA target in 2010. During 2010, the 80% performance target was satisfied; therefore, Messrs. Recchia and Herpich each were entitled to additional awards of 2,250 restricted shares and total restricted stock grants of 4,500 shares for 2010. Restricted shares awarded to Messrs. Recchia and Herpich vest ratably over three years. Although in accordance with their employment agreements such grants were not awarded to Messrs. Recchia and Herpich until January 3, 2011, the awards pertain to fiscal 2010 and the related expense was recognized for financial statement reporting purposes in 2010.
 - (10) These amounts reflect the value of the potential incentive cash bonus payout if 100% of the diluted cash EPS target was satisfied for the applicable six-month performance period. See the Compensation Discussion and Analysis for additional information regarding the bonus opportunities for fiscal year 2011. Actual bonus amounts earned in 2011 by our named executive officers are included in the Non-Equity Incentive Plan Compensation column in the Summary Compensation Table.
 - (11) This amounts reflects the value of the potential incentive cash bonus payout if (i) 100% of the diluted cash EPS semi-annual target was satisfied and (ii) the named executive officer achieved his individual annual performance targets set by our Chief Executive Officer. See the Compensation Discussion and Analysis for additional information regarding the bonus opportunities for fiscal year 2011. Actual bonus amounts earned in 2011 by our named executive officers are included in the Non-Equity Incentive Plan Compensation column in the Summary Compensation Table.

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Narrative to Summary Compensation Table and Grants of Plan-Based Awards Table

We have employment agreements with Messrs. Recchia, Mason and Husselbee (see [Named Executive Officer Developments](#) for additional information with respect to our employment agreements with Messrs. Schultz and Herpich). The following summary of certain provisions of these employment agreements does not purport to be complete and is subject to and is qualified in its entirety by reference to the actual text of the employment agreements of the named executive officers, copies of which are exhibits to our SEC filings.

Mr. Recchia's employment agreement expires December 31, 2012, Mr. Mason's employment agreement expires December 31, 2014 and Mr. Husselbee's employment agreement expires September 30, 2012. For 2011, salaries paid to our named executive officers accounted for the following percentages of their total compensation: Mr. Schultz (21.8%), Mr. Recchia (22.1%), Mr. Herpich (37.3%), Mr. Mason (16.9%) and Mr. Husselbee (28.7%). Consistent with our strong pay-for-performance structure, salaries paid to our named executive officers in 2011 (with the exception of Mr. Mason) comprised a significantly greater percentage of their total compensation due primarily to the reduction in performance-based compensation as a result of not achieving our diluted cash EPS target (as defined in [Compensation Discussion & Analysis](#)) for the six-month period ended December 31, 2011 and the decline in our stock price during 2011.

The employment agreement of Mr. Recchia provides that he is entitled to receive 2,250 shares of restricted stock for each year during the term of his employment agreement and up to an additional 4,500 shares of restricted stock for each year during the term of his employment agreement if we achieve certain performance targets. The employment agreement of Mr. Herpich provided that he was entitled to receive 2,250 shares of restricted stock for each year during the term of his employment agreement and up to an additional 4,500 shares of restricted stock for each year during the term of his employment agreement if we achieved certain performance targets. Effective January 1, 2009, with respect to grants of restricted stock awards for fiscal year 2009 and thereafter, Mr. Schultz was no longer entitled to any automatic grants of restricted stock, but was eligible to receive up to 33,750 shares of restricted stock during each year of the term of his employment agreement if we achieve certain performance targets. See the [Compensation Discussion and Analysis](#) for additional information regarding the vesting periods applicable to the restricted stock awards described in this paragraph.

Mr. Schultz's employment agreement provided that he was entitled to semi-annual bonuses of up to 200% of his semi-annual salary if we achieved certain performance targets set by our Compensation/Stock Option Committee. Pursuant to the terms of his employment agreement, Mr. Recchia is entitled to semi-annual bonuses of up to 50% of his annual salary if we achieve certain performance targets set by our Compensation/Stock Option Committee. Messrs. Mason's and Husselbee's employment agreements provide that they are entitled to a semi-annual bonus of up to 25% of their annual salary if we achieve certain performance targets set by our Compensation/Stock Option Committee and an annual bonus of up to 50% of their annual salary in accordance with certain performance targets set annually by our Chief Executive Officer in conjunction with our Compensation/Stock Option Committee. Mr. Herpich's employment agreement provided that he was entitled to a semi-annual bonus of up to 25% of his annual salary if we achieved certain performance targets set by our Compensation/Stock Option Committee and an annual bonus of up to 50% of his annual salary in accordance with certain performance targets set annually by our Chief Executive Officer in conjunction with our Compensation/Stock Option Committee. In conjunction with his promotion to President and Chief Executive Officer on January 1, 2012, Mr. Mason became entitled under the terms of his employment agreement to semi-annual bonuses pursuant to the terms of the 2008 Senior Executives Semi-Annual Bonus Plan of up to 100% of his semi-annual salary if we achieve certain performance targets set by the Board and the Compensation/Stock Option Committee.

Provisions of the employment agreements of our named executive officers that relate to severance pay and termination benefits are described below in the section entitled [Potential Payments and Benefits Upon Termination](#).

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Non-equity Incentive Plan Compensation

The non-equity incentive plan compensation set forth in the Summary Compensation Table for Fiscal Year 2011 reflects annual cash incentive compensation under the executives' employment agreements and, in the case of Mr. Schultz and, beginning January 1, 2012, Mr. Mason, in accordance with our 2008 Senior Executives Semi-Annual Bonus Plan. For 2011, annual cash incentive compensation was earned based upon the achievement of a threshold diluted cash EPS target and, in the cases of Messrs. Herpich, Mason and Husselbee, additional individual performance targets, and is payable as a percentage of salary as set forth in the executive's employment agreement.

The threshold and target amounts set forth in the Grants of Plan-Based Awards in the Fiscal Year 2011 table represent the potential amounts that could have been earned if our diluted cash EPS exceeded 70% or achieved 100% (or 115% in the case of Mr. Schultz), respectively, of the diluted cash EPS target set by our Compensation/Stock Option Committee for each applicable six-month performance period.

Restricted Stock

Contractual-Based Restricted Stock Awards. We grant restricted stock to Messrs. Schultz, Recchia and Herpich pursuant to our 2008 Omnibus Incentive Compensation Plan in amounts set forth in the executives' employment agreements. Each year, one-third of the shares of restricted stock provided for in the employment agreements of Messrs. Recchia and Herpich vest over a three-year period and are non-performance based. The remaining two-thirds of the shares of restricted stock granted pursuant to the employment agreements of Messrs. Recchia and Herpich are granted based upon the achievement of specified financial performance targets and then generally vest over a three-year period, beginning with the first anniversary of the grant date. For all grants on or prior to January 1, 2009, one-third of the shares of restricted stock provided for in Mr. Schultz's employment agreement vest over a three-year period and are non-performance based. The remaining two-thirds of the shares of restricted stock granted pursuant to Mr. Schultz's employment agreement were granted based upon the achievement of specified financial performance targets and then generally vest over a one-year period, beginning with the first anniversary of the grant date. Effective January 1, 2009, all of the subsequent shares of restricted stock granted pursuant to Mr. Schultz's employment agreement, including those granted for fiscal 2011, were granted based upon the achievement of specified performance targets and then vest over a three-year or one-year period depending on the level of performance achieved, beginning with the first anniversary of the grant date. For more information about these performance targets and the vesting schedules, see Compensation Discussion and Analysis.

Performance-Based Restricted Stock Awards. In December 2011, our Compensation/Stock Option Committee granted discretionary, performance-based restricted stock awards to Messrs. Recchia, Mason and Husselbee pursuant to our 2008 Omnibus Incentive Compensation; Plan. These awards could vest annually in one-third increments upon the achievement of previously-established financial performance metrics or upon attainment of specified stock prices, all within a three year time period. For more information about the 2011 financial performance metric and the stock price appreciation targets, see Compensation Discussion and Analysis. In light of their impending retirements, Messrs. Schultz and Herpich did not receive discretionary, performance-based restricted stock awards in December 2011.

Shares of contractual-based restricted stock granted to executives vest immediately upon the death or disability of the grantee or upon a change of control of our Company or other special circumstances and, pursuant to the Rule of 75 policy, will continue to vest in accordance with the terms of the applicable award agreement in the event of voluntary termination. Shares of performance-based restricted stock vest immediately upon a change of control of our Company and, pursuant to the Rule of 75 policy, continue to remain eligible for vesting in accordance with the terms of the applicable award agreement upon the death or disability of the grantee or other special circumstances, including voluntary termination. For additional information regarding the Rule of 75 policy, see Compensation Discussion and Analysis.

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During the vesting period, the executives are the beneficial owners of the shares of restricted stock and possess all voting and dividend rights provided the executives remain employed. Currently, we have no plans to pay cash dividends.

Stock Options

We grant stock options to our named executive officers pursuant to our 2008 Omnibus Incentive Compensation Plan. The option exercise price is equal to the closing sales price of our common stock on the date of grant. One-third of the stock options will vest upon achieving each of three common stock market price thresholds, provided that in any event the options will vest in full five years from the date of grant and have a term of two years thereafter. Generally, stock options are not transferable; however, our 2008 Omnibus Incentive Compensation Plan permits transfer (a) by will or the laws of descent and distribution or (b) to a family member (as defined in the Form S-8 Registration Statement under the Securities Act of 1933) as a gift or by a domestic relations order, only if, in each case, the transferee executes a written consent to be bound by the terms of the applicable stock option agreement.

Stock options will become immediately exercisable in the event of a change of control of our Company (as defined in the plan) unless otherwise provided in an individual award agreement. Stock options will, depending on the date of grant of the applicable awards, become immediately exercisable or, pursuant to the Rule of 75 policy, continue to vest and remain exercisable in accordance with the terms of the applicable award agreement, upon certain events of termination as specified in an individual award agreement and upon the death and disability of the grantee. For additional information regarding the Rule of 75 policy, see Compensation Discussion and Analysis.

Additional Information

We have provided additional information regarding the compensation we pay to our named executives in the Compensation Discussion and Analysis section of this proxy statement.

Table of Contents**OUTSTANDING EQUITY AWARDS AT 2011 FISCAL YEAR-END**

The following table provides information on the holdings of stock option and restricted stock awards by the named executive officers on December 31, 2011. This table includes options that are exercisable, unearned options (with performance conditions that had not been satisfied), unvested restricted stock and unearned stock (with performance conditions that had not been satisfied). The vesting schedule for each grant that has not yet vested is shown following this table, based on the option or stock award grant date. The market value of the stock awards is based on the closing market price of our stock as of December 31, 2011, which was \$19.23. For additional information about the option awards and stock awards, see the description of equity incentive compensation in the Compensation Discussion and Analysis section of this proxy statement.

Name	Grant Date	Stock Option Awards Equity Incentive Plan Awards:				Restricted Stock Awards		
		Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	
Alan F. Schultz	4/1/2005	135,000		35.26	4/1/2012			
	4/1/2006	135,000		29.37	4/1/2013			
	1/1/2007	15,000	30,000	14.50	1/1/2014			
	1/1/2008	345,742		11.69	1/1/2015			
	5/12/2008	550,000		16.18	5/12/2015			
	1/2/2010	350,000		18.26	1/1/2017			
						1/1/2009	3,750	72,113
						1/1/2010	7,500	144,225
						12/14/2010	100,000	1,923,000
						1/3/2011	11,250	216,338
					1/3/2011A	11,250	216,338	
Robert L. Recchia	4/1/2005	56,250		35.26	4/1/2012			
	4/1/2006	56,250		29.37	4/1/2013			
	1/1/2007	8,334	16,666	14.50	1/1/2014			
	7/1/2007	60,000		17.19	7/1/2014			
	1/1/2008	100,000		11.69	1/1/2015			
	1/1/2010	200,000		18.26	1/1/2017			
	12/5/2011		16,000	21.90	12/5/2018			
						1/1/2009	1,500	28,845
						1/1/2010	4,500	86,535
						12/14/2010	50,000	961,500
Richard Herpich	4/1/2005	56,143		35.26	4/1/2012			
	1/1/2010	100,000		18.26	1/1/2017			
	12/14/2010		30,000	34.81	12/14/2017			
						1/1/2009	1,500	28,845
						1/1/2010	4,500	86,535
					1/3/2011	4,500	86,535	

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Name	Grant Date	Stock Option Awards			Restricted Stock Awards		
		Number of Securities Underlying Unexercised Options Exercisable (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price (\$)	Option Expiration Date	Grant Date	Number of Shares or Units of Stock That Have Not Vested (#)
Robert A. Mason	12/3/2002	25,000		29.04	12/3/2012		
	12/3/2002	3,438		29.04	12/3/2012		
	12/2/2003	25,000		28.58	12/2/2013		
	12/7/2004	5,000		34.54	12/7/2014		
	12/6/2005	20,000		30.12	12/6/2015		
	1/1/2007A	9,600	2,400	14.50	1/1/2017		
	3/2/2007	6,400	1,600	16.63	3/2/2017		
	1/1/2009	100,000		1.32	1/1/2016		
	1/1/2010	70,000		18.26	1/1/2017		