

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2016

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number 1-37728

Donnelley Financial Solutions, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

35 West Wacker Drive, Chicago, Illinois

(Address of principal executive offices)

36-4829638

(I.R.S. Employer
Identification No.)

60601

(ZIP Code)

Registrant's telephone number, including area code—(844) 866-4337

Securities registered pursuant to Section 12(b) of the Act:

Title of each Class	Name of each exchange on which registered
Common Stock (Par Value \$0.01)	NYSE

Securities registered pursuant to Section 12(g) of the Act: None

Indicated by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ Smaller reporting company ☐
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

As of June 30, 2016, the registrant's common stock was not publicly traded.

As of February 24, 2017, 32,606,306 shares of common stock were outstanding.

Documents Incorporated By Reference

Portions of the registrant's proxy statement related to its annual meeting of stockholders scheduled to be held on May 18, 2017 are incorporated by reference into Part III of this Form 10-K.

DONNELLEY FINANCIAL SOLUTIONS, INC.
ANNUAL REPORT ON FORM 10-K
FOR THE YEAR ENDED DECEMBER 31, 2016

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PART I

ITEM 1. BUSINESS

Company Overview

Donnelley Financial Solutions, Inc. (“Donnelley Financial,” or the “Company”) is a financial communications services company that supports global capital markets compliance and transaction needs for its corporate clients and their advisors (such as law firms and investment bankers) and global investment management compliance and analytics needs for mutual fund companies, variable annuity providers and broker/dealers. The Company provides content management, multi-channel content distribution, data management and analytics services, collaborative workflow and business reporting tools, and translations and other language services in support of its clients’ communications requirements. The Company operates in two business segments:

- *United States* . The U.S. segment is comprised of three reporting units: capital markets, investment markets, and language solutions and other. The Company services capital market and investment market clients in the U.S by delivering products and services to help create, manage and deliver financial communications to investors and regulators. The Company provides capital market and investment market clients with communication tools and services to allow them to comply with their ongoing regulatory filings. In addition, the U.S. segment provides clients with communications services to create, manage and deliver registration statements, prospectuses, proxies and other communications to regulators and investors. The U.S. segment also includes language solutions and commercial printing capabilities.
- *International* . The International segment includes operations in Asia, Europe, Canada and Latin America. The international business is primarily focused on working with international capital markets clients on capital markets offerings and regulatory compliance related activities within the United States. In addition, the International segment provides services to international investment market clients to allow them to comply with applicable U.S. Securities and Exchange Commission (“SEC”) regulations, as well as language solutions to international clients.

The Company reports certain unallocated selling, general and administrative activities and associated expenses within “Corporate”, including, in part, executive, legal, finance, marketing and certain facility costs. In addition, certain costs and earnings of employee benefit plans, such as pension income and share-based compensation, are included in Corporate and are not allocated to the reportable segments. Prior to the Separation (as defined below), many of these costs were based on allocations from RR Donnelley & Sons Company (“RRD”); however, beginning October 1, 2016, the Company incurs such costs directly.

For the Company’s financial results and the presentation of certain other financial information by segment, see Note 18, *Segment Information* , to the Consolidated and Combined Financial Statements. For financial information by geographic area, including net sales and long-lived assets, see Note 19, *Geographic Area and Products and Services Information* , to the Consolidated and Combined Financial Statements.

Client Services

The Company’s business is diversified across a range of products and services that enable it to work with companies and their advisors at different points throughout the business lifecycle, including private companies, public companies and companies that have filed for bankruptcy. The Company’s clientele is primarily focused in three areas: capital markets, investment markets, and language solutions, and the Company also provides clients with Data and Analytics services and products. The Company services clients in each of these areas with distinct, proprietary solutions tailored to meet their varying regulatory, transactional and communications needs and are able to achieve operational leverage through the use of common technology and service platforms.

Global Capital Markets

The Company’s global capital markets (“GCM”) clients consist mainly of companies that are subject to the filing and reporting requirements of the Securities Act of 1933, as amended (the “Securities Act”) and the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”). In 2016, approximately 40% of GCM net sales were compliance in nature. The Company also supports public and private companies throughout the mergers and acquisitions transaction process and in public and private capital markets transactions with deal management solutions focused on aiding transactional efficiency from inception to completion. In 2016, approximately 50% of GCM net sales were transactional in nature and approximately 10% of GCM net sales were related to Venue data room services. The Company provides a comprehensive suite of products and services to help its GCM clients comply with disclosure obligations, create, manage and deliver accurate and timely financial communications and manage public and private transaction processes. The Company also provides GCM clients with data and analytics services focused on uncovering intelligence from financial disclosures and offering distribution of company data and public filings.

Many of the Company's GCM clients are companies required by the SEC to file reports pursuant to the Exchange Act, through the SEC's Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system. The EDGAR system requires filers to prepare and submit filings using the SEC's specified file formats. The Company's EDGAR filing services assist its GCM clients in preparing Exchange Act filings that are compatible with the EDGAR system, and its employees have expertise and significant experience navigating this process with companies and their advisors. Specifically, many of the Company's GCM clients are required to file proxy statements pursuant to the Exchange Act, and the Company's Proxy Design service allows its clients to tailor these proxies by helping them to identify and match an appropriate style and format to their unique corporate culture and proxy-related objectives. The Company serves its GCM clients from local offices in most major cities in the U.S. and international jurisdictions in which the Company has operations. The Company believes that its local teams set the standard for reliable and efficient service and convenience.

As part of their regulatory filing requirements, the Company's GCM clients who submit Exchange Act reports are also required to submit tagged files in the SEC-mandated eXtensible Business Reporting Language (XBRL) format. The Company provides these clients with a suite of tagging, review and validation tools to assist them with the XBRL requirements, and the Company has teams of accounting and financing professionals that assist its GCM clients with the processes of tag selection, tag review, file creation, validation and distribution, if required for their Exchange Act filings with the SEC.

In addition to the EDGAR filing services it provides, in which it formats and manages the content of the filings on behalf of its clients, the Company also offers a cloud-based disclosure management system called ActiveDisclosure that allows its GCM clients to collaboratively create, review and distribute financial communication and regulatory compliance documents on their own systems and then file directly on the SEC's EDGAR system and File 16 for Section 16 filings, each of which, with assistance from the Company's experienced professionals as needed, may reduce the time of the financial close process for its clients.

The Company provides services for GCM clients throughout the course of public and private business transactions, including those transactions that are subject to the requirements of the Securities Act. The Company assists many of its clients with certain transaction-related EDGAR filing and print services (including registration statements, prospectuses, offering circulars, proxy statements and XBRL-tagged filings), as well as with the technical aspects of the regulatory filing process. The Company has conferencing facilities in most major cities in the U.S. and the international jurisdictions in which it has operations for in-person working groups to meet to strategize and prepare documents for the transactional deal stream. The Company's sites are outfitted to provide EDGAR filing capabilities, typesetting, meeting rooms and around-the-clock service.

In addition, for both public and private transactions, many of the Company's GCM clients use its line of Venue products and services to manage the transaction process and increase efficiency. The Company's Venue Virtual Data Room product is a cloud-based service that allows companies to securely organize, manage, distribute and track corporate governance, financing, legal and other documents in an online workspace accessible to internal and outside advisors alike. The Company's GCM clients use Venue Virtual Data Rooms for capital markets transactions, mergers and acquisition transactions and other transactions to facilitate their document management and due diligence processes.

Venue Deal Marketing is a service provided through Peloton Documents, a company in which the Company has made a strategic investment. The Peloton solution creates interactive transaction related documents that enable companies, investors and advisors to communicate a company's value and market and manage large, complex deals directly from their data room. Peloton's technology leverages video and other rich media content as the vehicle to illustrate the value of a business by enabling the user to tell a more dynamic company story to better gauge interest from potential buyers and investors. Users include some of the world's largest investment banks and private equity firms.

Global Investment Markets

The Company provides products and services to clients operating in global investment markets ("GIM") within the United States and internationally, including United States based mutual funds, hedge and alternative investment funds, insurance companies and overseas investment structures for collective investments (similar to mutual funds in the United States). The Company also provides products to third party service providers and custodians who support investment managers, and it sells products and distribution services to the broker networks and financial advisors that distribute and sell investment products. The Company services the top variable annuity and variable life providers and many funds use the Company's software products to create reports, prospectuses, fact sheets and other marketing and disclosure documents for distribution or submission to investors and regulators. In 2016, approximately 97% of GIM net sales were compliance in nature, while the remaining 3% of GIM net sales were transactional in nature. Of the Company's total GIM net sales in 2016, approximately 60% were derived from clients in the mutual funds industry and 40% were derived from clients in the healthcare and insurance industries. The Company's teams currently support clients in the United States, Canada, Ireland, the United Kingdom, Luxembourg, India and Australia, with the Company's average relationship with GIM clients exceeding 12 years.

The Company offers its GIM clients a comprehensive set of products and services, including the FundSuiteArc software platform. FundSuiteArc is a suite of online content management products, which enable the Company's GIM clients to store and manage information in a self-service, central repository so that compliance and regulatory documents can be easily edited, assembled, accessed, translated, rendered, and submitted to regulators.

In the United States, mutual funds, variable annuity products, and qualifying institutional hedge funds are required by the SEC to file registration forms and subsequent ongoing disclosures as well as XBRL-formatted filings pursuant to the 1940 Act, through the SEC's EDGAR system. Using its filing capabilities, the Company works with many of its GIM clients to prepare and submit these 1940 Act and XBRL filings using the SEC's specified file formats.

Changes in how investors consume information have led to new ways for investors to receive disclosure documents. GIM offers various technology and electronic delivery products and services to make the distribution of documents and content more efficient. Through an investment in and an agreement with Mediant, the Company provides a suite of software to brokers and financial advisors which enable them to monitor and view shareholder communications and support the distribution and tabulation of corporate elections for shareholders.

Language Solutions

The Company supports domestic and international businesses in a variety of industries by helping them adapt their business content into different languages for specific countries, markets and regions through a complete suite of language products and services. The Company's suite of services includes translation, editing, interpreting, proof-reading and multilingual typesetting, plus specialized content services such as transcreation (cultural adaptation of marketing materials), copywriting, linguistic validation by subject matter experts (specifically in the medical sector), transcription, voice-over, subtitling, and localization (website software adaptation for a specific market). The Company also provides application testing and quality assurance, which enable consistent performance of web, desktop and mobile applications, as well as cultural consulting services, helping corporations with their cross-cultural communications. The Company generally provides its suite of services to clients through project-by-project or preferred vendor arrangements, with the majority of its net sales from language solutions derived from the Company's International segment. The Company provides its language solutions offerings to clients operating in a variety of industries, with language solutions 2016 net sales derived from clients in the financial, corporate, life sciences and legal industries, among others.

The Company engages as independent contractors a network of over 5,000 accredited, in-country linguists to support its clients in over 140 languages and provide a 24/7/365 service delivery platform to assist its clients at all times, enabling a shorter time-to-market. The Company's language solutions services are supported by its innovative language technology, including a market leading proprietary Translation Management System (MultiTrans) with terminology management and translation memory features. This state-of-the-art system stores terminology preferences and reduces costs by using previously-translated content. In addition, the Company offers a website translation service which is a cloud-based platform that enables dynamic website translation. The Company also continually drives innovation with new technologies, such as machine translation, to generate translations at the click of a button, post-machine translation editing to improve the quality of computer-generated translations, and voice recognition to gain efficiencies in audio-to-text solutions.

Data and Analytics

The Company also helps professionals uncover intelligence from financial disclosures, offering distribution of company data and public filings for equities, mutual funds and other publicly traded assets through Application Program Interfaces, or APIs, online subscriptions and data licenses. The Company extracts critical company data in real time, verifies its accuracy, converts it to value-added formats like XML, JSON and XBRL, securely stores the information and then provides clients access to the data through various delivery methods.

The Company is able to leverage proprietary technology to create robust, timely and accurate data sets, distributing high quality, interactive financial data and services to the investment community. With deep experience and knowledge, the Company is advancing how financial data is consumed, delivered and analyzed, helping to transform data points into constructive, valuable information.

In addition to access to data sets, the Company provides subscription-based proprietary desktop and web tools for data analysis. EDGARPro enables investors, analysts, lawyers, auditors and corporate executives to access detailed company information, as-reported and standardized financial data, SEC filings, stock quotes and news. I-Metrix, a Microsoft Excel plugin, provides quick and accurate XBRL-tagged financial statement data via an easy-to-use web interface for data downloads, enabling simple or complex modeling with the goal of providing better, faster and smarter financial analysis and company research. The Company's additional offerings include solutions for E-Prospectus, Investor Relations websites and XBRL data set creation and validation for use outside of SEC filings.

Products and Services

The Company separately reports its net sales and related cost of sales for its products and services offerings. The Company's services offerings consist of all non-print offerings, including document composition, compliance related EDGAR filing services, transaction solutions, data and analytics, content storage services and language solutions. The Company's product offerings primarily consist of conventional and digital printed products and related shipping costs.

Spin-off Transaction

On October 1, 2016, Donnelley Financial became an independent publicly traded company through the distribution by RRD of approximately 26.2 million shares, or 80.75%, of Donnelley Financial common stock to RRD shareholders (the "Separation"). Holders of RRD common stock received one share of Donnelley Financial common stock for every eight shares of RRD common stock held on September 23, 2016. RRD retained approximately 6.2 million shares of Donnelley Financial common stock, or a 19.25% interest in Donnelley Financial, as part of the Separation, but expects to dispose of the common stock that it retained in the 12-month period following the Separation. Donnelley Financial's Registration Statement on Form 10, as amended, was declared effective by the SEC on September 20, 2016. Donnelley Financial's common stock began regular-way trading under the ticker symbol "DFIN" on the New York Stock Exchange on October 3, 2016. On October 1, 2016, RRD also completed the previously announced separation of LSC Communications, Inc. ("LSC"), its publishing and retail-centric print services and office products business.

Competition

Technological and regulatory changes, including the electronic distribution of documents and data hosting of media content, continue to impact the market for our products and services. One of the Company's competitive strengths is that it offers a wide array of communications products, compliance services and technologies, a global platform, exceptional sales and service and regulatory domain expertise, which provide differentiated solutions for its clients.

The financial communications services industry, in general, is highly competitive and barriers to entry have decreased as a result of technology innovation. Despite some consolidation in recent years, the industry remains highly fragmented in the United States and even more so internationally with many in-country alternative providers. The Company expects competition to increase from existing competitors, as well as new and emerging market entrants. In addition, as the Company expands its product and service offerings, it may face competition from new and existing competitors. The Company competes primarily on product quality and functionality, service levels, subject matter regulatory expertise, security and compliance characteristics, price and reputation.

The impact of digital technologies has been felt in many print products, most acutely in the Company's mutual fund, variable annuity and public company compliance business offerings. Historically, the Company has been a high-touch, service oriented business. Technology changes have provided alternatives to the Company's clients that allow them to manage more of the financial disclosure process themselves through collaborative document management solutions. For years, the Company has invested in its own applications, ActiveDisclosure, FundSuiteArc and Venue to serve clients and increase retention and has invested to expand capabilities and address new market sectors. The future impact of technology on the business is difficult to predict and could result in additional expenditures to restructure impacted operations or develop new technologies. In addition, the Company has made targeted acquisitions and investments in its existing business to offer clients innovative services and solutions, including acquisitions of EDGAR Online and MultiCorpora and investments in Mediant, Peloton and eBrevia that further solidify the Company's position as a technology service leader in the industry.

The Company's competitors for SEC filing services for capital markets clients include full service financial communications providers, technology point solution providers focused on financial communications and general technology providers. The Company's competitors for SEC filing services for investment markets clients include full service traditional providers, small niche technology providers and local and regional print providers that bid against the Company for printing, mailing and fulfillment services. Language solutions competes with global and local language service providers and language/globalization software vendors.

Market Volatility/Cyclicality

The Company is subject to market volatility in the United States and world economy, as the success of the transactional offering is largely dependent on the global market for IPOs, secondary offerings, mergers and acquisitions, public and private debt offerings, leveraged buyouts, spinouts and other transactions. The International segment is particularly susceptible to capital market volatility as most of the International business is capital markets transaction focused. The Company mitigates some of that risk by offering services in higher demand during a down market, like document management tools for the bankruptcy/restructuring process, and also moving upstream from the filing process with products like Venue, the Company's data room solution. The Company also attempts to balance this volatility through supporting the quarterly/annual public company reporting process through its EDGAR filing services and ActiveDisclosure product, its investment markets regulatory and shareholder communications offering and continues to expand into adjacent growth businesses like language solutions and data and analytics, which have recurring revenues and are not as susceptible to market volatility and cycles. This quarterly/annual public company reporting process work also subjects the Company to filing seasonality shortly after the end of each fiscal quarter, with peak periods during the course of the year that have operational implications. Such operational implications include the need to increase staff during peak periods through a combined strategy of hiring additional full-time and temporary personnel, increasing the premium time of existing staff, and outsourcing production for a number of services. Additionally, clients and their financial advisors have begun to increasingly rely on web-based services which allow clients to autonomously file and distribute compliance documents with regulatory agencies, such as the SEC. While the Company believes that its ActiveDisclosure and FundSuiteArc solutions are competitive in this space, competitors are continuing to develop technologies that aim to improve clients' ability to autonomously produce and file documents to meet their regulatory obligations. The Company continues to remain focused on driving recurring revenue in order to mitigate market volatility.

Raw Materials

The primary raw materials used in the Company's printed products are paper and ink. The paper and ink supply is sourced from a small set of select suppliers in order to ensure consistent quality that meets the Company's performance expectations and provides for continuity of supply. The Company believes that the risk of incurring material losses as a result of a shortage in raw materials is unlikely and that the losses, if any, would not have a materially negative impact on the Company's business.

Distribution

The Company's products are distributed to end-users through the U.S or foreign postal services, through retail channels, electronically or by direct shipment to customer facilities. Postal costs are a significant component of many customers' cost structures and postal rate changes can influence the number of pieces that the Company's customers are willing to print and mail.

Customers

For each of the years ended December 31, 2016, 2015 and 2014, no customer accounted for 10% or more of the Company's consolidated and combined net sales.

Technology

The Company invests resources in developing software to improve its services. The Company invests in its core composition systems and client facing solutions and has also adopted market-leading third party systems which have improved the efficiency of its sales and operations processes.

Environmental Compliance

It is the Company's policy to conduct its global operations in accordance with all applicable laws, regulations and other requirements. It is not possible to quantify with certainty the potential impact of actions regarding environmental matters, particularly remediation and other compliance efforts that the Company may undertake in the future. However, in the opinion of management, compliance with the present environmental protection laws, before taking into account estimated recoveries from third parties, will not have a material adverse effect on the Company's consolidated and combined annual results of operations, financial position or cash flows.

Employees

As of December 31, 2016, the Company had approximately 3,600 employees.

Available Information

The Company maintains a website at www.dfsc.com where the Company's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to those reports, as well as other SEC filings, are available without charge, as soon as reasonably practicable following the time they are filed with, or furnished to, the SEC. The Principles of Corporate Governance of the Company's Board of Directors, the charters of the Audit, Compensation, Corporate Responsibility & Governance Committees of the Board of Directors and the Company's Principles of Ethical Business Conduct are also available on the Investor Relations portion of the Company's website, and will be provided, free of charge, to any shareholder who requests a copy. References to the Company's website address do not constitute incorporation by reference of the information contained on the website, and the information contained on the website is not part of or incorporated by reference in this document.

Special Note Regarding Forward-Looking Statements

The Company has made forward-looking statements in this Annual Report on Form 10-K within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995 that are subject to risks and uncertainties. These statements are based on the beliefs and assumptions of the Company. Generally, forward-looking statements include information concerning possible or assumed future actions, events, or results of operations of the Company.

These statements may include words such as "anticipates," "estimates," "expects," "projects," "forecasts," "intends," "plans," "continues," "believes," "may," "will," "goals" and variations of such words and similar expressions are intended to identify our forward-looking statements.

Forward-looking statements are not guarantees of performance. These forward-looking statements are subject to a number of important factors, including those factors discussed in detail in "*Item 1A: Risk Factors*" and elsewhere in this Annual Report on Form 10-K, that could cause our actual results to differ materially from those indicated in any such forward-looking statements. These factors include, but are not limited to:

- the volatility of the global economy and financial markets, and its impact on transactional volume;
- failure to offer high quality customer support and services;
- the retention of existing, and continued attraction of additional clients and key employees;
- the growth of new technologies with which we may be able to adequately compete;
- our inability to maintain client referrals;
- vulnerability to adverse events as a result of becoming a stand-alone company following the Separation from RRD, including the inability to obtain as favorable of terms from third-party vendors;
- the competitive market for our products and industry fragmentation affecting our prices;
- the ability to gain client acceptance of our new products and technologies;
- delay in market acceptance of our products and services due to undetected errors or failures found in our products and services;
- failure to maintain the confidentiality, integrity and availability of our systems, software and solutions;
- failure to properly use and protect client and employee information and data;
- the effect of a material breach of security or other performance issues of any of our or our vendors' systems;
- factors that affect client demand, including changes in economic conditions, national or international regulations and clients' budgetary constraints;
- our ability to access debt and the capital markets due to adverse credit market conditions;
- the effect of increasing costs of providing healthcare and other benefits to our employees
- changes in the availability or costs of key materials (such as ink and paper) or in prices received for the sale of by-products;
- failure to protect our proprietary technology;
- failure to successfully integrate acquired businesses into our business;

- availability to maintain our brands and reputation;
- the retention of existing, and continued attraction of, key employees, including management;
- the effects of operating in international markets, including fluctuations in currency exchange rates;
- the effect of economic and political conditions on a regional, national or international basis;
- lack of market for our common stock;
- lack of history as an operating company and costs associated with being an independent company;
- failure to achieve certain intended benefits of the Separation; and
- failure of RRD or LSC to satisfy their respective obligations under transition services agreements or other agreements entered into in connection with the Separation.

Because forward-looking statements are subject to assumptions and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. Undue reliance should not be placed on such statements, which speak only as of the date of this document or the date of any document that may be incorporated by reference into this document.

Consequently, readers of the Annual Report on Form 10-K should consider these forward looking statements only as the Company's current plans, estimates and beliefs. The Company does not undertake and specifically declines any obligation to publicly release the results of any revisions to these forward-looking statements that may be made to reflect future events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events. The Company undertakes no obligation to update or revise any forward-looking statements in this Annual Report on Form 10-K to reflect any new events or any change in conditions or circumstances.

ITEM 1A. RISK FACTORS

The Company's consolidated and combined results of operations, financial position and cash flows can be adversely affected by various risks. These risks include the principal factors listed below and the other matters set forth in the Annual Report on Form 10-K. You should carefully consider all of these risks.

A significant part of our business is derived from the use of our products and services in connection with financial and strategic business transactions. Economic trends that affect the volume of these transactions may negatively impact the demand for our products and services.

A significant portion of our net sales depends on the purchase of our products and use of our services by parties involved in GCM compliance and transactions. As a result, our business is largely dependent on the global market for IPOs, secondary offerings, mergers and acquisitions, public and private debt offerings, leveraged buyouts, spinouts, bankruptcy and claims processing and other transactions. These transactions are often tied to economic conditions and dependent upon the performance of the overall economy, and the resulting volume of these types of transactions drives demand for our products and services. Downturns in the financial markets, global economy or in the economies of the geographies in which we do business and reduced equity valuations all create risks that could negatively impact our business. For example, in the past, economic volatility has led to a decline in the financial condition of a number of our clients and led to the postponement of their capital markets transactions. To the extent that there is continued volatility, we may face increasing volume pressure. Furthermore, our offerings for GIM clients can be affected by fluctuations in the inflow and outflow of money into investment management funds which determines the number of new funds that are opened, as well as, closed. As a result, we are not able to predict the impact any potential worsening of macroeconomic conditions could have on our results of operations. The level of activity in the financial communications services industry, including the financial transactions and related compliance needs our products and services are used to support, is sensitive to many factors beyond our control, including interest rates, regulatory policies, general economic conditions, our clients' competitive environments, business trends, terrorism and political change. In addition, a weak economy could hinder our ability to collect amounts owed by clients. Failure of our clients to pay the amounts owed to us, or to pay such amounts in a timely manner, may increase our exposure to credit risks and result in bad debt write-offs. Unfavorable conditions or changes in any of these factors could negatively impact our results of operations, financial position and cash flow.

The quality of our customer support and services offerings is important to our clients, and if we fail to offer high quality customer support and services, clients may not use our solutions and our net sales may decline.

A high level of customer support is critical for the successful marketing and sale of our solutions. If we are unable to provide a level of customer support and service to meet or exceed the expectations of our clients, we could experience a loss of clients and market share, a failure to attract new clients, including in new geographic regions and increased service and support costs and a diversion of resources. Any of these results could negatively impact our results of operations, financial position and cash flow.

A substantial part of our business depends on clients continuing their use of our products and services. Any decline in our client retention would harm our future operating results.

We do not have long term contracts with most of our GCM and GIM clients, and therefore rely on their continued use of our products and services, particularly for compliance related services. As a result, client retention, particularly during periods of declining transactional volume, is an important part of our strategic business plan. There can be no assurance that our clients will continue to use our products and services to meet their ongoing needs, particularly in the face of competitors' products and services offerings. Our client retention rates may decline due to a variety of factors, including:

- our inability to demonstrate to our clients the value of our solutions;
- the price, performance and functionality of our solutions;
- the availability, price, performance and functionality of competing products and services;
- our clients' ceasing to use or anticipating a declining need for our services in their operations;
- consolidation in our client base;
- the effects of economic downturns and global economic conditions; or
- reductions in our clients' spending levels.

If our retention rates are lower than anticipated or decline for any reason, our net sales may decrease and our profitability may be harmed, which could negatively impact our results of operations, financial position and cash flow.

Our business may be adversely affected by new technologies enabling clients to produce and file documents on their own.

The Company's business may be adversely affected as clients seek out opportunities to produce and file regulatory documentation on their own and begin to implement technologies that assist them in this process. For example, clients and their financial advisors have increasingly relied on web-based services which allow clients to autonomously file and distribute reports required pursuant to the Exchange Act, prospectuses and other materials as a replacement for using our EDGAR filing services. If technologies are further developed to provide our clients with the ability to autonomously produce and file documents to meet their regulatory obligations, and we do not develop products or provide services to compete with such new technologies, our business may be adversely affected by those clients who choose alternative solutions, including self-serving or filing themselves.

Our performance and growth depend on our ability to generate client referrals and to develop referenceable client relationships that will enhance our sales and marketing efforts.

We depend on users of our solutions to generate client referrals for our services. We depend in part on the financial institutions, law firms and other third parties who use our products and services to recommend our solutions to their client base, which allows us to reach a larger client base than we can reach through our direct sales and internal marketing efforts. For instance, a portion of our net sales from GCM clients is derived from referrals by investment banks, financial advisors and law firms that have utilized our services in connection with prior transactions. These referrals are an important source of new clients for our services.

A decline in the number of referrals we receive could require us to devote substantially more resources to the sales and marketing of our services, which would increase our costs, potentially lead to a decline in our net sales, slow our growth and negatively impact our results of operations, financial position and cash flow.

The results of the United Kingdom's referendum on withdrawal from the European Union may have a negative effect on global economic conditions, financial markets and our business.

In June 2016, a majority of voters in the United Kingdom elected to withdraw from the European Union in a national referendum. The referendum was advisory, and the terms of any withdrawal are subject to a negotiation period that could last up to two years after the government of the United Kingdom formally initiates a withdrawal process. Nevertheless, the referendum has created significant uncertainty about the future relationship between the United Kingdom and the European Union, including with respect to the laws and regulations that will apply as the United Kingdom determines which European Union-derived laws to replace or replicate in the event of a withdrawal. The referendum has also given rise to calls for the governments of other European Union member states to consider withdrawal. These developments, or the perception that any of them could occur, have had and may continue to have an adverse effect on global economic conditions and the stability of global financial markets, and may significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets. Any of these factors could depress economic activity and restrict our access to capital, which could negatively impact our results of operations, financial positions and cash flow.

As part of RRD, we received favorable terms and prices from existing third-party vendors that we source products and services from based on the full purchasing power of RRD. Following the Separation, we are a smaller company and may experience increased costs resulting from a decrease in purchasing power.

Prior to the Separation, we were able to take advantage of RRD's size and purchasing power in sourcing products and services from third-party vendors. Following the Separation, we are a smaller company and are unlikely to have the same purchasing power that we had as part of RRD. Although we are seeking to expand our direct purchasing relationships with many of our most important third-party vendors, we may be unable to obtain products and services at prices and on terms as favorable as those available to us prior to the Separation, which could negatively impact our results of operations, financial positions and cash flow.

The spin-off from RRD could result in significant liability to Donnelley Financial.

The spin-off was intended to qualify for tax-free treatment to RRD and its stockholders under Sections 355 and 368(a)(1)(D) of the Internal Revenue Code of 1986, as amended (the Code). Completion of the spin-off was conditioned upon, among other things, the receipt of a private letter ruling from the IRS regarding certain issues relating to the tax-free treatment of the spin-off. Although the IRS private letter ruling is generally binding on the IRS, the continuing validity of such ruling is subject to the accuracy of factual representations and assumptions made in the ruling. Completion of the spin-off was also conditioned upon RRD's receipt of a tax opinion from Sullivan & Cromwell LLP regarding certain aspects of the spin-off not covered by the IRS private letter ruling. The opinion was based upon various factual representations and assumptions, as well as certain undertakings made by RRD, Donnelley Financial and LSC. If any of the factual representations or assumptions in the IRS private letter ruling or tax opinion are untrue or incomplete in any material respect, an undertaking is not complied with, or the facts upon which the IRS private letter ruling or tax opinion are based are materially different from the actual facts relating to the spin-off, the opinion or IRS private letter ruling may not be valid. Moreover, opinions of a tax advisor are not binding on the IRS. As a result, the conclusions expressed in the opinion of a tax advisor could be successfully challenged by the IRS.

If the Separation is determined to be taxable, RRD and its stockholders could incur significant tax liabilities, and under the tax matters agreement and the letter agreement, Donnelley Financial may be required to indemnify RRD for any liabilities incurred by RRD if the liabilities are caused by any action or inaction undertaken by Donnelley Financial following the spin-off. For additional detail, refer to Tax Disaffiliation Agreement, filed as Exhibit 2.4 to this Annual Report on Form 10-K.

The tax rules applicable to the Separation may restrict us from engaging in certain corporate transactions or from raising equity capital beyond certain thresholds for a period of time after the separation.

To preserve the tax-free treatment of the Separation from RRD under the Tax Disaffiliation Agreement, for the two-year period following the Separation, we are subject to restrictions with respect to:

- taking any action that would result in our ceasing to be engaged in the active conduct of our business, with the result that we are not engaged in the active conduct of a trade or business within the meaning of certain provisions of the Code;
- redeeming or otherwise repurchasing any of our outstanding stock, other than through certain stock purchases of widely held stock on the open market;
- amending our Certificate of Incorporation (or other organizational documents) that would affect the relative voting rights of separate classes of our capital stock or would convert one class of our capital stock into another class of our capital stock;
- liquidating or partially liquidating;
- merging with any other corporation (other than in a transaction that does not affect the relative shareholding of our shareholders), selling or otherwise disposing of (other than in the ordinary course of business) our assets, or taking any other action or actions if such merger, sale, other disposition or other action or actions in the aggregate would have the effect that one or more persons acquire (or have the right to acquire), directly or indirectly, as part of a plan or series of related transactions, assets representing one-half or more our asset value;
- taking any other action or actions that in the aggregate would have the effect that one or more persons acquire (or have the right to acquire), directly or indirectly, as part of a plan or series of related transactions, capital stock of ours possessing (i) at least 50% of the total combined voting power of all classes of stock or equity interests of ours entitled to vote, or (ii) at least 50% of the total value of shares of all classes of stock or of the total value of all equity interests of ours, other than an acquisition of our shares as part of the Separation solely by reason of holding RRD common stock (but not including such an acquisition if such RRD common stock, before such acquisition, was itself acquired as part of a plan (or series of related transactions) pursuant to which one or more persons acquire, directly or indirectly, shares of our stock meeting the voting and value threshold tests listed previously in this bullet); and
- taking any action that (or failing to take any action the omission of which) would be inconsistent with the Separation qualifying as, or that would preclude the Separation from qualifying as, a transaction that is generally tax-free to RRD and the holders of RRD common stock for U.S. federal income tax purposes.

These restrictions may limit our ability during such period to pursue strategic transactions of a certain magnitude that involve the issuance or acquisition of our stock or engage in new businesses or other transactions that might increase the value of our business. These restrictions may also limit our ability to raise significant amounts of cash through the issuance of stock, especially if our stock price were to suffer substantial declines, or through the sale of certain of our assets. For more information, refer to Tax Disaffiliation Agreement, filed as Exhibit 2.4 to this Annual Report on Form 10-K.

Donnelley Financial's historical financial information is not necessarily representative of the results that it would have achieved as a separate, publicly traded company and may not be a reliable indicator of its future results.

The historical information about Donnelley Financial prior to October 1, 2016 included in this Annual Report on Form 10-K refers to Donnelley Financial's business as operated by and integrated with RRD. Donnelley Financial's historical financial information for such periods was derived from the consolidated financial statements and accounting records of RRD. Accordingly, such historical financial information does not necessarily reflect the combined statements of income, balance sheets and cash flows that Donnelley Financial would have achieved as a separate, publicly traded company during the periods presented or those that Donnelley Financial will achieve in the future primarily as a result of the following factors:

- Prior to the Separation, Donnelley Financial's business was operated by RRD as part of its broader corporate organization, rather than as an independent company. RRD or one of its affiliates performed various corporate functions for Donnelley Financial, such as tax, treasury, finance, audit, risk management, legal, information technology, human resources, stockholder relations, compliance, shared services, insurance, employee benefits and compensation. After the Separation, RRD has continued to provide some of these functions to Donnelley Financial, as described in Transition Services Agreement, filed as Exhibit 2.2 to this Annual Report on Form 10-K. Donnelley Financial's historical financial results reflect allocations of corporate expenses from RRD for such functions. These allocations may not be indicative of the actual expenses Donnelley Financial would have incurred had it operated as an independent, publicly traded company in the periods presented. Donnelley Financial will make significant investments to replicate or outsource from other providers certain facilities, systems, infrastructure, and personnel to which Donnelley Financial no longer has access as a result of the Separation. These initiatives to develop Donnelley Financial's independent ability to operate without access to RRD's existing operational and administrative infrastructure will be costly to implement. Donnelley Financial may not be able to operate its business efficiently or at comparable costs, and its profitability may decline.
- Prior to the Separation, Donnelley Financial's business was integrated with the other businesses of RRD. Donnelley Financial was able to utilize RRD's size and purchasing power in procuring various goods and services and shared economies of scope and scale in costs, employees, vendor relationships and customer relationships. Although Donnelley Financial has entered into transition agreements with RRD, these arrangements may not fully capture the benefits Donnelley Financial enjoyed as a result of being integrated with RRD and may result in Donnelley Financial paying higher charges than in the past for these services. As a separate, independent company, Donnelley Financial may be unable to obtain goods and services at the prices and terms obtained prior to the Separation, which could decrease Donnelley Financial's overall profitability. As a separate, independent company, Donnelley Financial may also not be as successful in negotiating favorable tax treatments and credits with governmental entities. This could have a material adverse effect on Donnelley Financial's consolidated and combined statements of income, balance sheets and cash flows for periods after the Separation.
- Generally, prior to the Separation, Donnelley Financial's working capital requirements and capital for its general corporate purposes, including acquisitions, R&D and capital expenditures, were satisfied as part of the corporate-wide cash management policies of RRD. Currently, following the Separation, the cost of capital for Donnelley Financial's business may be higher than RRD's cost of capital prior to the distribution.

Other significant changes may occur in Donnelley Financial's cost structure, management, financing and business operations as a result of operating as a company separate from RRD. For additional information about the past financial performance of Donnelley Financial's business and the basis of presentation of the historical consolidated and combined financial statements of Donnelley Financial's business, refer to the discussion in Note 1, *Overview and Basis of Presentation*, to the Consolidated and Combined Financial Statements of this Annual Report on Form 10-K.

We have incurred, and we may continue to incur, material costs and expenses as a result of the Separation.

We have incurred, and may continue to incur, costs and expenses greater than those we currently incur as a result of the Separation. These increased costs and expenses may arise from various factors, including financial reporting and costs associated with complying with federal securities laws (including compliance with the Sarbanes-Oxley Act of 2002, as amended (the Sarbanes-Oxley Act)). In addition, we expect to either maintain similar or have increased corporate and administrative costs and expenses to those we incurred or were allocated while part of RRD, even though, after the Separation, Donnelley Financial is a smaller, stand-alone company. We cannot assure you that these costs will not be material to our business.

We may be unable to achieve some or all of the benefits that we expect to achieve from the Separation.

We believe that the Separation from RRD has allowed, and will continue to allow, among other benefits, us to focus on our distinct strategic priorities; afford us direct access to the capital markets and facilitate our ability to capitalize on growth opportunities and effect future acquisitions utilizing our common stock; facilitate incentive compensation arrangements for our employees more directly tied to the performance of our business; and enable us to concentrate our financial resources solely on our own operations. However, we may be unable to achieve some or all of these benefits. For example, in order to prepare ourselves for the Separation, we undertook a series of strategic, structural and process realignment and restructuring actions within our operations. These actions may not provide the benefits we currently expect, and could lead to disruption of our operations, loss of, or inability to recruit, key personnel needed to operate and grow our businesses after the Separation, weakening of our internal standards, controls or procedures and impairment of key client relationships. If we fail to achieve some or all of the benefits that we expect to achieve as an independent company, or do not achieve them in the time we expect, our business and consolidated and combined statements of income, balance sheets and cash flows could be materially and adversely affected.

RRD or LSC may not satisfy their respective obligations under the Transition Services Agreements and Commercial Agreements that were entered into as part of the Separation, or we may not have necessary systems and services in place when the transition services terms expire.

In connection with the separation, we entered into Transition Services Agreements and Commercial Agreements with both RRD and LSC. Refer to Exhibits 2.2 and 2.3, both titled Transition Services Agreement, filed as Exhibits to this Annual Report on Form 10-K, related to the agreements with RRD and LSC, respectively. These Transition Services Agreements will provide for the performance of services by each company for the benefit of the other for a period of time after the separation. We will rely on RRD and LSC to satisfy their respective performance and payment obligations under these Transition Services Agreements. If RRD or LSC is unable to satisfy its respective obligations under these Transition Services Agreements, we could incur operational difficulties. The agreements relating to the separation provide for indemnification in certain circumstances and the commercial agreements establish ongoing commercial arrangements. There can be no guarantee that RRD or LSC, as the case may be, will satisfy any obligations owed to us under such agreements, including any indemnification obligations.

Further, if we do not have our own systems and services in place, or if we do not have agreements in place with other providers of these services when the term of a particular transition service terminates, we may not be able to operate our business effectively, which could negatively impact our consolidated and combined statements of income, balance sheets and cash flows. We are in the process of creating our own, or engage third parties to provide, systems and services to replace many of the systems and services RRD and LSC will initially provide. We may not be successful in effectively or efficiently implementing these systems and services or in transitioning data from RRD's or LSC's systems to our systems, as the case may be, which could disrupt our business and have a negative impact on our consolidated and combined statements of income, balance sheets and cash flows. These systems and services may also be more expensive or less efficient than the systems and services RRD and LSC are expected to provide during the transition period.

We have incurred substantial indebtedness in connection with the Separation and the degree to which we are currently leveraged may materially and adversely affect our business and consolidated and combined statements of income, balance sheets and cash flows.

We incurred approximately \$650 million of debt in connection with the Separation. Our ability to make payments on and to refinance our indebtedness, including the debt incurred in connection with the Separation, as well as any future debt that we may incur, will depend on our ability to generate cash in the future from operations, financings or asset sales. Our ability to generate cash is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. We may not generate sufficient funds to service our debt and meet our business needs, such as funding working capital or the expansion of our operations. If we are not able to repay or refinance our debt as it becomes due, we may be forced to take disadvantageous actions, including facility closure, staff reductions, reducing financing in the future for working capital, capital expenditures and general corporate purposes, selling assets or dedicating an unsustainable level of our cash flow from operations to the payment of principal and interest on our indebtedness, and restricting future capital return to stockholders. In addition, our ability to withstand competitive pressures and to react to changes in the print and related services industry could be impaired. The lenders who hold our debt could also accelerate amounts due in the event that we default, which could potentially trigger a default or acceleration of the maturity of our other debt.

In addition, our leverage could put us at a competitive disadvantage compared to our competitors who may be less leveraged. These competitors could have greater financial flexibility to pursue strategic acquisitions and secure additional financing for their operations. Our leverage could also impede our ability to withstand downturns in our industry or the economy in general.

The agreements and instruments that govern our debt impose restrictions that may limit our operating and financial flexibility.

The Credit Agreement (as defined below) that governs our Credit Facilities (as defined below) and the indenture that governs the Notes (as defined below) contain a number of significant restrictions and covenants that limit our ability to:

- incur additional debt;
- pay dividends, make other distributions or repurchase or redeem our capital stock;
- prepay, redeem or repurchase certain debt;
- make loans and investments;
- sell, transfer or otherwise dispose of assets;
- incur or permit to exist certain liens; enter into certain types of transactions with affiliates;
- enter into agreements restricting our subsidiaries' ability to pay dividends; and
- consolidate, merge or sell all or substantially all of our assets.

These covenants can have the effect of limiting our flexibility in planning for or reacting to changes in our business and the markets in which we compete. In addition, the Credit Agreement that governs our Credit Facilities requires us to comply with certain financial maintenance covenants. Operating results below current levels or other adverse factors, including a significant increase in interest rates, could result in our being unable to comply with the financial covenants contained in our Term Loan Facility and indenture. If we violate covenants under our Credit Facilities and indenture and are unable to obtain a waiver from our lenders, our debt under our Credit Facilities and indenture would be in default and could be accelerated by our lenders. Because of cross-default provisions in the agreements and instruments governing our debt, a default under one agreement or instrument could result in a default under, and the acceleration of, our other debt.

If our debt is accelerated, we may not be able to repay our debt or borrow sufficient funds to refinance it. Even if we are able to obtain new financing, it may not be on commercially reasonable terms, on terms that are acceptable to us, or at all. If our debt is in default for any reason, our business and consolidated and combined statements of income, balance sheets and cash flows could be materially and adversely affected. In addition, complying with these covenants may also cause us to take actions that are not favorable to holders of the Notes and may make it more difficult for us to successfully execute our business strategy and compete against companies that are not subject to such restrictions.

Despite our substantial indebtedness, we may be able to incur significantly more debt.

Despite our substantial amount of indebtedness, we may be able to incur significant additional debt, including secured debt, in the future. Although the indenture governing our Notes and the Credit Agreement governing the Credit Facilities restrict the incurrence of additional debt, these restrictions are subject to a number of qualifications and exceptions. Also, these restrictions do not prevent us from incurring obligations that do not constitute indebtedness. In addition, as of December 31, 2016, we had \$153.7 million available for additional borrowing under our Revolving Facility (as defined below). The more indebtedness we incur, the further exposed we become to the risks associated with substantial leverage described above.

The highly competitive market for our products and services and industry fragmentation may continue to create adverse price pressures.

The financial communications services industry is highly competitive with relatively low barriers to entry, and the industry remains highly fragmented in North America and internationally. Management expects that competition will increase from existing competitors, as well as new and emerging entrants. Additionally, as we expand our product and service offerings, we may face competition from new and existing competitors. As a result, competition may lead to additional pricing pressure on our products and services, which could negatively impact our results of operations, financial position and cash flow.

A failure to adapt to technological changes to address the changing demands of clients may adversely impact our business, and if we fail to successfully develop, introduce or integrate new services or enhancements to our products and services platforms, systems or applications, Donnelley Financial's reputation, net sales and operating income may suffer.

Our ability to attract new clients and increase sales to existing clients will depend in large part on our ability to enhance and improve our existing products and services platforms, including our application solutions, and to introduce new functionality either by acquisition or internal development. Our operating results would suffer if our innovations are not responsive to the needs of our clients, are not appropriately timed with market opportunities or are not brought to market effectively. In addition, it is possible that our assumptions about the features that we believe will drive purchasing decisions for our potential clients or renewal decisions for our existing clients could be incorrect. In the past, we have experienced delays in the planned release dates of new products and services and upgrades to such products and services. There can be no assurance that new products or services, or upgrades to our products or services, will be released on schedule or that, when released, they will not contain defects as a result of poor planning, execution or other factors during the product development lifecycle. If any of these situations were to arise, we could suffer adverse publicity, damage to our reputation, loss of net sales, delay in market acceptance or claims by clients brought against us. Moreover, upgrades and enhancements to our platforms may require substantial investment and there can be no assurance that our investments will help us achieve or sustain a durable competitive advantage in our products and services offerings. If clients do not widely adopt our solutions or new innovations to our solutions, we may not be able to justify the investments we have made. If we are unable to develop, license or acquire new solutions or enhancements to existing services on a timely and cost-effective basis, or if our new or enhanced solutions do not achieve market acceptance, our business, results of operations and financial condition will be materially negatively impacted.

Undetected errors or failures found in our products and services may result in loss of or delay in market acceptance of our products and services that could seriously harm our business.

Our products and services may contain undetected errors or scalability limitations at any point in their lives, but particularly when first introduced or as new versions are released. We frequently release new versions of our products and different aspects of our platform are in various stages of development. Despite testing by us and by current and potential clients, errors may not be found in new products and services until after commencement of commercial availability or use, resulting in a loss of or a delay in market acceptance, damage to our reputation, client dissatisfaction and reductions in net sales and margins, any of which could negatively impact our business.

Changes in the rules and regulations to which clients or potential clients are subject may impact demand for our products and services.

Many of our clients are subject to rules and regulations requiring certain printed or electronic communications governing the form, content and delivery methods of such communications. Changes in these regulations may impact clients' business practices and could reduce demand for our products and services. Changes in such regulations could eliminate the need for certain types of communications altogether or such changes may impact the quantity or format of communications.

Our failure to maintain the confidentiality, integrity and availability of our systems, software and solutions could seriously damage our reputation and affect our ability to retain clients and attract new business.

Maintaining the confidentiality, integrity and availability of our systems, software and solutions is an issue of critical importance for us and for our clients and users who rely on our systems to prepare regulatory filings and store and exchange large volumes of information, much of which is proprietary, confidential and may constitute material nonpublic information for our clients. Inadvertent disclosure of the information maintained on our systems due to human error, breach of our systems through hacking or cybercrime or a leak of confidential information due to employee misconduct, could seriously damage our reputation and could cause significant reputational harm for our clients. Techniques used to obtain unauthorized access to, or to sabotage, systems change frequently and generally are not recognized until launched against a target. Like all software solutions, our software may be vulnerable to these types of attacks. An attack of this type could disrupt the proper functioning of our software solutions, cause errors in the output of our clients' work, allow unauthorized access to sensitive, proprietary or confidential information of ours or our clients and other undesirable or destructive outcomes. Furthermore, our systems allow us to share information that may be confidential in nature to our clients across our offices worldwide. This design allows us to increase global reach for our clients and increase our responsiveness to client demands, but also increases the risk of a security breach or a leak of such information because it allows additional points of access to information by increasing the number of employees and facilities working on certain jobs. In addition, our systems leverage third party outsourcing arrangements, which expedites our responsiveness but exposes information to additional access points. If an actual or perceived information leak or breach of our security were to occur, our reputation could suffer, clients could stop using our products and services and we could face lawsuits and potential liability, any of which could cause our financial performance to be negatively impacted. Though we maintain professional liability insurance that includes coverage if a cybersecurity incident were to occur, there can be no assurance that insurance coverage will be available, responsive, or that available coverage will be sufficient to cover losses and claims related to any cybersecurity incidents we may experience.

A number of core processes, such as software development, sales and marketing, client service and financial transactions, rely on our IT, infrastructure and applications. Defects or malfunctions in our IT infrastructure and applications could cause our products and services offerings not to perform as our clients expect, which could harm our reputation and business. In addition, malicious software, sabotage and other cybersecurity breaches of the types described above could cause an outage of our infrastructure, which could lead to a substantial denial of service and ultimately downtimes, recovery costs and client claims, any of which could negatively impact our results of operations, financial position and cash flow.

Some of our systems and services are developed by third parties or supported by third party hardware and software and our business and reputation could suffer if these third party systems and services fail to perform properly or are no longer available to us.

Some of our systems and services are developed by third parties or rely on hardware purchased or leased and software licensed from third parties. These systems and services, or the hardware and software required to run our existing systems and services, may not continue to be available on commercially reasonable terms or at all. Any loss of the right to use any of this hardware or software could result in delays in the provisioning of our services, which could negatively affect our business until equivalent technology is either developed by us or, if available, is identified, obtained and integrated. In addition, it is possible that our hardware vendors or the licensors of third party software could increase the prices they charge, which could have an adverse impact on our business, operating results and financial condition. Further, changing hardware vendors or software licensors could detract from management's ability to focus on the ongoing operations of our business or could cause delays in the operations of our business.

Additionally, third party software underlying our services can contain undetected errors or bugs. We may be forced to delay commercial release of our services until any discovered problems are corrected and, in some cases, may need to implement enhancements or modifications to correct errors that we do not detect until after deployment of our services.

Adverse credit market conditions may limit our ability to obtain future financing.

We may, from time to time, depend on access to credit markets. Uncertainty and volatility in global financial markets may cause financial markets institutions to fail or may cause lenders to hoard capital and reduce lending. As a result, we may not obtain financing on terms and conditions that are favorable to us, or at all.

Fluctuations in the costs and availability of paper, ink, energy and other raw materials may adversely impact us.

Increases in the costs of these inputs may increase our costs and we may not be able to pass these costs on to clients through higher prices. Moreover, rising raw materials' costs, and any consequent impact on our pricing, could lead to a decrease in demand for our products and services.

If we are unable to protect our proprietary technology and other rights, the value of our business and our competitive position may be impaired.

If we are unable to protect our intellectual property, our competitors could use our intellectual property to market products and services similar to ours, which could decrease demand for our services. We rely on a combination of patents, trademarks, licensing and other proprietary rights laws, as well as third party nondisclosure agreements and other contractual provisions and technical measures, to protect our intellectual property rights. These protections may not be adequate to prevent our competitors from copying or reverse-engineering our technology and services to create similar offerings. Additionally, any of our pending or future patent applications may not be issued with the scope of protection we seek, if at all. The scope of patent protection, if any, we may obtain from our patent applications is difficult to predict and our patents may be found invalid, unenforceable or of insufficient scope to prevent competitors from offering similar services. Our competitors may independently develop technologies that are substantially equivalent or superior to our technology. To protect our proprietary information, we require employees, consultants, advisors, independent contractors and collaborators to enter into confidentiality agreements and maintain policies and procedures to limit access to our trade secrets and proprietary information. These agreements and the other actions we take may not provide meaningful protection for our proprietary information or know-how from unauthorized use, misappropriation or disclosure. Further, existing patent laws may not provide adequate or meaningful protection in the event competitors independently develop technology, products or services similar to ours. Even if the laws governing intellectual property rights provide protection, we may have insufficient resources to take the legal actions necessary to protect our interests. In addition, our intellectual property rights and interests may not be afforded the same protection under the laws of foreign countries as they are under the laws of the United States.

We have in the past acquired and intend in the future to acquire other businesses, and we may be unable to successfully integrate the operations of these businesses and may not achieve the cost savings and increased net sales anticipated as a result of these acquisitions.

Achieving the anticipated benefits of acquisitions will depend in part upon our ability to integrate these businesses in an efficient and effective manner. The integration of companies that have previously operated independently may result in significant challenges, and we may be unable to accomplish the integration smoothly or successfully. In particular, the coordination of geographically dispersed organizations with differences in corporate cultures and management philosophies may increase the difficulties of integration. The integration of acquired businesses may also require the dedication of significant management resources, which may temporarily distract management's attention from the day-to-day operations of the Company. In addition, the process of integrating operations may cause an interruption of, or loss of momentum in, the activities of one or more of the Company's businesses and the loss of key personnel from the Company or the acquired businesses. Further, employee uncertainty and lack of focus during the integration process may disrupt the businesses of the Company or the acquired businesses. The Company's strategy is, in part, predicated on the Company's ability to realize cost savings and to increase net sales through the acquisition of businesses that add to the breadth and depth of the Company's products and services. Achieving these cost savings and net sales increases is dependent upon a number of factors, many of which are beyond the Company's control. In particular, the Company may not be able to realize the benefits of more comprehensive product and service offerings, anticipated integration of sales forces, asset rationalization and systems integration.

Our business is dependent upon brand recognition and reputation, and the failure to maintain or enhance our brand or reputation would likely have an adverse effect on our business.

Our brand recognition and reputation are important aspects of our business. Maintaining and further enhancing our brands and reputation will be important to retaining and attracting clients for our products. We also believe that the importance of our brand recognition and reputation for products will continue to increase as competition in the market for our products and industry continues to increase. Our success in this area will be dependent on a wide range of factors, some of which are out of our control, including the efficacy of our marketing efforts, our ability to retain existing and obtain new clients and strategic partners, human error, the quality and perceived value of our products and services, actions of our competitors and positive or negative publicity. Damage to our reputation and loss of brand equity may reduce demand for our products and services and negatively impact our results of operations, financial position and cash flow.

We may be unable to hire and retain talented employees, including management.

Our success depends, in part, on our general ability to attract, develop, motivate and retain highly skilled employees. The loss of a significant number of our employees or the inability to attract, hire, develop, train and retain additional skilled personnel could have a serious negative effect on our business. We believe our ability to retain our client base and to attract new clients is directly related to our sales force and client service personnel, and if we cannot retain these key employees, our business could suffer. In addition, many members of our management have significant industry experience that is valuable to our competitors. We expect that our executive officers will have non-solicitation agreements contractually prohibiting them from soliciting our clients and employees within a specified period of time after they leave Donnelley Financial. If one or more members of our senior management team leave and cannot be replaced with a suitable candidate quickly, we could experience difficulty in managing our business properly, which could negatively impact our results of operations, financial position and cash flow.

The trend of increasing costs to provide health care and other benefits to our employees and retirees may continue.

We provide health care and other benefits to both employees and retirees. For many years, costs for health care have increased more rapidly than general inflation in the U.S. economy. If this trend in health care costs continues, our cost to provide such benefits could increase, adversely impacting our profitability. Changes to health care regulations in the U.S. and internationally may also increase our cost of providing such benefits.

Changes in market conditions, changes in discount rates, or lower returns on assets may increase required pension and other post-retirement benefits plan contributions in future periods.

The funded status of our pension and other post-retirement benefits plans is dependent upon many factors, including returns on invested assets and the level of certain interest rates. As experienced in prior years, declines in the market value of the securities held by the plans coupled with historically low interest rates have substantially reduced, and in the future could further reduce, the funded status of the plans. These reductions may increase the level of expected required pension and other post-retirement benefits plan contributions in future years. Various conditions may lead to changes in the discount rates used to value the year-end benefit obligations of the plans, which could partially mitigate, or worsen, the effects of lower asset returns. If adverse conditions were to continue for an extended period of time, our costs and required cash contributions associated with pension and other post-retirement benefits plans may substantially increase in future periods.

We are exposed to risks related to potential adverse changes in currency exchange rates.

We are exposed to market risks resulting from changes in the currency exchange rates of the currencies in the countries in which we do business. Although operating in local currencies may limit the impact of currency rate fluctuations on the operating results of our non-U.S. activities, fluctuations in such rates may affect the translation of these results into our financial statements. To the extent borrowings, sales, purchases, net sales and expenses or other transactions are not in the applicable local currency, we may enter into foreign currency spot and forward contracts to hedge the currency risk. Management cannot be sure, however, that our efforts at hedging will be successful, and such efforts could, in certain circumstances, lead to losses.

There are risks associated with operations outside the United States.

We have operations outside the United States. We work with capital markets clients around the world, and in 2016 our International segment accounted for 14% of our combined net sales. Our operations outside of the United States are primarily focused in Europe, Asia, Canada and Latin America. As a result, we are subject to the risks inherent in conducting business outside the United States, including:

- costs of customizing products and services for foreign countries;
- difficulties in managing and staffing international operations;
- increased infrastructure costs including legal, tax, accounting and information technology;
- reduced protection for intellectual property rights in some countries;
- potentially greater difficulties in collecting accounts receivable, including currency conversion and cash repatriation from foreign jurisdictions;
- increased licenses, tariffs and other trade barriers;
- potentially adverse tax consequences;

- increased burdens of complying with a wide variety of foreign laws, including employment-related laws, which may be more stringent than U.S. laws;
- unexpected changes in regulatory requirements;
- political and economic instability; and
- compliance with applicable anti-corruption and sanction laws and regulations.

We cannot be sure that our investments or operations in other countries will produce desired levels of net sales or that one or more of the factors listed above will not affect our global business.

ITEM 1B. UNRESOLVED STAFF COMMENTS

The Company has no unresolved written comments from the SEC staff regarding its periodic or current reports under the Securities Exchange Act of 1934.

ITEM 2. PROPERTIES

The Company's corporate office is located in leased office space at 35 West Wacker Drive, Chicago, Illinois, 60601. As of December 31, 2016, the Company leased or owned 43 U.S. facilities, some of which had multiple buildings and warehouses, and these U.S. facilities encompassed approximately 1.5 million square feet. The Company leased or owned 27 international facilities, some of which had multiple buildings and warehouses, encompassing approximately 0.1 million square feet in Europe, Asia, Canada and Latin America. Of the Company's U.S. and international facilities, approximately 0.4 million square feet of space was owned, while the remaining 1.2 million square feet of space was leased.

ITEM 3. LEGAL PROCEEDINGS

For a discussion of certain litigation involving the Company, see Note 10, *Commitments and Contingencies*, to the Consolidated and Combined Financial Statements.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR DONNELLEY FINANCIAL SOLUTIONS, INC.'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Principal Market

Donnelley Financial's common stock began regular-way trading under the ticker symbol "DFIN" on the New York Stock Exchange ("NYSE") on October 3, 2016. Below are the high and low market price per share of the Company's common stock, as reported on the NYSE, during the fourth quarter of 2016.

	Low	High
Three Months Ended December 31, 2016	18.54	25.02

Stockholders

As of February 24, 2017, there were 5,071 stockholders of record of the Company's common stock.

Dividends

We have not paid any cash dividends and we currently do not anticipate paying any cash dividends in the foreseeable future.

Issuer Purchases Of Equity Securities

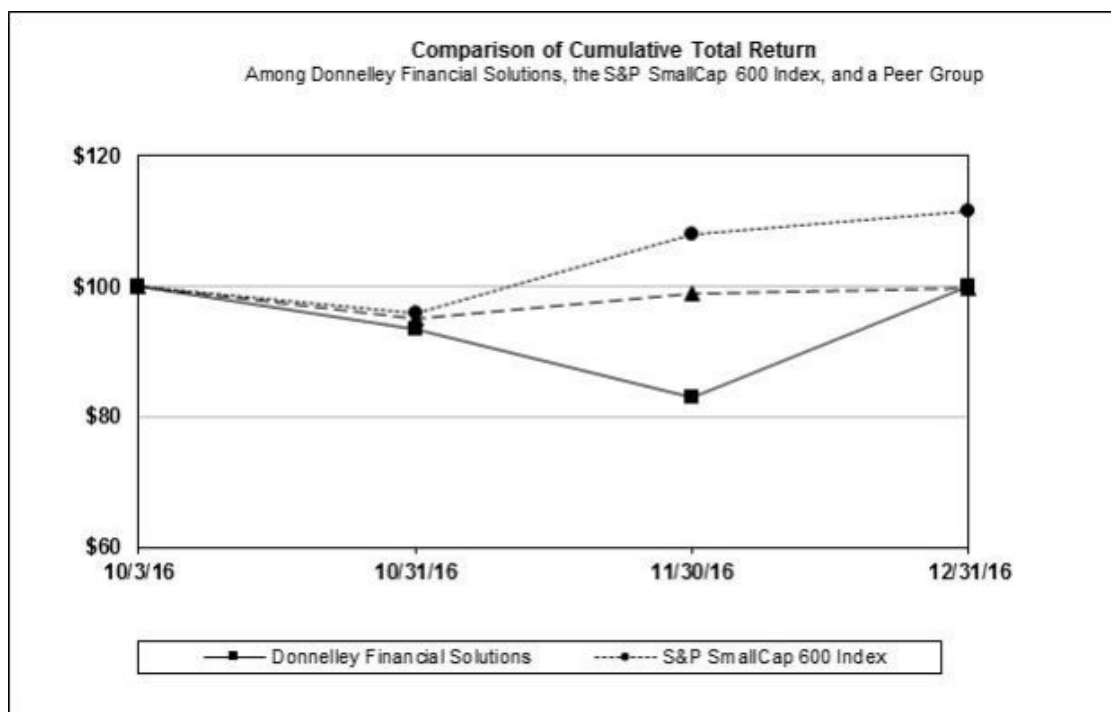
There were no repurchases of equity securities during the three months ended December 31, 2016.

Equity Compensation Plans

For information regarding equity compensation plans, see Item 12 of Part III of this Annual Report on Form 10-K

PEER PERFORMANCE TABLE

The following graph compares the cumulative total shareholder return on Donnelley Financial's common stock from October 3, 2016, when "regular way" trading in Donnelley Financial's common stock began on the NYSE, through December 31, 2016, with the comparable cumulative return of the Standard & Poor's ("S&P") SmallCap 600 Index and a selected peer group of companies. The comparison assumes all dividends have been reinvested and an initial investment of \$100 on October 3, 2016. The returns of each company in the peer group have been weighted to reflect their market capitalizations. The stock price performance on the following graph is not necessarily indicative of future stock price performance.



Company Name/Index	Base Period	Month Ending		
	10/3/2016	10/31/2016	11/30/2016	12/31/2016
Donnelley Financial Solutions	100	93.38	83.02	100.04
S&P SmallCap 600 Index	100	95.86	107.89	111.52
Peer Group	100	95.17	98.91	99.88

Below are the specific companies included in the peer group.

Peer Group Companies

Axiom Corp	ePlus Inc
Advisory Board Company	Euronet Worldwide Inc
ARC Document Solutions Inc	FactSet Research Systems Inc.
Bottomline Technologies Inc	Gartner Inc
Broadridge Financial Solutions Inc	Henry (Jack) & Associates Inc.
CoreLogic Inc	Perficient Inc
CSG Systems International Inc.	Resources Connection Inc
DST Systems Inc.	Verint Systems Inc
Dun & Bradstreet Corp	

ITEM 6. SELECTED FINANCIAL DATA
SELECTED FINANCIAL DATA
(in millions, except per share data)

	Year Ended December 31,				
	2016	2015	2014	2013	2012
Consolidated and combined statements of operations data:					
Net sales	\$ 983.5	\$ 1,049.5	\$ 1,080.1	\$ 1,085.4	\$ 1,061.0
Net earnings	59.1	104.3	57.4	96.3	71.7
Net earnings per share (a)					
Basic net earnings per share	1.81	3.22	1.77	2.97	2.21
Diluted net earnings per share	1.80	3.22	1.77	2.97	2.21
Consolidated and combined balance sheet data:					
Total assets	978.9	817.6	994.2	880.5	926.7
Long-term debt	587.0	—	—	—	—
Note payable with an RRD affiliate	—	29.2	44.0	58.7	73.1

- (a) On October 1, 2016, RRD distributed approximately 26.2 million shares of Donnelley Financial common stock to RRD shareholders in connection with the spin-off of Donnelley Financial, with RRD retaining approximately 6.2 million shares of Donnelley Financial common stock. For periods prior to the Separation, basic and diluted earnings per share were calculated using the number of shares distributed and retained by RRD, totaling 32.4 million. The same number of shares was used to calculate basic and diluted earnings per share since there were no Donnelley Financial equity awards outstanding prior to the spin-off.

Reflects results of acquired businesses from the relevant acquisition dates.

Includes the following significant items:

	Pre-tax	After-tax
Year ended December 31, 2016		
Restructuring, impairment and other charges – net	\$ 5.4	\$ 3.3
Spin-off related transaction expenses	4.9	3.0
Share-based compensation expense	2.5	1.5
	Pre-tax	After-tax
Year ended December 31, 2015		
Restructuring, impairment and other charges – net	\$ 4.4	\$ 2.8
Share-based compensation expense	1.6	1.0
	Pre-tax	After-tax
Year ended December 31, 2014		
Pension settlement charges	\$ 95.7	\$ 58.4
Restructuring, impairment and other charges – net	4.8	3.1
Gain on the sale of a building	(6.1)	(3.7)
Gain from the sale of an equity investment	(3.0)	(1.8)
Share-based compensation expense	2.1	1.3
	Pre-tax	After-tax
Year ended December 31, 2013		
Restructuring, impairment and other charges – net	\$ 13.0	\$ 8.0
Share-based compensation expense	2.1	1.3
	Pre-tax	After-tax
Year ended December 31, 2012		
Restructuring, impairment and other charges – net	\$ 14.0	\$ 8.5
Loss on an equity investment	4.0	2.4
Share-based compensation expense	2.5	1.5

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of Donnelley Financial's financial condition and results of operations should be read together with the consolidated and combined financial statements and notes to those statements included in Item 15 of Part IV, *Exhibits, Financial Statement Schedules*, of this Annual Report on Form 10-K.

Business

For a description of the Company's business, segments and product and service offerings, see Item 1, *Business*, of Part I of this Annual Report on Form 10-K.

The Company separately reports its net sales and related cost of sales for its products and services offerings. The Company's services offerings consist of all non-print offerings, including document composition, compliance related EDGAR filing services, transaction solutions, data and analytics, content storage services and language solutions. The Company's product offerings primarily consist of conventional and digital printed products and related shipping costs.

Spin-off Transaction

On October 1, 2016, Donnelley Financial became an independent publicly traded company through the distribution by RRD of approximately 26.2 million shares, or 80.75%, of Donnelley Financial common stock to RRD shareholders. Holders of RRD common stock received one share of Donnelley Financial common stock for every eight shares of RRD common stock held on September 23, 2016. RRD retained approximately 6.2 million shares of Donnelley Financial common stock, or a 19.25% interest in Donnelley Financial, as part of the Separation, but expects to dispose of the common stock that it retained in the 12-month period following the Separation. Donnelley Financial's Registration Statement on Form 10, as amended, was declared effective by the SEC on September 20, 2016. Donnelley Financial's common stock began regular-way trading under the ticker symbol "DFIN" on the New York Stock Exchange on October 3, 2016. On October 1, 2016, RRD also completed the previously announced separation of LSC, its publishing and retail-centric print services and office products business.

Executive Overview

2016 Overview

Net sales decreased by \$66.0 million, or 6.3%, in 2016 compared to 2015, with \$5.4 million, or 0.5%, of the decrease due to changes in foreign exchange rates. In addition to the impact of changes in foreign exchange rates, the decrease in net sales was due to lower capital markets transactions and compliance volume, partially offset by an increase in virtual data room and translation services.

On September 30, 2016, in connection with the Separation, the Company entered into a \$350.0 million senior secured term loan B facility (the "Term Loan Credit Facility") and a \$300.0 million senior secured revolving credit facility (the "Revolving Facility," and, together with the Term Loan Credit Facility, the "Credit Facilities"). On September 30, 2016, also in connection with the Separation, the Company issued \$300.0 million of 8.25% senior unsecured notes due October 15, 2024. The issuance of the notes was part of a debt exchange that resulted in the settlement of certain of RRD's outstanding debt securities. Borrowings under the Term Loan Credit Facility were used to provide \$340.2 million of cash to RRD, pursuant to the Separation agreement, as of September 30, 2016.

On October 1, 2016, Donnelley Financial recorded net pension plan liabilities of \$68.3 million (consisting of a total benefit plan liability of \$317.0 million, net of plan assets having fair market value of \$248.7 million), as a result of the transfer of certain pension plan liabilities and assets from RRD to the Company upon the legal split of those plans. Refer to Note 11, *Retirement Plans*, to the Consolidated and Combined Financial Statements for further details regarding the Company's pension and other postretirement benefit plans.

Non-GAAP Measures

The Company believes that certain Non-GAAP measures, such as Non-GAAP adjusted EBITDA, provide useful information about the Company's operating results and enhance the overall ability to assess the Company's financial performance. The Company uses these measures, together with other measures of performance under GAAP, to compare the relative performance of operations in planning, budgeting and reviewing the performance of its business. Non-GAAP adjusted EBITDA allows investors to make a more meaningful comparison between the Company's core business operating results over different periods of time. The Company believes that Non-GAAP adjusted EBITDA, when viewed with the Company's results under GAAP and the accompanying reconciliations, provides useful information about the Company's business without regard to potential distortions. By eliminating potential differences in results of operations between periods caused by factors such as depreciation and amortization methods, historic cost and age of assets, financing and capital structures, taxation positions or regimes, restructuring, impairment and other charges and gain or loss on certain equity investments and asset sales, the Company believes that Non-GAAP adjusted EBITDA can provide a useful additional basis for comparing the current performance of the underlying operations being evaluated.

Non-GAAP adjusted EBITDA is not presented in accordance with GAAP and has important limitations as an analytical tool. These measures should not be considered as a substitute for analysis of the Company's results as reported under GAAP. In addition, these measures are defined differently by different companies in our industry and, accordingly, such measures may not be comparable to similarly-titled measures of other companies.

In addition to the factors listed above, the following items are excluded from Non-GAAP adjusted EBITDA:

- **Share-based compensation expense**. Although share-based compensation is a key incentive offered to certain of the Company's employees, business performance is evaluated excluding share-based compensation expenses. Depending upon the size, timing and the terms of grants, the non-cash compensation expense may vary but will recur in future periods. Prior periods have been revised to reflect this adjustment.
- **Spin-off related transaction expenses**. The Company has incurred expenses related to the Separation to operate as a standalone publicly traded company. These expenses include third-party consulting fees, employee retention payments, legal fees and other costs related to the Separation. Management does not believe that these expenses are reflective of ongoing operating results. This adjustment does not include expenses incurred prior to the Separation.

A reconciliation of GAAP net earnings to Non-GAAP adjusted EBITDA for the years ended December 31, 2016, 2015 and 2014 for these adjustments is presented in the following table:

	Year ended December 31,		
	2016	2015	2014
	(in millions)		
Net earnings	\$ 59.1	\$ 104.3	\$ 57.4
Restructuring, impairment and other charges—net	5.4	4.4	4.8
Share-based compensation expense	2.5	1.6	2.1
Spin-off related transaction expenses	4.9	—	—
Pension settlement charges	—	—	95.7
Gain on sale of building	—	—	(6.1)
Depreciation and amortization	43.3	41.7	40.7
Interest expense—net	11.7	1.1	1.5
Investment and other income—net	—	(0.1)	(3.1)
Income tax expense	35.2	67.4	35.0
Non-GAAP adjusted EBITDA	<u>\$ 162.1</u>	<u>\$ 220.4</u>	<u>\$ 228.0</u>

2016 Restructuring, impairment and other charges—net. The year ended December 31, 2016 included \$3.7 million for employee termination costs, \$1.5 million of lease termination and other restructuring costs and \$0.2 million for other charges associated with the Company's decision to withdraw in 2013 from certain multi-employer pension plans serving facilities that continued to operate.

2015 Restructuring, impairment and other charges—net. The year ended December 31, 2015 included \$2.3 million for employee termination costs related to the reorganization of certain administrative functions; \$1.9 million of lease termination and other restructuring costs and \$0.2 million for other charges associated with the Company's decision to withdraw in 2013 from certain multi-employer pension plans serving facilities that continued to operate.

2014 Restructuring, impairment and other charges—net. The year ended December 31, 2014 included \$2.1 million of lease termination and other restructuring costs; \$1.7 million for the impairment of an acquired customer relationship intangible asset; \$0.7 million for employee termination costs related to the integration of MultiCorpora and the reorganization of certain operations and \$0.3 million for other charges associated with the Company's decision to withdraw in 2013 from certain multi-employer pension plans serving facilities that continued to operate.

Share-based compensation expense. Included pre-tax charges of \$2.5 million, \$1.6 million and \$2.1 million for the years ended December 31, 2016, 2015 and 2014, respectively.

Spin-off related transaction expenses. Included pre-tax charges of \$4.9 million related to third-party consulting fees, employee retention payments, legal fees and other costs related to the Separation for the year ended December 31, 2016.

Pension settlement charges. Included pre-tax charges of \$95.7 million for the year ended December 31, 2014, related to lump-sum pension settlement payments. See Note 11, *Retirement Plans*, to the Consolidated and Combined Financial Statements for further discussion.

Gain on sale of a building . Included a gain of \$6.1 million related to the sale of a building for the year ended December 31, 2014.

OUTLOOK

The Company initiated several restructuring actions in 2016 and 2015 to further reduce the Company's overall cost structure. These restructuring actions included the reorganization of certain functions. These actions, as well as 2017 actions, some of which have already been taken, are expected to have a positive impact on operating earnings in 2017 and in future years.

Cash flows from operations in 2017 are expected to benefit from improved profitability driven by organic net sales growth and cost control actions. The expected increases in cash flows are expected to be more than offset by payments for interest expense as a result of debt issued in connection with the Separation. The Company expects capital expenditures to be in the range of \$30.0 million to \$35.0 million in 2017.

The Company's pension and other postretirement benefit plans were underfunded by \$57.5 million and \$1.2 million, respectively, as of December 31, 2016, as reported on the Company's Consolidated and Combined Balance Sheets and further described in Note 11, *Retirement Plans*, to the Consolidated and Combined Financial Statements. Governmental regulations for measuring pension plan funded status differ from those required under accounting principles generally accepted in the United States ("GAAP") for financial statement preparation. Based on the plans' regulatory funded status, required contributions in 2017 for the Company's pension and other postretirement benefit plans are expected to be approximately \$2.3 million. The Company made contributions of \$1.3 million to its pension plans during the year ended December 31, 2016.

In connection with the Separation, the Company expects to incur a significant amount of spin-off related transaction and transition expenses in 2017, including information technology and other expenses. In addition, the Separation and Distribution Agreement includes a provision for RRD to make a future cash payment of \$68.0 million to the Company no later than April 1, 2017, which is included in the consolidated and combined balance sheet as of December 31, 2016. The Company will use the proceeds to reduce outstanding debt under the \$350.0 million senior secured term loan B facility.

Significant Accounting Policies and Critical Estimates

The preparation of financial statements in conformity with GAAP requires the extensive use of management's estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from these estimates. Estimates are used when accounting for items and matters including, but not limited to, allowance for uncollectible accounts receivable, pension, asset valuations and useful lives, income taxes, restructuring and other provisions and contingencies.

Revenue Recognition

The Company manages highly-customized data and materials, such as Exchange Act, Securities Act and Investment Company Act filings with the SEC on behalf of our customers, manages virtual and physical data rooms and performs XBRL and related services. Clients are provided with EDGAR filing services, XBRL compliance services and translation, editing, interpreting, proof-reading and multilingual typesetting services, among others. Our products include our ActiveDisclosure solution and our Venue® Virtual Data Room product, among others. Revenue for services is recognized upon completion of the service performed or following final delivery of the related printed product. The Company recognizes revenue for the majority of its products upon the transfer of title or risk of ownership, which is generally upon shipment to the customer. Because substantially all of the Company's products are customized, product returns are not significant; however, the Company accrues for the estimated amount of customer credits at the time of sale. Refer to Note 2, *Significant Accounting Policies*, to the consolidated and combined financial statements for further discussion.

Certain revenues earned by the Company require significant judgment to determine if revenue should be recorded gross, as a principal, or net of related costs, as an agent. Billings for shipping and handling costs as well as certain postage costs and out-of-pocket expenses are recorded gross.

Goodwill and Other Long-Lived Assets

The Company's methodology for allocating the purchase price of acquisitions is based on established valuation techniques that reflect the consideration of a number of factors, including valuations performed by third-party appraisers when appropriate. Goodwill is measured as the excess of the cost of an acquired entity over the fair value assigned to identifiable assets acquired and liabilities assumed. Goodwill is either assigned to a specific reporting unit or allocated between reporting units based on the relative fair value of each reporting unit. Based on its current organization structure, the Company has identified four reporting units for which cash flows are determinable and to which goodwill may be allocated.

The Company performs its goodwill impairment tests annually as of October 31, or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. The Company also performs an interim review for indicators of impairment each quarter to assess whether an interim impairment review is required for any reporting unit. As part of its interim reviews, management analyzes potential changes in the value of individual reporting units based on each reporting unit's operating results for the period compared to expected results as of the prior year's annual impairment test. In addition, management considers how other key assumptions, including discount rates and expected long-term growth rates, used in the last annual impairment test, could be impacted by changes in market conditions and economic events. Based on these interim assessments, management concluded that as of the interim periods, no events or changes in circumstances indicated that it was more likely than not that the fair value for any reporting unit had declined below its carrying value.

As of October 31, 2016, all four reporting units had goodwill. The reporting units with goodwill were reviewed for impairment using a quantitative assessment.

Quantitative Assessment for Impairment

A two-step method was used for determining goodwill impairment. In the first step ("Step One"), the Company compared the estimated fair value of each reporting unit to its carrying value, including goodwill. If the carrying value of a reporting unit exceeded the estimated fair value, the second step ("Step Two") is completed to determine the amount of the impairment charge. Step Two requires the allocation of the estimated fair value of the reporting unit to the assets, including any unrecognized intangible assets, and liabilities in a hypothetical purchase price allocation. Any remaining unallocated fair value represents the implied fair value of goodwill, which is compared to the corresponding carrying value of goodwill to compute the goodwill impairment charge. The results of Step One of the goodwill impairment test as of October 31, 2016, indicated that the estimated fair values for all four reporting units exceeded their respective carrying values. Therefore, the Company did not perform Step Two for any of the reporting units.

As part of its impairment test for these reporting units, the Company engaged a third-party appraisal firm to assist in the Company's determination of the estimated fair values. This determination included estimating the fair value of each reporting unit using both the income and market approaches. The income approach requires management to estimate a number of factors for each reporting unit, including projected future operating results, economic projections, anticipated future cash flows, discount rates and the allocation of shared or corporate items. The market approach estimates fair value using comparable marketplace fair value data from within a comparable industry grouping. The Company weighted both the income and market approach equally to estimate the concluded fair value of each reporting unit.

The determination of fair value in Step One and the allocation of that value to individual assets and liabilities in Step Two, if necessary, requires the Company to make significant estimates and assumptions. These estimates and assumptions primarily include, but are not limited to: the selection of appropriate peer group companies; control premiums appropriate for acquisitions in the industries in which the Company competes; the discount rate; terminal growth rates; and forecasts of revenue, operating income, depreciation and amortization, restructuring charges and capital expenditures. The allocation of fair value under Step Two requires several analyses to determine the fair value of assets and liabilities including, among others, trade names, customer relationships, and property, plant and equipment.

As a result of the 2016 annual goodwill impairment test, the Company did not recognize any goodwill impairment charges as the estimated fair values of all reporting units exceeded their respective carrying values.

Goodwill Impairment Assumptions

Although the Company believes its estimates of fair value are reasonable, actual financial results could differ from those estimates due to the inherent uncertainty involved in making such estimates. Changes in assumptions concerning future financial results or other underlying assumptions could have a significant impact on either the fair value of the reporting units, the amount of the goodwill impairment charge, or both. Future declines in the overall market value of the Company's equity and debt securities may also result in a conclusion that the fair value of one or more reporting units has declined below its carrying value.

One measure of the sensitivity of the amount of goodwill impairment charges to key assumptions is the amount by which each reporting unit "passed" (fair value exceeds the carrying value) or "failed" (the carrying value exceeds fair value) Step One of the goodwill impairment test. All four reporting units passed Step One, with fair values that exceeded the carrying values by between 22% and 128% of their respective estimated fair values. Relatively small changes in the Company's key assumptions would not have resulted in any reporting units failing Step One.

Generally, changes in estimates of expected future cash flows would have a similar effect on the estimated fair value of the reporting unit. That is, a 1.0% decrease in estimated annual future cash flows would decrease the estimated fair value of the reporting unit by approximately 1.0%. The estimated long-term net sales growth rate can have a significant impact on the estimated future cash flows, and therefore, the fair value of each reporting unit. A 1.0% decrease in the long-term net sales growth rate would have resulted in no reporting units failing Step One of the goodwill impairment test. Of the other key assumptions that impact the estimated fair values, most reporting units have the greatest sensitivity to changes in the estimated discount rate. The estimated discount rate for the reporting units with operations primarily located in the U.S. was 9.5% as of October 31, 2016. The estimated discount rate for the reporting unit with operations primarily in foreign locations was 10.5%. A 1.0% increase in estimated discount rates would have resulted in no reporting units failing Step One. The Company believes that its estimates of future cash flows and discount rates are reasonable, but future changes in the underlying assumptions could differ due to the inherent uncertainty in making such estimates. Additionally, further price deterioration or lower volume could have a significant impact on the fair values of the reporting units.

Other Long-Lived Assets

The Company evaluates the recoverability of other long-lived assets, including property, plant and equipment, and certain identifiable intangible assets, whenever events or changes in circumstances indicate that the carrying value of an asset or asset group may not be recoverable. The Company performs impairment tests of indefinite-lived intangible assets on an annual basis or more frequently in certain circumstances. Factors which could trigger an impairment review include significant underperformance relative to historical or projected future operating results, significant changes in the manner of use of the assets or the strategy for the overall business, a significant decrease in the market value of the assets or significant negative industry or economic trends. When the Company determines that the carrying value of long-lived assets may not be recoverable based upon the existence of one or more of the indicators, the assets are assessed for impairment based on the estimated future undiscounted cash flows expected to result from the use of the asset and its eventual disposition. If the carrying value of an asset exceeds its estimated future undiscounted cash flows, an impairment loss is recorded for the excess of the asset's carrying value over its fair value. There was no impairment charge related to intangible assets for the year ended December 31, 2016. Additionally, there were no non-cash impairment charges related to machinery and equipment for the year ended December 31, 2016.

Pension and Other Postretirement Benefits Plans

Our Participation in RRD's Pension and Postretirement Benefits Plans

RRD provided pension and other postretirement healthcare benefits to certain current and former employees of Donnelley Financial. Prior to the Separation, RRD was responsible for the net benefit plan obligations associated with these plans, and as such, these liabilities are not reflected in Donnelley Financial's consolidated and combined balance sheets. Donnelley Financial's consolidated and combined statements of operations include expense allocations for these benefits. These allocations were funded through intercompany transactions with RRD which are reflected within net parent company investment in Donnelley Financial.

Donnelley Financial's Pension and Other Postretirement Benefit Plans

RRD maintained a defined benefit plan (the "plan") for certain current and former U.S. employees of RRD. Effective December 31, 2013, RRD merged the plan into a separate defined benefit pension plan for Donnelley Financial to create a combined defined benefit pension plan (the "combined plan"). During 2015, the sponsorship of the combined plan was transferred to RRD, which became the legal obligor of the combined plan. Accordingly, the obligations of the combined plan are not reflected in the combined balance sheet of Donnelley Financial as of December 31, 2015.

On October 1, 2016, Donnelley Financial recorded net pension plan liabilities of \$68.3 million (consisting of a total benefit plan liability of \$317.0 million, net of plan assets having fair market value of \$248.7 million), as a result of the transfer of certain pension plan liabilities and assets from RRD to the Company upon the legal split of those plans. The pension plan asset allocation from RRD is expected to be finalized during the second quarter of 2017. The final asset allocation will result in an adjustment to the fair value of plan assets transferred to the Company from RRD. The Company also recorded a net other postretirement benefit liability of \$1.5 million, as a result of the transfer of an other postretirement benefit plan from RRD to the Company.

The Company's primary defined benefit plan is frozen. No new employees will be permitted to enter the Company's frozen plan and participants will earn no additional benefits. Benefits are generally based upon years of service and compensation. These defined benefit retirement income plans are funded in conformity with the applicable government regulations. The Company funds at least the minimum amount required for all funded plans using actuarial cost methods and assumptions acceptable under government regulations.

The annual income and expense amounts relating to the pension plan are based on calculations which include various actuarial assumptions including, mortality expectations, discount rates and expected long-term rates of return. The Company reviews its actuarial assumptions on an annual basis as of December 31 (or more frequently if a significant event requiring remeasurement occurs) and modifies the assumptions based on current rates and trends when it is appropriate to do so. The effects of modifications are recognized immediately on the consolidated and combined balance sheets, but are amortized into operating earnings over future periods, with the deferred amount recorded in accumulated other comprehensive income (loss). The Company believes that the assumptions utilized in recording its obligations under its plans are reasonable based on its experience, market conditions and input from its actuaries and investment advisors. The weighted-average discount rate for pension benefits at December 31, 2016 was 3.7%.

A one-percentage point change in the discount rates at December 31, 2016 would have the following effects on the accumulated benefit obligation and projected benefit obligation:

Pension Plans

	1.0% Increase	1.0% Decrease
	(in millions)	
Accumulated benefit obligation	\$ (31.2)	\$ 38.0
Projected benefit obligation	(31.2)	38.0

The Company's defined benefit plan has a risk management approach for its pension plan assets. The overall investment objective of this approach is to further reduce the risk of significant decreases in the combined plan's funded status by allocating a larger portion of the combined plan's assets to investments expected to hedge the impact of interest rate risks on the combined plan's obligation. Over time, the target asset allocation percentage for the combined pension plan is expected to decrease for equity and other "return seeking" investments and increase for fixed income and other "hedging" investments.

The expected long-term rate of return for the plan assets is based upon many factors including expected asset allocations, historical asset returns, current and expected future market conditions and risk. In addition, the Company considered the impact of the current interest rate environment on the expected long-term rate of return for certain asset classes, particularly fixed income. The target asset allocation percentage for the pension plan was approximately 60.0% for return seeking investments and approximately 40.0% for hedging investments. The expected long-term rate of return on plan assets assumption used to calculate net pension plan expense in 2016 was 7.3% for the Company's pension plans. The expected long-term rate of return on plan assets assumption that will be used to calculate net pension plan expense in 2017 is 7.0%.

A 0.25% change in the expected long-term rate of return on plan assets at December 31, 2016 would have the following effects on 2016 and 2017 pension plan (income)/expense:

	2016	2017
	(in millions)	
0.25% increase	\$ (0.1)	\$ (0.6)
0.25% decrease	0.1	0.6

Accounting for Income Taxes

In the Company's consolidated and combined financial statements, income tax expense and deferred tax balances have been calculated on a separate income tax return basis although, with respect to certain entities, the Company's operations have historically been included in the tax returns filed by the respective RRD entities of which the Company's business was a part. As a standalone entity, the Company will file tax returns on its own behalf and its deferred taxes and effective tax rate may differ from those in historical periods.

Significant judgment is required in determining the provision for income taxes and related accruals, deferred tax assets and liabilities and any valuation allowance recorded against deferred tax assets. In the ordinary course of business, there are transactions and calculations where the ultimate tax outcome is uncertain. Additionally, the Company's tax returns are subject to audit by various U.S. and foreign tax authorities. The Company recognizes a tax position in its financial statements when it is more likely than not (*i.e.*, a likelihood of more than fifty percent) that the position would be sustained upon examination by tax authorities. This recognized tax position is then measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. Although management believes that its estimates are reasonable, the final outcome of uncertain tax positions may be materially different from that which is reflected in the Company's historical financial statements.

The Company has recorded deferred tax assets related to future deductible items, including domestic and foreign tax loss and credit carryforwards. The Company evaluates these deferred tax assets by tax jurisdiction. The utilization of these tax assets is limited by the amount of taxable income expected to be generated within the allowable carryforward period and other factors. Accordingly, management has provided a valuation allowance to reduce certain of these deferred tax assets when management has concluded that, based on the weight of available evidence, it is more likely than not that the deferred tax assets will not be fully realized. If actual results differ from these estimates, or the estimates are adjusted in future periods, adjustments to the valuation allowance might need to be recorded. As of December 31, 2016 and 2015, valuation allowances of \$1.2 million and \$4.9 million, respectively, were recorded in the Company's consolidated and combined balance sheets.

Deferred U.S. income taxes and foreign taxes are not provided on the excess of the investment value for financial reporting over the tax basis of investments in those foreign subsidiaries because such excess is considered to be permanently reinvested in those operations. Certain cash balances of foreign subsidiaries may be subject to U.S. or local country taxes if repatriated to the U.S. In addition, repatriation of some foreign cash balances is further restricted by local laws. Management regularly evaluates whether foreign earnings are expected to be permanently reinvested. This evaluation requires judgment about the future operating and liquidity needs of the Company and its foreign subsidiaries. Changes in economic and business conditions, foreign or U.S. tax laws, or the Company's financial situation could result in changes to these judgments and the need to record additional tax liabilities.

Commitments and Contingencies

The Company is subject to lawsuits, investigations and other claims related to environmental, employment, commercial and other matters, as well as preference claims related to amounts received from customers and others prior to their seeking bankruptcy protection. Periodically, the Company reviews the status of each significant matter and assesses potential financial exposure. If the potential loss from any claim or legal proceeding is considered probable and the related liability is estimable, the Company accrues a liability for the estimated loss. Because of uncertainties related to these matters, accruals are based on the best information available at the time. As additional information becomes available, the Company reassesses the related potential liability and may revise its estimates.

With respect to claims made under the Company's third-party insurance for workers' compensation, automobile and general liability, the Company is responsible for the payment of claims below and above insured limits, and consulting actuaries are utilized to assist the Company in estimating the obligation associated with any such incurred losses, which are recorded in accrued and other non-current liabilities. Historical loss development factors for both the Company and the industry are utilized to project the future development of such incurred losses, and these amounts are adjusted based upon actual claims experience and settlements. If actual experience of claims development is significantly different from these estimates, an adjustment in future periods may be required. Expected recoveries of such losses are recorded in other current and other non-current assets.

Restructuring

The Company records restructuring charges when liabilities are incurred as part of a plan approved by management with the appropriate level of authority for the elimination of duplicative functions, the closure of facilities, or the exit of a line of business, generally in order to reduce the Company's overall cost structure. Total restructuring charges were \$5.2 million for the year ended December 31, 2016. The restructuring liabilities might change in future periods based on several factors that could differ from original estimates and assumptions. These include, but are not limited to: contract settlements on terms different than originally expected; ability to sublease properties based on market conditions at rates or on timelines different than originally estimated; or changes to original plans as a result of acquisitions or other factors. Such changes might result in reversals of or additions to restructuring charges that could affect amounts reported in the consolidated and combined statements of operations of future periods.

Accounts Receivable

The Company maintains an allowance for doubtful accounts receivable to account for estimated losses resulting from the inability of its customers to make required payments for products and services. Specific customer provisions are made when a review of significant outstanding amounts, utilizing information about customer creditworthiness and current economic trends, indicates that collection is doubtful. In addition, provisions are made at differing rates, based upon the age of the receivable and the Company's past collection experience. The allowance for doubtful accounts receivable was \$6.4 million at December 31, 2016 and \$4.6 million at December 31, 2015. The Company also maintains a reserve for potential credit memos and disputed items. The credit memo and disputed items reserve is based on historical credit memos relative to billings as well as specific customer reserves and was \$9.3 million at December 31, 2016 and \$8.3 million at December 31, 2015. The Company's estimates of the recoverability of accounts receivable could change, and additional changes to the allowance could be necessary in the future, if any major customer's creditworthiness deteriorates or actual defaults are higher than the Company's historical experience.

Share-Based Compensation

Prior to the Separation, RRD maintained an incentive share-based compensation program for the benefit of its officers, directors, and certain employees including certain Donnelley Financial employees. In periods prior to the Separation, share-based compensation expense has been allocated to the Company based on the awards and terms previously granted to the Company's employees as well as an allocation of compensation expense related to RRD's corporate and shared functional employees.

Subsequent to the Separation, the amount of expense recognized for share-based awards is determined by the Company's estimates of several factors, including future forfeitures of awards and expected volatility of the Company's stock. The total compensation expense related to all share-based compensation plans was \$2.5 million for the year ended December 31, 2016. See Note 15, *Share-based Compensation*, to the Consolidated and Combined Financial Statements for further discussion.

Off-Balance Sheet Arrangements

Other than non-cancelable operating lease commitments, the Company does not have off-balance sheet arrangements, financings or special purpose entities.

Financial Review

In the financial review that follows, the Company discusses its consolidated and combined results of operations, cash flows and certain other information. In periods prior to the Separation, the combined financial statements were prepared on a stand-alone basis and were derived from RRD's consolidated financial statements and accounting records. There are limitations inherent in the preparation of all carve out financial statements due to the fact that the Company's business was previously part of a larger organization. This discussion should be read in conjunction with the Company's consolidated and combined financial statements and the related notes.

Results of Operations for the Year Ended December 31, 2016 as Compared to the Year Ended December 31, 2015

The following table shows the results of operations for the years ended December 31, 2016 and 2015:

	2016	2015	\$ Change	% Change
	(in millions, except percentages)			
Services net sales	\$ 598.6	\$ 628.6	\$ (30.0)	(4.8%)
Products net sales	384.9	420.9	(36.0)	(8.6%)
Net sales	983.5	1,049.5	(66.0)	(6.3%)
Services cost of sales (exclusive of depreciation and amortization)	297.1	291.9	5.2	1.8%
Services cost of sales with RRD affiliates (exclusive of depreciation and amortization)	37.8	40.4	(2.6)	(6.4%)
Products cost of sales (exclusive of depreciation and amortization)	226.2	230.9	(4.7)	(2.0%)
Products cost of sales with RRD affiliates (exclusive of depreciation and amortization)	57.9	68.3	(10.4)	(15.2%)
Cost of sales	619.0	631.5	(12.5)	(2.0%)
Selling, general and administrative expenses (exclusive of depreciation and amortization)	209.8	199.2	10.6	5.3%
Restructuring, impairment and other charges-net	5.4	4.4	1.0	22.7%
Depreciation and amortization	43.3	41.7	1.6	3.8%
Income from operations	<u>\$ 106.0</u>	<u>\$ 172.7</u>	<u>\$ (66.7)</u>	(38.6%)

Consolidated and Combined

Net sales of services for the year ended December 31, 2016 decreased \$30.0 million, or 4.8%, to \$598.6 million, versus the year ended December 31, 2015 including a \$3.1 million, or 0.5%, decrease due to changes in foreign exchange rates. Additionally, net sales of services decreased due to lower capital markets transactions and compliance volume, partially offset by increased volume in virtual data room services, translation services and mutual fund content management services.

Net sales of products for the year ended December 31, 2016 decreased \$36.0 million, or 8.6%, to \$384.9 million versus the year ended December 31, 2015, including a \$2.3 million, or 0.5%, decrease due to changes in foreign exchange rates. Additionally, net sales of products decreased due to lower volume in capital markets transactions, compliance, commercial print and mutual funds print and price pressures in investment markets.

Services cost of sales increased \$2.6 million, or 0.8%, for the year ended December 31, 2016, versus the year ended December 31, 2015. Services cost of sales increased primarily due to an increase in the allocation of information technology expenses from selling, general and administrative expenses to cost of sales, partially offset by lower capital markets transactions and compliance volume and cost control initiatives. As a percentage of net sales, services cost of sales increased 3.0% primarily due to unfavorable mix and wage and other inflation, partially offset by cost control initiatives.

Products cost of sales decreased \$15.1 million, or 5.0%, for the year ended December 31, 2016, versus the year ended December 31, 2015. Products cost of sales decreased primarily due to lower print volumes and cost control initiatives, partially offset by wage and other inflationary increases. As a percentage of net sales, products cost of sales increased 2.7% primarily due to unfavorable mix, price pressures and wage and other inflation.

Selling, general and administrative expenses for the year ended December 31, 2016 increased \$10.6 million, or 5.3%, to \$209.8 million, as compared to the year ended December 31, 2015, primarily due to an increase in expenses incurred to operate as an independent public company, including selling expenses and spin-off related transaction expenses, partially offset by an increase in the allocation of information technology expenses from selling, general and administrative expenses to cost of sales. As a percentage of net sales, selling, general, and administrative expenses increased from 19.0% for the year ended December 31, 2015 to 21.3% for year ended December 31, 2016 due to lower volume and spin-off related transaction expenses.

For the year ended December 31, 2016, the Company recorded net restructuring, impairment and other charges of \$5.4 million compared to \$4.4 million for the year ended December 31, 2015. For the year ended December 31, 2016, these charges included \$3.7 million of employee termination costs for 84 employees, substantially all of whom were terminated as of December 31, 2016. These charges primarily related to the reorganization of certain administrative functions. During the year ended December 31, 2016, the Company also incurred \$1.5 million of lease termination and other restructuring costs and \$0.2 million for other charges associated with the Company's decision to withdraw in 2013 from certain multi-employer pension plans serving facilities that continued to operate. For the year ended December 31, 2015, these charges included \$2.3 million of employee termination costs for 64 employees, all of whom were terminated as of December 31, 2016. These charges were primarily the result of the reorganization of certain administrative functions. The Company also incurred lease termination and other restructuring charges of \$1.9 million and other charges of \$0.2 million associated with the Company's decision to withdraw in 2013 from certain multi-employer pension plans during the year ended December 31, 2015.

Depreciation and amortization for the year ended December 31, 2016 increased \$1.6 million, or 3.8%, to \$43.3 compared to the year ended December 31, 2015. Depreciation and amortization included \$14.4 million and \$15.4 million of amortization of other intangible assets related to customer relationships, trade names and non-compete agreements for the years ended December 31, 2016 and 2015, respectively.

Income from operations for the year ended December 31, 2016 decreased \$66.7 million, or 38.6%, to \$106.0 million versus the year ended December 31, 2015, due to a decrease in capital markets transactions, lower compliance and mutual funds print volume and spin-off related transaction expenses, partially offset by an increase in virtual data room, translation and mutual fund content management services and cost control initiatives.

	2016	2015	\$ Change	% Change
	(in millions, except percentages)			
Interest expense-net	\$ 11.7	\$ 1.1	\$ 10.6	963.6%

Net interest expense increased by \$10.6 million for the year ended December 31, 2016 versus the year ended December 31, 2015, primarily due to the issuance of debt in connection with the Separation. Refer to "Liquidity and Capital Resources" for further discussion.

	2016	2015	\$ Change	% Change
	(in millions, except percentages)			
Earnings before income taxes	\$ 94.3	\$ 171.7	\$ (77.4)	(45.1%)
Income tax expense	35.2	67.4	(32.2)	(47.8%)
Effective income tax rate	37.3%	39.3%		

The effective income tax rate was 37.3% for the year ended December 31, 2016 compared to 39.3% for the year ended December 31, 2015. The decrease in the effective tax rate from 2015 to 2016 is primarily the result of the reversal of certain international valuation allowances, partially offset by additional tax reserves recorded during 2016.

Information by Segment

The following tables summarize net sales, income (loss) from operations and certain items impacting comparability within each of the operating segments and Corporate.

U.S.

	Year Ended December 31,	
	2016	2015
	(in millions, except percentages)	
Net sales	\$ 845.2	\$ 900.8
Income from operations	118.4	160.3
Operating margin	14.0%	17.8%
Restructuring, impairment and other charges-net	4.7	3.5
Spin-off related transaction expenses	0.3	—

Reporting unit	Net Sales for the			
	Year Ended December 31,		\$ Change	% Change
	2016	2015		
	(in millions, except percentages)			
Capital Markets	\$ 466.1	\$ 517.4	\$ (51.3)	(9.9%)
Investment Markets	336.1	339.3	(3.2)	(0.9%)
Language Solutions and other	43.0	44.1	(1.1)	(2.5%)
Total U.S.	\$ 845.2	\$ 900.8	\$ (55.6)	(6.2%)

Net sales for the U.S. segment for the year ended December 31, 2016 were \$845.2 million, a decrease of \$55.6 million, or 6.2%, compared to the year ended December 31, 2015. Net sales decreased primarily due to lower capital markets transactions and compliance volume, lower commercial and mutual funds print volume and price pressures in investment markets, partially offset by an increase in virtual data room, translation and mutual fund content management services. An analysis of net sales for the U.S segment by reporting unit follows:

- Capital Markets: Sales decreased due to lower transactional and compliance volumes, partially offset by an increase in virtual data room services.
- Investment Markets: Sales decreased slightly due to lower mutual funds print volume and price pressures, partially offset by an increase in content management services.
- Language Solutions and other: Sales decreased due to lower commercial print volume, mostly offset by higher translations services volume.

U.S. segment income from operations for the year ended December 31, 2016 decreased \$41.9 million, or 26.1%, as compared to the year ended December 31, 2015, primarily due to decreases in capital markets volumes, price pressures in investment markets and wage and other inflation, partially offset by an increase in virtual data room, translation and mutual fund content management services and cost control initiatives.

Operating margins decreased from 17.8% for the year ended December 31, 2015 to 14.0% for the year ended December 31, 2016 due to unfavorable mix driven by lower capital markets transactions, partially offset by cost control initiatives.

International

	Year Ended December 31,	
	2016	2015
	(in millions, except percentages)	
Net sales	\$ 138.3	\$ 148.7
Income from operations	9.6	15.3
Operating margin	6.9%	10.3%
Restructuring, impairment and other charges-net	0.6	0.9

Net sales for the International segment for the year ended December 31, 2016 were \$138.3 million, a decrease of \$10.4 million, or 7.0%, compared to the year ended December 31, 2015 including a \$5.4 million, or 3.6%, decrease due to changes in foreign exchange rates. Additionally, net sales decreased primarily due to lower capital markets transactions and compliance volumes, partially offset by an increase in translations and virtual data room services.

International segment income from operations for the year ended December 31, 2016 decreased \$5.7 million, or 37.3%, compared to the year ended December 31, 2015, primarily due to the decline in capital markets transactions and compliance volumes and wage and other inflation increases, partially offset by cost control initiatives and lower incentive compensation expense.

Operating margins decreased from 10.3% for the year ended December 31, 2015 to 6.9% for the year ended December 31, 2016 due to lower capital markets transactions, partially offset by cost control initiatives and lower incentive compensation expense.

Corporate

The following table summarizes unallocated operating expenses and certain items impacting comparability within the activities presented as Corporate:

	Year Ended December 31,	
	2016	2015
	(in millions)	
Operating expenses	\$ 22.0	\$ 2.9
Spin-off related transaction expenses	4.6	—
Share-based compensation expense	2.5	1.6
Restructuring, impairment and other charges-net	0.1	—

Corporate operating expenses for the year ended December 31, 2016 increased \$19.1 million versus the year ended December 31, 2015 due to higher employee compensation costs incurred to operate as an independent public company, spin-off related transaction expenses, and an increase in bad debt and share-based compensation expense.

Results of Operations for the Year Ended December 31, 2015 as Compared to the Year Ended December 31, 2014

The following table shows the results of operations for the year ended December 31, 2015 and 2014, which reflects the results of acquired businesses from the relevant acquisition dates:

	2015	2014	\$ Change	% Change
	(in millions, except percentages)			
Services net sales	\$ 628.6	\$ 638.2	\$ (9.6)	(1.5%)
Products net sales	420.9	441.9	(21.0)	(4.8%)
Net sales	1,049.5	1,080.1	(30.6)	(2.8%)
Services cost of sales (exclusive of depreciation and amortization)	291.9	301.2	(9.3)	(3.1%)
Services cost of sales with RRD affiliates (exclusive of depreciation and amortization)	40.4	39.3	1.1	2.8%
Products cost of sales (exclusive of depreciation and amortization)	230.9	236.3	(5.4)	(2.3%)
Products cost of sales with RRD affiliates (exclusive of depreciation and amortization)	68.3	76.5	(8.2)	(10.7%)
Cost of sales	631.5	653.3	(21.8)	(3.3%)
Selling, general and administrative expenses (exclusive of depreciation and amortization)	199.2	290.5	(91.3)	(31.4%)
Restructuring, impairment and other charges-net	4.4	4.8	(0.4)	(8.3%)
Depreciation and amortization	41.7	40.7	1.0	2.5%
Income from operations	\$ 172.7	\$ 90.8	\$ 81.9	90.2%

Combined

Net sales of services for the year ended December 31, 2015 decreased \$9.6 million, or 1.5%, to \$628.6 million, versus the year ended December 31, 2014 including an \$8.7 million, or 1.4%, decrease due to changes in foreign exchange rates. Additionally, net sales of services decreased due to lower capital market transactions volume, partially offset by volume growth in translation services, virtual data room services and mutual fund content management services.

Net sales of products for the year ended December 31, 2015 decreased \$21.0 million, or 4.8%, to \$420.9 million versus the year ended December 31, 2014, including a \$6.8 million, or 1.5%, decrease due to changes in foreign exchange rates. The decline in net sales of products was primarily due to lower healthcare and mutual funds print volume, price pressures in Investment Markets and lower commercial print volume.

Services cost of sales decreased \$8.2 million, or 2.4% for the year ended December 31, 2015, versus the prior year. Services cost of sales decreased due to lower capital market transactions volume in both segments and cost savings initiatives, partially offset by wage and other cost inflation and higher translation services volume. As a percentage of net sales, services cost of sales decreased 0.5% primarily due to cost savings initiatives that more than offset wage and other cost inflation.

Products cost of sales decreased \$13.6 million or 4.3% for the year ended December 31, 2015, versus the prior year. Products cost of sales decreased primarily due to lower print volume and cost savings initiatives, partially offset by wage and other inflationary increases. As a percentage of net sales, products cost of sales increased 0.3% primarily due to wage and other cost inflation that was mostly offset by cost reductions.

Selling, general and administrative expenses decreased \$91.3 million, or 31.4%, to \$199.2 million, for the year ended December 31, 2015, as compared to the year ended December 31, 2014, primarily due to the 2014 impact of the pension settlement charge of \$95.7 million and cost control initiatives, partially offset by the impact of the sale of a building of \$6.1 million in 2014. As a percentage of net sales, selling, general, and administrative expenses decreased 7.9 percentage points to 19.0%. The impact of the 2014 pension settlement charge and gain on sale of a building drove a decrease of 8.3 percentage points, which was partially offset by the impact of lower volume and price pressures.

For the year ended December 31, 2015, the Company recorded net restructuring, impairment and other charges of \$4.4 million, as compared to \$4.8 million in the year ended December 31, 2014. In 2015, these charges included \$2.3 million of employee termination costs for 64 employees, all of whom were terminated as of December 31, 2016. These charges were primarily the result of the reorganization of certain administrative functions. The Company also incurred lease termination and other restructuring charges of \$1.9 million and other charges of \$0.2 million associated with the Company's decision to withdraw in 2013 from certain multi-employer pension plans during the year ended December 31, 2015. The 2014 charges included lease termination and other restructuring charges of \$2.1 million and charges of \$1.7 million for the impairment of an acquired customer relationship intangible asset in 2014. The Company also incurred \$0.7 million of employee termination costs as a result of the integration of MultiCorpora and the reorganization of certain operations and other charges of \$0.3 million associated with the Company's decision to withdraw in 2013 from certain multi-employer pension plans during the year ended December 31, 2014.

Depreciation and amortization increased \$1.0 million, or 2.5%, to \$41.7 million for the year ended December 31, 2015 compared to the year ended December 31, 2014. Depreciation and amortization included \$15.4 million and \$16.6 million, respectively, of amortization of other intangible assets related to customer relationships, trade names, and non-compete agreements for the years ended December 31, 2015 and 2014.

Income from operations for the year ended December 31, 2015 increased \$81.9 million or 90.2% to \$172.7 million versus the year ended December 31, 2014, due to the favorable impact of the prior year pension settlement charges of \$95.7 million, higher translation services in both segments and cost control initiatives that were more than partially offset by the unfavorable impact of the prior year sale of a building of \$6.1 million, price pressures and lower volume in capital market transactions across both segments and domestic investment management volume.

	2015	2014	\$ Change	% Change
	(in millions, except percentages)			
Interest expense-net	\$ 1.1	\$ 1.5	\$ (0.4)	(26.7%)
Investment and other income-net	0.1	3.1	(3.0)	(96.8%)

Net interest expense decreased by \$0.4 million for the year ended December 31, 2015 versus the year ended December 31, 2014, primarily due to a decrease in average outstanding debt with an RRD affiliate.

Net investment and other income for the year ended December 31, 2015 decreased \$3.0 million versus the year ended December 31, 2014, due to the impact of a 2014 gain on the sale of an equity investment.

	2015	2014	\$ Change	% Change
	(in millions, except percentages)			
Income before income taxes	\$ 171.7	\$ 92.4	\$ 79.3	85.8%
Income tax expense	67.4	35.0	32.4	92.6%
Effective income tax rate	39.3%	37.9%		

The effective income tax rate for the year ended December 31, 2015 was 39.3%, as compared to 37.9% for the year ended December 31, 2014. This increase resulted from a lower proportion of taxable earnings in international jurisdictions which have lower statutory tax rates than the U.S., for the year ended December 31, 2015.

Information by Segment

The following tables summarize net sales, income (loss) from operations and certain items impacting comparability within each of the operating segments and Corporate.

U.S.

	Year Ended December 31,	
	2015	2014
	(in millions, except percentages)	
Net sales	\$ 900.8	\$ 916.3
Income from operations	160.3	175.7
Operating margin	17.8%	19.2%
Restructuring, impairment and other charges-net	3.5	2.5
Gain on sale of building	—	6.1

Reporting unit	Net Sales for the Year Ended December 31		\$ Change	% Change
	2015	2014		
	(in millions, except percentages)			
Capital Markets	\$ 517.4	\$ 526.8	\$ (9.4)	(1.8%)
Investment Markets	339.3	348.0	(8.7)	(2.5%)
Language Solutions and other	44.1	41.5	2.6	6.3%
Total U.S.	\$ 900.8	\$ 916.3	\$ (15.5)	(1.7%)

Net sales for the U.S. segment for the year ended December 31, 2015 were \$900.8 million, a decrease of \$15.5 million, or 1.7%, compared to the year ended December 31, 2014. Net sales decreased due to lower capital markets and investment markets volume and price pressures. An analysis of net sales for the U.S. segment by reporting unit follows:

- Capital Markets: Sales decreased primarily due to lower transactional and data and analytics volume, partially offset by an increase in compliance and virtual data room services.
- Investment Markets: Sales decreased due to lower healthcare and mutual funds volume and price pressures, partially offset by an increase in content management services volume.
- Language Solutions and other: Sales increased due to higher translation services volume, mostly offset by lower commercial print volume.

U.S. segment income from operations decreased \$15.4 million or 8.8% for the year ended December 31, 2015 as compared to the year ended December 31, 2014 primarily due to the 2014 \$6.1 million gain on a sale of a building, the decreases in capital markets transactions volume and investment markets volume, as well as price pressures, partially offset by the impact of cost control initiatives.

Operating margins for the year ended December 31, 2015 decreased from 19.2% to 17.8% for the year ended December 31, 2015 as compared to the year ended December 31, 2014. The 2014 building sale and higher restructuring, impairment and other charges negatively impacted margins by 0.8 percentage points in 2015 compared to 2014. Operating margins also decreased due to the lower capital markets transactions volume, unfavorable mix and price pressures, partially offset by the impact of cost control initiatives.

International

	Year Ended December 31,	
	2015	2014
	(in millions, except percentages)	
Net sales	\$ 148.7	\$ 163.8
Income from operations	15.3	17.2
Operating margin	10.3%	10.5%
Restructuring, impairment and other charges-net	0.9	2.3

Net sales for the International segment for the year ended December 31, 2015 were \$148.7 million, a decrease of \$15.1 million, or 9.2%, compared to the year ended December 31, 2014 including a \$15.5 million, or 9.5% decrease due to changes in foreign exchange rates. In addition, an increase in international translation services and compliance volume was partially offset by a decline in capital market transactions volume.

International segment income from operations decreased \$1.9 million or 11.0% compared to the year ended December 31, 2014 due to the decline in capital markets transactions volume and the impact of foreign exchange rates, partially offset by increased volume in translation services, cost control initiatives, and lower restructuring, impairment and other charges.

Operating margins decreased slightly from 10.5% for the year ended December 31, 2014 to 10.3% for the year ended December 31, 2015, as the reduced volume in capital markets transactions was largely offset by cost control actions and lower restructuring, impairment and other charges.

Corporate

The following table summarizes unallocated operating expenses and certain items impacting comparability within the activities presented as Corporate:

	Year Ended December 31,	
	2015	2014
	(in millions)	
Operating expenses	\$ 2.9	\$ 102.1
Share-based compensation expense	1.6	2.1
Pension settlement charges	—	95.7

Corporate operating expenses in the year ended December 31, 2015 were \$2.9 million, a decrease of \$99.2 million compared to the year ended December 31, 2014. The decrease was driven by the favorable impact of \$95.7 million related to the 2014 pension settlement charge described above and lower employee benefit costs.

Liquidity and Capital Resources

Prior to the Separation, RRD provided financing, cash management and other treasury services to Donnelley Financial. The Company's cash balances were swept by RRD and the Company received funding from RRD for operating and investing needs. Cash transferred to and from RRD was recorded as intercompany payables and receivables which are reflected in the net parent company investment in the consolidated and combined financial statements. Subsequent to the Separation, the Company no longer participates in cash management and funding arrangements with RRD.

The Company believes it has sufficient liquidity to support its ongoing operations and to invest in future growth to create value for its shareholders. Cash on hand, operating cash flows and the Company's \$300.0 million senior secured revolving credit facility (the "Revolving Facility") are the primary sources of liquidity and are expected to be used for, among other things, payment of interest and principal on the Company's debt obligations, capital expenditures necessary to support productivity improvement and growth, acquisitions and completion of restructuring programs.

The following describes the Company's cash flows for the years ended December 31, 2016 and 2015.

Cash Flows From Operating Activities

Operating cash inflows are largely attributable to sales of the Company's services and products. Operating cash outflows are largely attributable to recurring expenditures for labor, rent, raw materials and other operating activities. Allocations of operating expenses from RRD are also reflected as operating cash inflows or outflows, including those for pension costs and current income taxes payable.

Net cash provided by operating activities was \$106.0 million for the year ended December 31, 2016 compared to \$120.9 million for the year ended December 31, 2015. The decrease in net cash provided by operating activities reflected lower profitability, a decrease in pension plan income allocations, which were treated as cash in periods prior to the Separation, and timing of payments for employee-related liabilities and suppliers, partially offset by timing of cash collections.

Cash Flows Used For Investing Activities

Net cash used in investing activities was \$29.3 million for the year ended December 31, 2016 compared to \$37.1 million for the year ended December 31, 2015. Capital expenditures were \$26.2 million during the year ended December 31, 2016, a decrease of \$0.9 million as compared to the same period of 2015. Net cash used in investing activities for the year ended December 31, 2016 also included \$3.5 million used for the purchase of investments compared to \$10.0 million used to purchase an equity investment for the year ended December 31, 2015.

Cash Flows Used For Financing Activities

Net cash used in financing activities for the year ended December 31, 2016 was \$60.0 million compared to \$94.8 million for the year ended December 31, 2015. The decrease in net cash used in financing activities reflected \$348.2 million of proceeds from the issuance of long-term debt, offset by \$50.0 million in payments on long-term debt and a \$284.1 million increase in net transfers to RRD and its affiliates in connection with the Separation.

Contractual Cash Obligations and Other Commitments and Contingencies

In connection with the Separation, the Company entered into transition services agreements with RRD, covering certain support and back office services that the Company has historically received from RRD. Under the terms of the agreements, RRD will provide various services, including information technology, accounts receivable, accounts payable, payroll and other financial and administrative services and functions. The Company also entered into a transition services agreement with LSC, pursuant to which LSC will provide certain services to the Company. The services under the transition services agreements generally extend for up to 24 months following the Separation.

The Company entered into a number of commercial and other arrangements with RRD and its subsidiaries. These include, among other things, arrangements for the provision of services, including global outsourcing and logistics services, printing and binding, digital printing, composition, premedia and access to technology. The Company also entered into a number of commercial and other arrangements with LSC and its subsidiaries, pursuant to which LSC will print and bind products for the Company. The terms of the arrangements with RRD and LSC do not exceed 24 months following the Separation.

The following table quantifies the Company's future contractual obligations as of December 31, 2016:

	Payments Due In						
	Total	2017	2018	2019	2020	2021	Thereafter
	(in millions)						
Debt (a)	\$ 600.0	\$ —	\$ —	\$ 6.9	\$ 17.5	\$ 17.5	\$ 558.1
Interest due on debt	361.4	39.7	39.7	39.7	39.1	38.2	165.0
Operating leases (b)	137.6	33.5	23.3	17.4	12.9	11.4	39.1
Outsourced services (c)	34.3	31.0	1.9	0.7	0.7	—	—
Deferred compensation	40.0	12.5	4.9	5.9	1.6	1.3	13.8
Multi-employer pension plan withdrawal obligations	6.4	0.4	0.4	0.4	0.4	0.4	4.4
Incentive compensation	4.5	4.5	—	—	—	—	—
Pension and other postretirement benefits plan contributions (d)	4.8	2.3	2.5	—	—	—	—
Other (e)	11.7	10.9	0.8	—	—	—	—
Total as of December 31, 2016	<u>\$ 1,200.7</u>	<u>\$ 134.8</u>	<u>\$ 73.5</u>	<u>\$ 71.0</u>	<u>\$ 72.2</u>	<u>\$ 68.8</u>	<u>\$ 780.4</u>

- (a) Excludes unamortized debt issuance costs of \$11.3 million and a discount of \$1.7 million which do not represent contractual commitments with a fixed amount or maturity date.
- (b) Operating leases include obligations to landlords.
- (c) Includes information technology, professional, maintenance and other outsourced services.
- (d) Includes estimated pension and other postretirement benefits plan contributions for 2017 and 2018 and does not include the obligations for subsequent periods, as the Company is unable to reasonably estimate the ultimate amounts.
- (e) Other includes purchases of property, plant and equipment of \$4.5 million, commercial agreement obligations of \$1.8 million, employee restructuring-related severance payments of \$1.6 million and miscellaneous other obligations.

Liquidity

The Company maintains cash pooling structures that enable participating international locations to draw on the pools' cash resources to meet local liquidity needs. Foreign cash balances may be loaned from certain cash pools to U.S. operating entities on a temporary basis in order to reduce the Company's short-term borrowing costs or for other purposes.

Cash and cash equivalents were \$36.2 million as of December 31, 2016, an increase of \$21.1 million as compared to December 31, 2015.

Cash and cash equivalents of \$36.2 million at December 31, 2016 included \$19.4 million in the U.S. and \$16.8 million at international locations. The Company has not recognized deferred tax liabilities related to taxes on foreign earnings as foreign earnings are considered to be permanently reinvested. Certain cash balances of foreign subsidiaries may be subject to U.S. or local country taxes if repatriated to the U.S. In addition, repatriation of some foreign cash balances is further restricted by local laws. Management regularly evaluates whether foreign earnings are expected to be permanently reinvested. This evaluation requires judgment about the future operating and liquidity needs of the Company and its foreign subsidiaries. Changes in economic and business conditions, foreign or U.S. tax laws, or the Company's financial situation could result in changes to these judgments and the need to record additional tax liabilities.

The Separation and Distribution Agreement includes a provision for RRD to make a future cash payment of \$68.0 million to Donnelley Financial no later than April 1, 2017, which is included on the consolidated and combined balance sheet as of December 31, 2016.

On September 30, 2016, in connection with the Separation, the Company entered into a \$350.0 million senior secured term loan B facility (the "Term Loan Credit Facility") and the Revolving Facility. The Company will use the proceeds of the \$68.0 million receivable from RRD to reduce outstanding debt under the Term Loan Credit Facility.

As of December 31, 2016, there were no borrowings under the Revolving Facility. Based on the Company's results of operations for the year ended December 31, 2016 and existing debt, the Company would have had the ability to utilize \$153.7 million of the \$300.0 million Revolving Facility and not have been in violation of the terms of the agreement. The current availability under the Revolving Facility and net available liquidity as of December 31, 2016 is shown in the table below:

	December 31, 2016
Availability	(in millions)
Revolving Facility	\$ 300.0
Availability reduction from covenants	145.4
	<u>\$ 154.6</u>
Usage	
Borrowings under the Revolving Facility	-
Impact on availability related to outstanding letters of credit	0.9
	<u>\$ 0.9</u>
 Current availability at December 31, 2016	 \$ 153.7
Cash	36.2
Net Available Liquidity	<u>\$ 189.9</u>

The Company was in compliance with its debt covenants as of December 31, 2016, and expects to remain in compliance based on management's estimates of operating and financial results for 2017 and the foreseeable future. However, declines in market and economic conditions or demand for certain of the Company's products and services could impact the Company's ability to remain in compliance with its debt covenants in future periods. As of December 31, 2016, the Company met all the conditions required to borrow under the Credit Agreement and management expects the Company to continue to meet the applicable borrowing conditions.

The failure of a financial institution supporting the Revolving Facility would reduce the size of the Company's committed facility unless a replacement institution was added. As of December 31, 2016, the Revolving Facility is supported by seventeen U.S. and international financial institutions.

As of December 31, 2016, the Company had \$1.4 million in outstanding letters of credit and bank guarantees, of which \$0.9 million reduced the availability under the Revolving Facility.

The Company's liquidity may be affected by its credit ratings. The Company's S&P and Moody's credit ratings as of December 31, 2016 are shown in the table below:

	S&P	Moody's
Ratings		
Long-term corporate credit rating	BB-	B1
Senior unsecured debt	BB-	B3
Credit Agreement	BB-	B1
Outlook	Stable	Stable

Debt Issuances

On September 30, 2016, the Company issued \$300 million of 8.250% Senior Notes (the "Notes") due October 15, 2024. Interest on the Senior Notes is due semi-annually on April 15 and October 15, commencing on April 15, 2017. The Notes were issued to RRD for the transfer to the Company of RRD's financial communications and data services business on September 30, 2016. RRD transferred the Notes on September 30, 2016 to J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc. and MUFG Securities Americas Inc. (the "Selling Noteholders"), in exchange for certain outstanding debt securities of RRD that the Selling Noteholders had acquired from other holders of RRD debt securities.

The Notes were issued pursuant to an indenture where certain wholly-owned domestic subsidiaries of the Company guarantee the Senior Notes (the "Guarantors"). The Notes are jointly and severally guaranteed, on an unsecured basis, by the Guarantors, which are comprised of each of the Company's existing and future direct and indirect wholly-owned U.S. subsidiaries that guarantee the Company's obligations under the Credit Facilities. The Notes are not guaranteed by the Company's foreign subsidiaries or unrestricted subsidiaries. The Notes and the related guarantees will be the Company and the Guarantors', respective, senior unsecured obligations and will rank equally in right of payment to all present and future senior debt, including the obligations under the Company's Credit Facilities, senior in right of payment to all present and future subordinated debt, and effectively subordinated in right of payment to any of the Company and the Guarantors' secured debt, to the extent of the value of the assets securing such debt. The indenture governing the Notes contains certain covenants applicable to the Company and its restricted subsidiaries, including limitations on: (1) liens; (2) indebtedness; (3) mergers, consolidations and acquisitions; (4) sales, transfers and other dispositions of assets; (5) loans and other investments; (6) dividends and other distributions, stock repurchases and redemptions and other restricted payments; (7) restrictions affecting subsidiaries; (8) transactions with affiliates; and (9) designations of unrestricted subsidiaries. Each of these covenants is subject to important exceptions and qualifications.

In connection with the offering of the Notes, the Company entered into a registration rights agreement, dated as of September 30, 2016 (the "Registration Rights Agreement"), pursuant to which the Company agreed to file a registration statement with the SEC with respect to an offer to exchange the Notes for registered notes which will have terms identical in all material respects to the Notes except that the registered notes will not contain terms that provide for restrictions on transfer, and use its reasonable best efforts to cause the exchange offer registration statement to be declared effective by the SEC by June 27, 2017. In certain circumstances, the Company may be required to file a shelf registration statement with the SEC registering the resale of the Notes by the holders thereof, in lieu of an exchange offer to such holders. The Company will be required to pay specified additional interest on the Notes if it fails to comply with its registration obligations under the Registration Rights Agreement.

On September 30, 2016, the Company entered into the Credit Agreement, which provided for the Credit Facilities, which included (i) a new senior secured term loan B facility in an aggregate principal amount of \$350.0 million and (ii) a new first lien senior secured revolving credit facility in an aggregate principal amount of \$300.0 million. The Credit Facilities are unconditionally and irrevocably guaranteed, jointly and severally on a senior secured basis, by certain material subsidiaries of the Company. The Credit Facilities are not guaranteed by the Company's foreign or unrestricted subsidiaries. The interest rate per annum applicable to the Term Loan Facility is equal to, at the Company's option, either a base rate plus a margin of 3.00% or LIBOR plus a margin of 4.00%. The interest rate per annum applicable to revolving loans under the Revolving Credit Facility is equal to a base rate plus a margin ranging from 1.125% to 1.750%, or LIBOR plus a margin ranging from 2.125% to 2.750%, in either case based upon the consolidated leverage ratio of the Company and its restricted subsidiaries. The LIBOR rate with respect to the Term Loan Facility is subject to a "floor" of 1%. The Term Loan Facility will mature on September 30, 2023 and the Revolving Credit Facility will mature on September 30, 2021.

The Credit Agreement contains a number of covenants, including, but not limited to, a minimum Interest Coverage Ratio and the Consolidated Leverage Ratio, as defined in and calculated pursuant to the Credit Agreement, that, in part, restrict the Company's ability to incur additional indebtedness, create liens, engage in mergers and consolidations, make restricted payments and dispose of certain assets. The Credit Agreement generally allows annual dividend payments of up to \$15 million in aggregate, though additional dividends may be allowed subject to certain conditions. Each of these covenants is subject to important exceptions and qualifications.

The Company used the net proceeds from the Term Loan Facility to fund a cash dividend to RRD in connection with the separation and to pay fees and expenses related to the separation from RRD. The Company intends to use any additional borrowings under the Credit Facilities for general corporate purposes, including the financing of permitted investments.

There were no borrowings under the Revolving Facility as of December 31, 2016.

Risk Management

The Company is exposed to interest rate risk on its variable debt. At December 31, 2016, the Company's exposure to rate fluctuations on variable-interest borrowings was \$300.0 million.

The Company assesses market risk based on changes in interest rates utilizing a sensitivity analysis that measures the potential loss in earnings, fair values and cash flows based on a hypothetical 10% change in interest rates. Using this sensitivity analysis, such changes would not have a material effect on interest income or expense and cash flows and would change the fair values of fixed-rate debt at December 31, 2016 by approximately \$13.2 million, or 4.4%.

The Company is exposed to the impact of foreign currency fluctuations in certain countries in which it operates. The exposure to foreign currency movements is limited in many countries because the operating revenues and expenses of its various subsidiaries and business units are substantially in the local currency of the country in which they operate. To the extent that borrowings, sales, purchases, revenues, expenses or other transactions are not in the local currency of the subsidiary, the Company is exposed to currency risk and may enter into foreign exchange spot and forward contracts to hedge the currency risk. The Company does not use derivative financial instruments for trading or speculative purposes.

OTHER INFORMATION

Litigation and Contingent Liabilities

For a discussion of certain litigation involving the Company, see Note 10, *Commitments and Contingencies*, to the Consolidated and Combined Financial Statements.

New Accounting Pronouncements and Pending Accounting Standards

Recently issued accounting standards and their estimated effect on the Company's combined financial statements are described in Note 21, *New Accounting Pronouncements*, to the Consolidated and Combined Financial Statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk

The Company is exposed to potential fluctuations in earnings, cash flows, and the fair value of certain assets and liabilities due to changes in interest rates and foreign currency exchange rates. The Company manages exposure to these market risks through regular operating and financial activities and, when deemed appropriate, through the use of derivative financial instruments for risk management purposes. As a result, the Company does not anticipate any material losses from these risks. The Company was not a party to any derivative financial instrument at December 31, 2016 or 2015.

The Company discusses risk management in various places throughout this document, including discussions concerning liquidity and capital resources.

Foreign Exchange Risk

While the substantial majority of the Company's business is conducted within the U.S., approximately 14% of the Company's consolidated and combined net sales in 2016 were earned outside of the U.S. The Company has operations internationally that are denominated in foreign currencies, primarily the British Pound and Canadian dollar, exposing the Company to foreign currency exchange risk which may adversely impact financial results. The exposure to foreign currency movements is limited in many countries because the operating revenues and expenses of the Company's various subsidiaries and business units are substantially in the local currency of the country in which they operate. To the extent that borrowings, sales, purchases, revenues, expenses or other transactions are not in the local currency of the subsidiary, the Company is exposed to currency risk and may enter into foreign exchange spot and forward contracts to hedge the currency risk. The Company does not use derivative financial instruments for trading or speculative purposes.

For the year ended December 31, 2016, a hypothetical 10% strengthening of the U.S. dollar relative to multiple currencies would have resulted in a decrease in earnings before income taxes of \$0.9 million. A hypothetical 10% strengthening of the U.S. dollar relative to multiple currencies at December 31, 2016 would have resulted in a decrease in total assets of approximately \$9.4 million.

Interest Rate Risk

The Company is exposed to interest rate risk on its variable debt. At December 31, 2016, the Company's exposure to rate fluctuations on variable-interest borrowings was \$300.0 million.

The Company assesses market risk based on changes in interest rates utilizing a sensitivity analysis that measures the potential loss in earnings, fair values and cash flows based on a hypothetical 10% change in interest rates. Using this sensitivity analysis, such changes would not have a material effect on interest income or expense and cash flows and would change the fair values of fixed-rate debt at December 31, 2016 by approximately \$13.2 million, or 4.4%.

Credit Risk

The Company is exposed to credit risk on accounts receivable balances. This risk is mitigated due to the Company's large, diverse customer base, dispersed over various geographic regions and industrial sectors. No single customer comprised more than 10% of the Company's combined net sales in the years ended December 31, 2016, 2015 or 2014. The Company maintains provisions for potential credit losses and such losses to date have normally been within the Company's expectations. The Company evaluates the solvency of its customers on an ongoing basis to determine if additional allowances for doubtful accounts receivable need to be recorded. Significant economic disruptions or a slowdown in the economy could result in significant additional charges.

Commodities

The primary raw materials used by the Company are paper and ink. To reduce price risk caused by market fluctuations, the Company has incorporated price adjustment clauses in certain sales contracts. Management believes a hypothetical 10% change in the price of paper and other raw materials would not have a significant effect on the Company's combined annual results of operations or cash flows as these costs are generally passed through to its customers. However, such an increase could have an impact on our customers' demand for printed products, and we are not able to quantify the impact of such potential change in demand on our combined annual results of operations or cash flows.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial information required by Item 8 is contained in Item 15 of Part IV of this Annual Report on Form 10-K.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES**(a) Disclosure controls and procedures.**

Management, together with the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(b) and Rule 15d-15(e) of the Securities Exchange Act of 1934) as of December 31, 2016. Based on that evaluation the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of December 31, 2016.

(b) Changes in internal control over financial reporting.

This Annual Report on Form 10-K does not include a report of management's assessment regarding internal control over financial reporting or an attestation report of the Company's independent registered public accounting firm due to a transition period established by the rules of the SEC for newly public companies. In its Annual Report on Form 10-K for the year ending December 31, 2017, management and the Company's independent registered public accounting firm will be required to provide an assessment as to the effectiveness of the Company's internal control over financial reporting.

During the fourth quarter of 2016, under the supervision of and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, the Company completed certain changes to its financial reporting controls to support the separate financial reporting requirements of Donnelley Financial. There were no other changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) that occurred during the quarter ended December 31, 2016 that had materially affected, or were reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

P A R T III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF DONNELLEY FINANCIAL SOLUTIONS, INC. AND CORPORATE GOVERNANCE

Information regarding directors and executive officers of the Company is incorporated herein by reference to the descriptions under “Proposal 1: Election of Directors,” “The Board’s Committees and their Functions” and “Section 16(a) Beneficial Ownership Reporting Compliance” of the Company’s Proxy Statement for the Annual Meeting of Shareholders scheduled to be held May 18, 2017 (the “2017 Proxy Statement”).

The Company has adopted a policy statement entitled *Code of Ethics* that applies to its chief executive officer and senior financial officers. In the event that an amendment to, or a waiver from, a provision of the *Code of Ethics* is made or granted, the Company intends to post such information on its web site, www.dfsco.com. A copy of the Company’s *Code of Ethics* has been filed as Exhibit 14.1 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

EXECUTIVE OFFICERS OF DONNELLEY FINANCIAL SOLUTIONS, INC.

Name, Age and Position with the Company	Officer Since	Business Experience
Daniel N. Leib 50, Chief Executive Officer	2016	Served as RRD’s Executive Vice President and Chief Financial Officer from May 2011 to October 2016. Prior to this, served as RRD’s Group Chief Financial Officer and Senior Vice President, Mergers and Acquisitions since August 2009 and Treasurer from June 2008 to February 2010. Prior to this, served as RRD’s Senior Vice President, Treasurer, Mergers and Acquisitions and Investor Relations since July 2007. Prior to this, from May 2004 to 2007, served in various capacities in financial management, corporate strategy and investor relations.
Thomas F. Juhase 56, Chief Operating Officer	2016	Served as RRD’s President, Financial, Global Outsourcing and Document Solutions from 2010 to October 2016. He served as RRD’s President, Financial and Global Outsourcing from 2007 to 2010, as President, Global Capital Market, Financial Print Solutions from 2004 to 2007. From 1991 to 2004, Mr. Juhase served in various capacities with RRD in sales and operations in the U.S. and internationally.
David A. Gardella 47, Chief Financial Officer	2016	Served as RRD’s Senior Vice President, Investor Relations & Mergers and Acquisitions from 2011 to October 2016. He served as RRD’s Vice President, Investor Relations from 2009 to 2011 and as Vice President, Corporate Finance from 2008 to 2009. From 1992 to 2004 and then from 2005 to 2008, Mr. Gardella served in various capacities in financial management and financial planning & analysis.
Jennifer B. Reiners 50, General Counsel	2016	Served as RRD’s Senior Vice President, Deputy General Counsel from 2008 to October 2016 and as Vice President, Deputy General Counsel from 2005 to 2008. Prior to this she served in various capacities in the legal department from 1997 to 2008.
Kami S. Turner 42, Controller and Chief Accounting Officer	2016	Served as RRD’s Assistant Controller from December 2012 to October 2016. Prior to this, served as Vice President, External Reporting in 2012 and from 2009 to 2011 served in various capacities in finance at RRD.

ITEM 11. EXECUTIVE COMPENSATION

Information regarding executive and director compensation is incorporated by reference to the material under the captions “Compensation Discussion and Analysis,” “Human Resources Committee Report,” “Executive Compensation,” “Potential Payments Upon Termination or Change in Control,” and “Director Compensation” of the 2017 Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information regarding security ownership of certain beneficial owners and management is incorporated herein by reference to the material under the heading “Stock Ownership” of the 2017 Proxy Statement.

Equity Compensation Plan Information

Information as of December 31, 2016 concerning compensation plans under which Donnelley Financial’s equity securities are authorized for issuance was as follows:

Equity Compensation Plan Information

<u>Plan Category</u>	Number of Securities to Be Issued upon Exercise of Outstanding Options, Warrants and Rights (in thousands) (1)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b) (2)	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in Column (1)) (in thousands) (3)
Equity compensation plans approved by security holders (a)	735.7	\$ 21.48	2,588.6
(a) Includes 436,352 shares issuable upon the vesting of restricted stock units, however, excludes 156,169 of restricted stock awards as these awards are already issued under the Donnelley Financial Solutions Performance Incentive Plan as common stock.			
(b) Restricted stock units and restricted stock awards were excluded when determining the weighted-average exercise price of outstanding options, warrants and rights.			
(c) All of these shares are available for issuance under the Donnelley Financial Solutions Performance Incentive Plan. The Donnelley Financial Solutions Performance Incentive Plan allows grants in the form of cash or bonus awards, stock options, stock appreciation rights, restricted stock, stock units or combinations thereof. The maximum number of shares of common stock that may be granted with respect to bonus awards, including performance awards or fixed awards in the form of restricted stock or other form, is 3,500,000 in the aggregate, of which 2,588,619 remain available for issuance.			

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

Information regarding certain relationships and related transactions and director independence is incorporated herein by reference to the material under the heading “Certain Transactions,” “The Board’s Committees and Their Functions” and “Corporate Governance—Independence of Directors” of the 2017 Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information regarding principal accounting fees and services is incorporated herein by reference to the material under the heading “The Company’s Independent Registered Public Accounting Firm” of the 2017 Proxy Statement.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) 1. Financial Statements

The financial statements listed in the accompanying index (page F-1) to the financial statements are filed as part of this Annual Report on Form 10-K.

(b) Exhibits

The exhibits listed on the accompanying index (pages E-1 through E-3) are filed as part of this Annual Report on Form 10-K.

(c) Financial Statement Schedules omitted

Certain schedules have been omitted because the required information is included in the consolidated financial statements and notes thereto or because they are not applicable or not required.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 28th day of February 2017.

DONNELLEY FINANCIAL SOLUTIONS, INC.

By: / S / DAVID A. GARDELLA
David A. Gardella
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated, on the 28th day of February 2017.

Signature and Title

/ S / DANIEL N. LEIB

Daniel N. Leib
President and Chief Executive Officer, Director
(Principal Executive Officer)

/ S / DAVID A. GARDELLA

David A. Gardella
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

/ S / KAMI S. TURNER

Kami S. Turner
Senior Vice President and Chief Accounting Officer
(Principal Accounting Officer)

/ S / RICHARD L. CRANDALL *

Richard L. Crandall
Chairman of the Board, Director

/ S / LUIS A. AGUILAR *

Luis A. Aguilar
Director

Signature and Title

/ S / NANCY E. CALDWELL *

Nancy E. Caldwell
Director

/ S / CHARLES D. DRUCKER *

Charles D. Drucker
Director

/ S / GARY G. GREENFIELD *

Gary G. Greenfield
Director

/ S / LOIS M. MARTIN *

Lois M. Martin
Director

/ S / OLIVER R. SOCKWELL *

Oliver R. Sockwell
Director

By: / S / JENNIFER B. REINERS

Jennifer B. Reiners
As Attorney-in-Fact

* By Jennifer B. Reiners as Attorney-in-Fact pursuant to Powers of Attorney executed by the directors listed above, which Powers of Attorney have been filed with the Securities and Exchange Commission

ITEM 15(a). INDEX TO FINANCIAL STATEMENTS

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<u>Consolidated and Combined Statements of Operations for each of the three years in the period ended December 31, 2016</u>	F-2
<u>Consolidated and Combined Statements of Comprehensive Income for each of the three years in the period ended December 31, 2016</u>	F-3
<u>Consolidated and Combined Balance Sheets as of December 31, 2016 and 2015</u>	F-4
<u>Consolidated and Combined Statements of Cash Flows for each of the three years in the period ended December 31, 2016</u>	F-5
<u>Consolidated and Combined Statements of Equity for each of the three years in the period ended December 31, 2016</u>	F-6
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Donnelley Financial Solutions, Inc. and Subsidiaries (“Donnelley Financial”)
Consolidated and Combined Statements of Operations
(in millions, except per share data)

	Year Ended December 31,		
	2016	2015	2014
Services net sales	\$ 598.6	\$ 628.6	\$ 638.2
Products net sales	384.9	420.9	441.9
Total net sales	983.5	1,049.5	1,080.1
Services cost of sales (exclusive of depreciation and amortization)	297.1	291.9	301.2
Services cost of sales with RR Donnelley affiliates (exclusive of depreciation and amortization)	37.8	40.4	39.3
Products cost of sales (exclusive of depreciation and amortization)	226.2	230.9	236.3
Products cost of sales with RR Donnelley affiliates (exclusive of depreciation and amortization)	57.9	68.3	76.5
Total cost of sales	619.0	631.5	653.3
Selling, general and administrative expenses (exclusive of depreciation and amortization)	209.8	199.2	290.5
Restructuring, impairment and other charges-net	5.4	4.4	4.8
Depreciation and amortization	43.3	41.7	40.7
Income from operations	106.0	172.7	90.8
Interest expense-net	11.7	1.1	1.5
Investment and other income-net	—	(0.1)	(3.1)
Earnings before income taxes	94.3	171.7	92.4
Income tax expense	35.2	67.4	35.0
Net earnings	\$ 59.1	\$ 104.3	\$ 57.4
Net earnings per share (Note 14):			
Basic net earnings per share	\$ 1.81	\$ 3.22	\$ 1.77
Diluted net earnings per share	\$ 1.80	\$ 3.22	\$ 1.77
Weighted average number to common shares outstanding			
Basic	32.6	32.4	32.4
Diluted	32.8	32.4	32.4

See Notes to Consolidated and Combined Financial Statements

Donnelley Financial Solutions, Inc. and Subsidiaries (“Donnelley Financial”)
Consolidated and Combined Statements of Comprehensive Income
(in millions)

	Year Ended December 31,		
	2016	2015	2014
Net earnings	\$ 59.1	\$ 104.3	\$ 57.4
Other comprehensive (loss) income, net of tax:			
Translation adjustments	(0.1)	(7.5)	(2.9)
Adjustment for net periodic pension plan cost	7.1	27.5	(169.9)
Other comprehensive income (loss), net of tax	<u>7.0</u>	<u>20.0</u>	<u>(172.8)</u>
Comprehensive income (loss)	<u>\$ 66.1</u>	<u>\$ 124.3</u>	<u>\$ (115.4)</u>

See Notes to Consolidated and Combined Financial Statements

Donnelley Financial Solutions, Inc. and Subsidiaries (“Donnelley Financial”)
Consolidated and Combined Balance Sheets
(in millions, except per share data)

	December 31,	
	2016	2015
ASSETS		
Cash and cash equivalents	\$ 36.2	\$ 15.1
Receivables, less allowances for doubtful accounts of \$6.4 in 2016 (2015 - \$4.6)	156.2	146.2
Receivable from RR Donnelley	96.0	—
Inventories	24.1	22.2
Prepaid expenses and other current assets	17.1	7.3
Total current assets	329.6	190.8
Property, plant and equipment-net	35.5	33.0
Goodwill	446.4	446.8
Other intangible assets-net	54.3	69.3
Software-net	41.6	43.4
Deferred income taxes	37.0	10.6
Other noncurrent assets	34.5	23.7
Total assets	\$ 978.9	\$ 817.6
LIABILITIES		
Accounts payable	\$ 85.3	\$ 39.5
Accrued liabilities	100.7	75.4
Short-term debt	—	8.8
Total current liabilities	186.0	123.7
Long-term debt (Note 13)	587.0	—
Note payable with an RR Donnelley affiliate	—	29.2
Deferred compensation liabilities	24.4	28.5
Pension and other postretirement benefits plan liabilities	56.4	—
Other noncurrent liabilities	14.0	12.7
Total liabilities	867.8	194.1
Commitments and Contingencies (Note 10)		
EQUITY		
Preferred stock, \$0.01 par value		
Authorized: 1.0 shares; Issued: None	—	—
Common stock, \$0.01 par value		
Authorized: 65.0 shares;		
Issued: 32.6 shares in 2016	0.3	—
Additional paid-in-capital	179.9	—
Net parent company investment	—	639.5
Retained deficit	(0.8)	—
Accumulated other comprehensive loss	(68.3)	(16.0)
Total equity	111.1	623.5
Total liabilities and equity	\$ 978.9	\$ 817.6

See Notes to Consolidated and Combined Financial Statements

Donnelley Financial Solutions, Inc. and Subsidiaries (“Donnelley Financial”)
Consolidated and Combined Statements of Cash Flows
(in millions)

	Year Ended December 31,		
	2016	2015	2014
OPERATING ACTIVITIES			
Net earnings	\$ 59.1	\$ 104.3	\$ 57.4
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Impairment charges	—	—	1.7
Depreciation and amortization	43.3	41.7	40.7
Provision for doubtful accounts receivable	3.1	0.5	1.4
Share-based compensation	2.5	1.6	2.1
Deferred income taxes	(5.9)	10.2	(12.9)
Changes in uncertain tax positions	0.9	0.3	(0.3)
Gain on investments and other assets - net	0.1	—	(9.0)
Net pension and other postretirement benefits plan income	(1.0)	—	—
Loss on pension settlement	—	—	95.7
Other	1.0	0.2	0.7
Changes in operating assets and liabilities - net of acquisitions:			
Accounts receivable - net	(43.1)	(10.2)	3.9
Inventories	(1.9)	0.2	0.9
Prepaid expenses and other current assets	(7.4)	0.9	(1.1)
Accounts payable	42.3	5.1	(6.0)
Income taxes payable and receivable	(3.6)	(0.7)	1.5
Accrued liabilities and other	16.6	(33.2)	(51.4)
Net cash provided by operating activities	106.0	120.9	125.3
INVESTING ACTIVITIES			
Capital expenditures	(26.2)	(27.1)	(28.8)
Acquisition of business, net of cash acquired	—	—	(6.0)
Proceeds from sales of other assets	—	—	5.3
Purchases of investments	(3.5)	(10.0)	—
Other investing activities	0.4	—	—
Net cash used in investing activities	(29.3)	(37.1)	(29.5)
FINANCING ACTIVITIES			
Proceeds from issuance of long-term debt	348.2	—	—
Payments on long-term debt	(50.0)	—	—
Net change in short-term debt	(8.8)	(24.0)	(12.8)
Debt issuance costs	(9.3)	—	—
Payments on note payable with an RR Donnelley affiliate	—	(14.8)	(14.7)
Net transfers to Parent and affiliates	(340.1)	(56.0)	(62.9)
Net cash used in financing activities	(60.0)	(94.8)	(90.4)
Effect of exchange rate on cash and cash equivalents	4.4	(2.5)	2.0
Net increase (decrease) in cash and cash equivalents	21.1	(13.5)	7.4
Cash and cash equivalents at beginning of year	15.1	28.6	21.2
Cash and cash equivalents at end of period	\$ 36.2	\$ 15.1	\$ 28.6
Supplemental non-cash disclosure:			
Debt exchange with RR Donnelley, including \$5.5 million of debt issuance costs	\$ 300.0	\$ —	\$ —
Settlement of intercompany note payable	29.6	—	—
Accrued debt issuance costs	1.5	—	—

See Notes to Consolidated and Combined Financial Statements

Donnelley Financial Solutions, Inc. and Subsidiaries (“Donnelley Financial”)
Consolidated and Combined Statements of Equity
(in millions)

	<u>Common Stock</u>		<u>Additional Paid-in- Capital</u>	<u>Net Parent Company Investment</u>	<u>Retained Earnings (Accumulated Deficit)</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Total Equity</u>
	<u>Shares</u>	<u>Amount</u>					
Balance at January 1, 2014	—	\$ —	\$ —	\$ 1,025.5	\$ —	\$ (500.9)	\$ 524.6
Net earnings	—	—	—	57.4	—	—	57.4
Net transfers to RR Donnelley	—	—	—	(57.7)	—	—	(57.7)
Other comprehensive loss	—	—	—	—	—	(172.8)	(172.8)
Balance at December 31, 2014	—	\$ —	\$ —	\$ 1,025.2	\$ —	\$ (673.7)	\$ 351.5
Net earnings	—	—	—	104.3	—	—	104.3
Net transfers to RR Donnelley	—	—	—	(53.2)	—	—	(53.2)
Net transfer of pension plan to RR Donnelley	—	—	—	(436.8)	—	637.7	200.9
Other comprehensive income	—	—	—	—	—	20.0	20.0
Balance at December 31, 2015	—	\$ —	\$ —	\$ 639.5	\$ —	\$ (16.0)	\$ 623.5
Net earnings	—	—	—	59.9	(0.8)	—	59.1
Net transfers to RR Donnelley	—	—	—	(598.8)	—	—	(598.8)
Separation-related adjustments	—	—	—	78.0	—	(59.3)	18.7
Reclassification of net parent company investment in connection with the Separation	—	—	178.6	(178.6)	—	—	—
Issuance of common stock upon separation	32.4	0.3	—	—	—	—	0.3
Share-based compensation	—	—	1.3	—	—	—	1.3
Issuance of share-based awards, net of withholdings and other	0.2	—	—	—	—	—	—
Other comprehensive income	—	—	—	—	—	7.0	7.0
Balance at December 31, 2016	32.6	\$ 0.3	\$ 179.9	\$ —	\$ (0.8)	\$ (68.3)	\$ 111.1

See Notes to Consolidated and Combined Financial Statements

Notes to the Consolidated and Combined Financial Statements
(in millions, except per share data, unless otherwise indicated)

Note 1. Overview and Basis of Presentation

Description of Business and Separation

Donnelley Financial Solutions, Inc. (“Donnelley Financial,” or the “Company”) is a financial communications services company that supports global capital markets compliance and transaction needs for its corporate clients and their advisors (such as law firms and investment bankers) and global investment markets compliance and analytics needs for mutual fund companies, variable annuity providers and broker/dealers. With proprietary technology such as data storage and workflow collaboration tools, deep subject matter expertise and a global footprint, Donnelley Financial produces, manages, stores, distributes and translates documents and electronic communications in order to deliver timely financial communications to investors and documents in a manner that complies with regulatory commissions.

Donnelley Financial’s Registration Statement on Form 10, as amended, was declared effective by the U.S. Securities and Exchange Commission (“SEC”) on September 20, 2016. On October 1, 2016, Donnelley Financial became an independent publicly traded company through the distribution by R.R. Donnelley & Sons Company (“RRD”) of approximately 26.2 million shares, or 80.75%, of Donnelley Financial common stock to RRD shareholders (the “Separation”). Holders of RRD common stock received one share of Donnelley Financial common stock for every eight shares of RRD common stock held on September 23, 2016. RRD retained approximately 6.2 million shares of Donnelley Financial common stock, or a 19.25% interest in Donnelley Financial, as part of the Separation, but expects to dispose of the common stock that it retained in the 12-month period following the Separation. Donnelley Financial’s common stock began regular-way trading under the ticker symbol “DFIN” on the New York Stock Exchange on October 3, 2016. On October 1, 2016, RRD also completed the previously announced separation of LSC Communications, Inc. (“LSC”), its publishing and retail-centric print services and office products business.

The Company and LSC entered into a Separation and Distribution Agreement with RRD to effect the distribution of the Company’s and LSC’s common stock to R.R. Donnelley’s common stockholders. This agreement governs the Company’s relationship with RRD and LSC with respect to pre-Separation matters and provides for the allocation of employee benefit, litigation and other liabilities and obligations attributable to periods prior to the Separation. The Separation and Distribution Agreement also includes an agreement that the Company, RRD and LSC will provide each other with appropriate indemnities with respect to liabilities arising out of the businesses being distributed and retained by RRD in the Separation. The Separation and Distribution Agreement also addresses employee compensation and benefit matters.

In connection with the Separation, the Company entered into transition services agreements separately with RRD and LSC, under which, in exchange for the fees specified in the arrangements, RRD and LSC agree to provide certain services to the Company and the Company agrees to provide certain services to RRD, respectively, for up to 24 months following the Separation. These services include, but are not limited to, information technology, accounts receivable, accounts payable, payroll and other financial and administrative services and functions. These agreements facilitate the separation by allowing the Company to operate independently prior to establishing stand-alone back office systems across its organization.

The Company entered into a number of commercial and other arrangements with RRD and its subsidiaries. These include, among other things, arrangements for the provision of services, including global outsourcing and logistics services, printing and binding, digital printing, composition, premedia and access to technology. The Company also entered into a number of commercial and other arrangements with LSC and its subsidiaries, pursuant to which LSC will print and bind products for the Company. The terms of the arrangements with RRD and LSC do not exceed 24 months. Subsequent to the Separation, RRD and LSC are clients of the Company and expect to utilize financial communication software and services that the Company provides to all of its clients.

Basis of Presentation

The accompanying consolidated and combined financial statements reflect the consolidated financial position and consolidated results of operations of the Company as an independent, publicly traded company for the periods after the Separation and the combined financial position and combined results of operations for the periods prior to the Separation. Prior to the Separation, the combined financial statements were prepared on a stand-alone basis and were derived from RRD’s consolidated financial statements and accounting records. The consolidated and combined financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) and in accordance with the rules and regulations of the SEC.

Notes to the Consolidated and Combined Financial Statements
(in millions, except per share data, unless otherwise indicated)

For periods prior to the Separation, the consolidated and combined financial statements include the allocation of certain assets and liabilities that have historically been held at the RRD corporate level but which are specifically identifiable or attributable to the Company. Cash and cash equivalents held by RRD were not allocated to Donnelley Financial unless they were held in a legal entity that was transferred to Donnelley Financial. All intercompany transactions and accounts within Donnelley Financial have been eliminated. All intracompany transactions between RRD and Donnelley Financial are considered to be effectively settled in the consolidated and combined financial statements at the time the transaction is recorded. The total net effect of the settlement of these intracompany transactions is reflected in the consolidated and combined statements of cash flows as a financing activity and in the consolidated and combined balance sheets as net parent company investment. Net parent company investment is primarily impacted by contributions from RRD which are the result of treasury activities and net funding provided by or distributed to RRD.

Prior to the Separation, the consolidated and combined financial statements include certain expenses of RRD which were allocated to Donnelley Financial for certain functions, including general corporate expenses related to information technology, finance, legal, human resources, internal audit, treasury, tax, investor relations and executive oversight. These expenses were allocated to the Company on the basis of direct usage, when available, with the remainder allocated on the pro rata basis of revenue, employee headcount, or other measures. We consider the expense methodology and results to be reasonable for all periods presented. However these allocations may not be indicative of the actual expenses that would have been incurred as an independent public company or the costs that may be incurred in the future.

For periods prior to the Separation, the income tax amounts in the consolidated and combined financial statements were calculated based on a separate income tax return methodology and presented as if the Company's operations were separate taxpayers in the respective jurisdictions.

RRD maintained various benefit and share-based compensation plans at a corporate level. Donnelley Financial employees participated in those programs and a portion of the cost of those plans is included in Donnelley Financial's consolidated and combined financial statements. On October 1, 2016, Donnelley Financial recorded net pension plan liabilities of \$68.3 million (consisting of a total benefit plan liability of \$317.0 million, net of plan assets having fair market value of \$248.7 million), as a result of the transfer of certain pension plan liabilities and assets from RRD to the Company upon the legal split of those plans. The Company also recorded a net other postretirement benefit liability of \$1.5 million, as a result of the transfer of an other postretirement benefit plan from RRD to the Company. Refer to Note 11, *Retirement Plans*, for further details regarding the Company's pension and other postretirement benefit plans. Refer to Note 15, *Share Based Compensation*, for further details regarding the Company's share-based compensation plans.

Donnelley Financial generates a portion of net revenue from sales to RRD's subsidiaries. Included in the consolidated and combined financial statements are net revenues from sales to RRD and affiliates of \$19.4 million, \$7.8 million and \$8.0 million for the years ended December 31, 2016, 2015 and 2014, respectively. Donnelley Financial utilizes RRD for freight and logistics, production of certain printed products and outsourced business services functions. Included in the consolidated and combined financial statements are cost of sales to RRD and affiliates of \$95.7 million, \$108.7 million and 115.8 million for the years ended December 31, 2016, 2015 and 2014, respectively. Intercompany receivables and payables with RRD are reflected within net parent company investment in the accompanying consolidated and combined financial statements for periods prior to the Separation. See Note 20, *Related Parties*, for a further description of related party transactions.

Note 2. Significant Accounting Policies

Use of Estimates —The preparation of consolidated and combined financial statements, in conformity with GAAP, requires the extensive use of management's estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from these estimates. Estimates are used when accounting for items and matters including, but not limited to, allowance for uncollectible accounts receivable, inventory obsolescence, asset valuations and useful lives, employee benefits, taxes, restructuring and other provisions and contingencies.

Foreign Operations —Assets and liabilities denominated in foreign currencies are translated into U.S. dollars at the exchange rates existing at the respective balance sheet dates. Income and expense items are translated at the average rates during the respective periods. Translation adjustments resulting from fluctuations in exchange rates are recorded as a separate component of other comprehensive income (loss) while transaction gains and losses are recorded in net earnings. Deferred taxes are not provided on cumulative foreign currency translation adjustments when the Company expects foreign earnings to be permanently reinvested.

Notes to the Consolidated and Combined Financial Statements
(in millions, except per share data, unless otherwise indicated)

Fair Value Measurements— Certain assets and liabilities are required to be recorded at fair value on a recurring basis. Fair value is determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. The Company records the fair value of its pension plan assets on a recurring basis. See Note 11, *Retirement Plans*, for the fair value of the Company's pension plan assets as of December 31, 2016.

In addition to assets and liabilities that are recorded at fair value on a recurring basis, the Company is required to record certain assets and liabilities at fair value on a nonrecurring basis, generally as a result of acquisitions or the remeasurement of assets resulting in impairment charges. Assets measured at fair value on a nonrecurring basis include long-lived assets held and used, long-lived assets held for sale, goodwill and other intangible assets. See Note 3, *Business Combinations*, for further discussion on the fair value of assets and liabilities associated with acquisitions. The fair value of cash and cash equivalents, accounts receivable, short-term debt and accounts payable approximate their carrying values. The three-tier value hierarchy, which prioritizes valuation methodologies based on the reliability of the inputs, is:

Level 1 — Valuations based on quoted prices for identical assets and liabilities in active markets.

Level 2 — Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3 — Valuations based on unobservable inputs reflecting the Company's own assumptions, consistent with reasonably available assumptions made by other market participants.

Revenue Recognition — The Company files highly-customized materials, such as regulatory S-filings and IPOs with the SEC on behalf of its customers, and performs XBRL and related services. Revenue is recognized for these services upon completion of the service performed or following final delivery of the related printed product. The Company also provides virtual data room services and other content management services, for which revenue is recognized as the service is performed. The Company recognizes revenue for the majority of its products upon the transfer of title and risk of ownership, which is generally upon shipment to the customer. Because substantially all of the Company's products are customized, product returns are not significant; however, the Company accrues for the estimated amount of customer credits at the time of sale.

The Company records deferred revenue in situations where amounts are invoiced but the revenue recognition criteria outlined above are not met. Such revenue is recognized when all criteria are subsequently met.

Certain revenues earned by the Company require judgment to determine if revenue should be recorded gross, as a principal, or net of related costs, as an agent. Billings for shipping and handling costs as well as certain postage costs, and out-of-pocket expenses are recorded gross. The Company's printing operations process paper that may be supplied directly by customers or may be purchased by the Company and sold to customers. No revenue is recognized for customer-supplied paper, but revenues for Company-supplied paper are recognized on a gross basis.

Cash and cash equivalents —The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Short-term securities consist of investment grade instruments of governments, financial institutions and corporations.

Receivables— Receivables are stated net of allowances for doubtful accounts and primarily include trade receivables, notes receivable and miscellaneous receivables from suppliers. No single customer comprised more than 10% of the Company's net sales in 2016, 2015 or 2014. Specific customer provisions are made when a review of significant outstanding amounts, utilizing information about customer creditworthiness and current economic trends, indicates that collection is doubtful. In addition, provisions are made at differing rates, based upon the age of the receivable and the Company's historical collection experience. See Note 6, *Accounts Receivable*, for details of activity affecting the allowance for doubtful accounts receivable.

Inventories —Inventories include material, labor and factory overhead and are stated at the lower of cost or market and net of excess and obsolescence reserves for raw materials and finished goods. Provisions for excess and obsolete inventories are made at differing rates, utilizing historical data and current economic trends, based upon the age and type of the inventory. Specific excess and obsolescence provisions are also made when a review of specific balances indicates that the inventories will not be utilized in production or sold. Inventory is valued using the First-In, First-Out (FIFO) method.

Notes to the Consolidated and Combined Financial Statements
(in millions, except per share data, unless otherwise indicated)

Long-Lived Assets —The Company assesses potential impairments to its long-lived assets if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Indefinite-lived intangible assets are reviewed annually for impairment or more frequently if events or changes in circumstances indicate that the carrying value may not be recoverable. An impaired asset is written down to its estimated fair value based upon the most recent information available. Estimated fair market value is generally measured by discounting estimated future cash flows. Long-lived assets, other than goodwill, are recorded at the lower of the carrying value or the fair market value less the estimated cost to sell.

Property, plant and equipment —Property, plant and equipment are recorded at cost and depreciated on a straight-line basis over their estimated useful lives. Useful lives range from 15 to 40 years for buildings, the lesser of 7 years or the lease term for leasehold improvements and from 3 to 15 years for machinery and equipment. Maintenance and repair costs are charged to expense as incurred. Major overhauls that extend the useful lives of existing assets are capitalized. When properties are retired or disposed, the costs and accumulated depreciation are eliminated and the resulting profit or loss is recognized in the results of operations.

Goodwill —Goodwill is either assigned to a specific reporting unit or allocated between reporting units based on the relative fair value of each reporting unit. The Company's goodwill balances were reallocated from RRD's historical reporting units based on the relative fair values of the businesses.

Goodwill is reviewed for impairment annually as of October 31 or more frequently if events or changes in circumstances indicate that it is more likely than not that the fair value of a reporting unit is below its carrying value.

For certain reporting units, the Company may perform a qualitative, rather than quantitative, assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. In performing this qualitative analysis, the Company considers various factors, including the excess of prior year estimates of fair value compared to carrying value, the effect of market or industry changes and the reporting units' actual results compared to projected results. Based on this qualitative analysis, if management determines that it is more likely than not that the fair value of the reporting unit is greater than its carrying value, no further impairment testing is performed.

For the remaining reporting units, the Company compares each reporting unit's fair value, estimated based on comparable company market valuations and expected future discounted cash flows to be generated by the reporting unit, to its carrying value. If the carrying value exceeds the reporting unit's fair value, the Company performs an additional fair value measurement calculation to determine the impairment loss, which is charged to operations in the period identified.

The Company also performs an interim review for indicators of impairment at each quarter-end to assess whether an interim impairment review is required for any reporting unit. In the Company's annual review at October 31, 2016, and its interim review for indicators of impairment as of December 31, 2016, management concluded that there were no indicators that the fair value of any of the reporting units with goodwill was more likely than not below its carrying value.

Amortization — Certain costs to acquire and develop internal-use computer software are capitalized and amortized over their estimated useful life using the straight-line method, up to a maximum of five years. Amortization expense related to internally-developed software, excluding amortization expense related to other intangible assets, was \$20.5 million, \$17.2 million and \$14.6 million for the years ended December 31, 2016, 2015 and 2014, respectively. Other intangible assets are recognized separately from goodwill and are amortized over their estimated useful lives. See Note 5, *Goodwill and Other Intangible Assets*, for further discussion of other intangible assets and the related amortization expense.

Share-Based Compensation — In periods prior to the Separation, RRD maintained an incentive share-based compensation program for the benefit of its officers, directors, and certain employees, including certain Donnelley Financial employees. For those periods share-based compensation expense has been allocated to the Company based on the awards and terms previously granted to the Company's employees as well as an allocation of compensation expense to RRD's corporate and shared functional employees.

Subsequent to the Separation, the Company recognizes share-based compensation expense based on estimated fair values for all share-based awards made to employees and directors, including restricted stock and restricted stock units. The Company recognizes compensation expense for restricted stock units expected to vest on a straight-line basis over the requisite service period of the award, based on the grant date fair value. The Company recognizes compensation expense for performance based restricted stock awards utilizing a graded vesting schedule. See Note 15, *Share-Based Compensation*, for further discussion.

Notes to the Consolidated and Combined Financial Statements
(in millions, except per share data, unless otherwise indicated)

Pension and Other Postretirement Benefit Plans — Prior to the Separation, RRD provided pension and other postretirement healthcare benefits to certain current and former employees of Donnelley Financial. RRD was responsible for the net benefit plan obligations associated with these plans, and as such, these liabilities are not reflected in Donnelley Financial's consolidated and combined balance sheets. Donnelley Financial's consolidated and combined statements of operations include expense allocations for these benefits. These allocations were funded through intercompany transactions with RRD which are reflected within net parent company investment in Donnelley Financial.

Effective December 31, 2013, RRD merged its primary qualified defined benefit pension plan with a separate defined benefit pension plan sponsored by Donnelley Financial. As a result of this merger, Donnelley Financial became the plan sponsor and primary legal obligor of this combined plan. During 2015, the sponsorship of this combined plan was transferred to RRD, which became the primary legal obligor. Accordingly, the obligations of this combined plan are not reflected in the combined balance sheet of Donnelley Financial as of December 31, 2015.

On October 1, 2016, Donnelley Financial recorded net pension plan liabilities of \$68.3 million (consisting of a total benefit plan liability of \$317.0 million, net of plan assets having fair market value of \$248.7 million), as a result of the transfer of certain pension plan liabilities and assets from RRD to the Company upon the legal split of those plans. The Company also recorded a net other postretirement benefit liability of \$1.5 million, as a result of the transfer of an other postretirement benefit plan from RRD to the Company.

Donnelley Financial engages outside actuaries to assist in the determination of the obligations and costs under these plans. The annual income and expense amounts relating to the pension plan are based on calculations which include various actuarial assumptions including, mortality expectations, discount rates and expected long-term rates of return. The Company reviews its actuarial assumptions on an annual basis and makes modifications to the assumptions based on current rates and trends when it is deemed appropriate to do so. The effects of modifications on the value of plan obligations and assets is recognized immediately within other comprehensive income (loss) and amortized into operating earnings over future periods. The Company believes that the assumptions utilized in recording its obligations under its plans are reasonable based on its experience, market conditions and input from its actuaries and investment advisors. Refer to Note 11, *Retirement Plans*, for further discussion.

Taxes on Income - In the Company's combined financial statements prior to Separation, income tax expense and deferred tax balances were calculated on a separate income tax return basis although the Company's operations have historically been included in the tax returns filed by the respective RRD entities of which the Company's business was a part. As a standalone entity, the Company will file tax returns on its own behalf and its deferred taxes and effective tax rate may differ from those in historical periods.

Deferred taxes are provided using an asset and liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

The Company maintains an income taxes payable or receivable account in each jurisdiction and, with the exception of certain entities outside the U.S. that transferred to the Company at Separation, the Company is deemed to settle current tax balances with the RRD tax paying entities in the respective jurisdictions. For periods prior to the Separation, these settlements are reflected as changes in net parent company investment in the combined balance sheets. The Company classifies interest expense and any related penalties related to income tax uncertainties as a component of income tax expense.

The Company is regularly audited by foreign and domestic tax authorities. These audits occasionally result in proposed assessments where the ultimate resolution might result in the Company owing additional taxes, including in some cases, penalties and interest. The Company recognizes a tax position in its financial statements when it is more likely than not (*i.e.*, a likelihood of more than fifty percent) that the position would be sustained upon examination by tax authorities. This recognized tax position is then measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. Although management believes that its estimates are reasonable, the final outcome of uncertain tax positions may be materially different from that which is reflected in the Company's financial statements. The Company adjusts such reserves upon changes in circumstances that would cause a change to the estimate of the ultimate liability, upon effective settlement or upon the expiration of the statute of limitations, in the period in which such event occurs. See Note 12, *Income Taxes*, for further discussion.

Notes to the Consolidated and Combined Financial Statements
(in millions, except per share data, unless otherwise indicated)

Note 3. Business Combinations

2014 Acquisition

On March 10, 2014, the Company acquired the assets of MultiCorpora R&D Inc. and MultiCorpora International Inc. (together “MultiCorpora”) for approximately \$6.0 million. MultiCorpora is an international provider of translation technology solutions. The acquisition of MultiCorpora expanded the capabilities of the Company’s language solutions offering which supports clients’ multi-lingual communications. MultiCorpora’s operations are included in the International segment.

The MultiCorpora acquisition was recorded by allocating the cost of the acquisition to the assets acquired, including other intangible assets, based on their estimated fair values at the applicable acquisition date. The Company recorded intangible assets of \$0.9 million and acquired software of \$1.1 million. The excess of the cost of the MultiCorpora acquisition over the net amounts assigned to the fair value of the assets acquired was recorded as goodwill. Goodwill of \$3.5 million resulted from this acquisition which was primarily attributable to the synergies expected to arise as a result of the acquisition.

Note 4. Restructuring, Impairment and Other Charges

Restructuring, Impairment and Other Charges recognized in Results of Operations

	Employee Terminations	Other Restructuring Charges	Total Restructuring Charges	Other Charges	Total
2016					
U.S.	\$ 3.0	\$ 1.5	\$ 4.5	\$ 0.2	\$ 4.7
International	0.6	—	0.6	—	0.6
Corporate	0.1	—	0.1	—	0.1
Total	<u>\$ 3.7</u>	<u>\$ 1.5</u>	<u>\$ 5.2</u>	<u>\$ 0.2</u>	<u>\$ 5.4</u>

Restructuring Charges

For the year ended December 31, 2016, the Company recorded net restructuring charges of \$3.7 million for employee termination costs for 84 employees, substantially all of whom were terminated as of December 31, 2016. These charges primarily related to the reorganization of certain administrative functions. Additionally, the Company incurred lease termination and other restructuring charges of \$1.5 million for the year ended December 31, 2016.

	Employee Terminations	Other Restructuring Charges	Total Restructuring Charges	Other Charges	Total
2015					
U.S.	\$ 1.4	\$ 1.9	\$ 3.3	\$ 0.2	\$ 3.5
International	0.9	—	0.9	—	0.9
Total	<u>\$ 2.3</u>	<u>\$ 1.9</u>	<u>\$ 4.2</u>	<u>\$ 0.2</u>	<u>\$ 4.4</u>

Restructuring Charges

For the year ended December 31, 2015, the Company recorded net restructuring charges of \$2.3 million for employee termination costs for 64 employees, all of whom were terminated as of December 31, 2016. These charges primarily related to the reorganization of certain administrative functions. Additionally, the Company incurred lease termination and other restructuring charges of \$1.9 million for the year ended December 31, 2015.

	Employee Terminations	Other Restructuring Charges	Total Restructuring Charges	Impairment	Other Charges	Total
2014						
U.S.	\$ 0.1	\$ 2.1	\$ 2.2	\$ —	\$ 0.3	\$ 2.5
International	0.6	—	0.6	1.7	—	2.3
Total	<u>\$ 0.7</u>	<u>\$ 2.1</u>	<u>\$ 2.8</u>	<u>\$ 1.7</u>	<u>\$ 0.3</u>	<u>\$ 4.8</u>

Notes to the Consolidated and Combined Financial Statements
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Restructuring and Impairment Charges

For the year ended December 31, 2014, the Company recorded net restructuring charges of \$0.7 million for employee termination costs for 9 employees, all of whom were terminated as of December 31, 2016. These charges primarily related to the integration of MultiCorpora and the reorganization of certain operations. Additionally, the Company incurred lease termination and other restructuring charges of \$2.1 million for the year ended December 31, 2014.

During the fourth quarter of 2014, the Company recorded non-cash impairment charges of \$1.7 million related to the impairment of an acquired customer relationship intangible asset in the International segment. The impairment of the customer relationship intangible asset resulted from a decline in Latin America's expected future capital markets transactions revenue. After recording the impairment charges, remaining customer relationship assets in the International reporting unit were \$16.5 million as of December 31, 2014. The impairment of the customer relationship asset was determined using Level 3 inputs and estimated based on cash flow analysis, which included management's assumptions related to future revenues and profitability. Donnelley Financial's accounting and finance management determines the valuation policies and procedures for Level 3 fair value measurements and is responsible for the development and determination of unobservable inputs.

The following table presents the fair value, valuation techniques and related unobservable inputs for these Level 3 measurements for the year ended December 31, 2014.

	<u>Fair Value</u>	<u>Valuation Technique</u>	<u>Unobservable Input</u>	<u>Rate</u>
2014				
Customer relationships	\$ —	Excess earnings	Attrition rate	12.0%

Restructuring Reserve

The restructuring reserve as of December 31, 2016 and 2015, and changes during the year ended December 31, 2016, were as follows:

	<u>December 31, 2015</u>	<u>Restructuring Charges</u>	<u>Foreign Exchange and Other</u>	<u>Cash Paid</u>	<u>December 31, 2016</u>
Employee terminations	\$ 0.9	\$ 3.7	\$ (0.1)	\$ (2.9)	\$ 1.6
Lease terminations and other	4.9	1.5	—	(2.6)	3.8
Total	\$ 5.8	\$ 5.2	\$ (0.1)	\$ (5.5)	\$ 5.4

The current portion of restructuring reserves of \$3.7 million at December 31, 2016 was included in accrued liabilities, while the long-term portion of \$1.7 million, primarily related to lease termination costs, was included in other noncurrent liabilities at December 31, 2016.

The restructuring liabilities classified as "lease terminations and other" consisted of lease terminations, other facility closing costs and contract termination costs. Payments on certain of the lease obligations are scheduled to continue until 2026. Market conditions and the Company's ability to sublease these properties could affect the ultimate charges related to the lease obligations. Any potential recoveries or additional charges could affect amounts reported in the Company's financial statements.

The restructuring reserve as of December 31, 2015 and 2014, and changes during the year ended December 31, 2015, were as follows:

	<u>December 31, 2014</u>	<u>Restructuring Charges</u>	<u>Foreign Exchange and Other</u>	<u>Cash Paid</u>	<u>December 31, 2015</u>
Employee terminations	\$ 0.1	\$ 2.3	\$ —	\$ (1.5)	\$ 0.9
Lease terminations and other	6.1	1.9	(0.2)	(2.9)	4.9
Total	\$ 6.2	\$ 4.2	\$ (0.2)	\$ (4.4)	\$ 5.8

The current portion of restructuring reserves of \$3.6 million at December 31, 2015 was included in accrued liabilities, while the long-term portion of \$2.2 million, primarily related to lease termination costs, was included in other noncurrent liabilities at December 31, 2015.

Notes to the Consolidated and Combined Financial Statements
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Note 5. Goodwill and Other Intangible Assets

The changes in the carrying amount of goodwill by segment for the years ended December 31, 2016 and 2015 were as follows:

	U.S.	International	Total
Net book value as of January 1, 2015	\$ 429.2	\$ 19.6	\$ 448.8
Foreign exchange and other adjustments	—	(2.0)	(2.0)
Net book value as of December 31, 2015	429.2	17.6	446.8
Foreign exchange and other adjustments	—	(0.4)	(0.4)
Net book value as of December 31, 2016	\$ 429.2	\$ 17.2	\$ 446.4

The components of other intangible assets at December 31, 2016 and 2015 were as follows:

	December 31, 2016			December 31, 2015		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Customer relationships	\$ 138.8	\$ (85.3)	\$ 53.5	\$ 140.2	\$ (71.8)	\$ 68.4
Trade names	6.3	(5.5)	0.8	6.3	(5.5)	0.8
Trademarks, licenses and agreements	3.2	(3.2)	—	6.2	(6.1)	0.1
Total other intangible assets	\$ 148.3	\$ (94.0)	\$ 54.3	\$ 152.7	\$ (83.4)	\$ 69.3

Amortization expense for other intangible assets was \$14.4 million, \$15.4 million and \$16.6 million for the years ended December 31, 2016, 2015 and 2014, respectively.

The following table outlines the estimated annual amortization expense related to other intangible assets as of December 31, 2016:

For the year ending December 31,	Amount
2017	\$ 14.2
2018	13.7
2019	13.7
2020	12.3
2021	0.1
2022 and thereafter	0.3
Total	\$ 54.3

Note 6. Accounts Receivable

Transactions affecting the allowances for doubtful accounts receivable during the years ended December 31, 2016, 2015 and 2014 were as follows:

	2016	2015	2014
Balance, beginning of year	\$ 4.6	\$ 3.9	\$ 4.9
Provisions charged to expense	3.1	0.5	1.4
Write-offs and other	(1.3)	0.2	(2.4)
Balance, end of year	\$ 6.4	\$ 4.6	\$ 3.9

Notes to the Consolidated and Combined Financial Statements
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Note 7. Inventories

The components of the Company's inventories, net of excess and obsolescence reserves for raw materials and finished goods, at December 31, 2016 and 2015 were as follows:

	2016	2015
Raw materials and manufacturing supplies	\$ 7.6	\$ 8.0
Work in process	10.8	9.6
Finished goods	5.7	4.6
Total	<u>\$ 24.1</u>	<u>\$ 22.2</u>

Note 8. Property, Plant and Equipment

The components of the Company's property, plant and equipment at December 31, 2016 and 2015 were as follows:

	2016	2015
Land	\$ 10.0	\$ 10.0
Buildings	44.4	44.7
Machinery and equipment	109.2	121.4
	163.6	176.1
Less: Accumulated depreciation	(128.1)	(143.1)
Total	<u>\$ 35.5</u>	<u>\$ 33.0</u>

During the years ended December 31, 2016, 2015 and 2014, depreciation expense was \$8.4 million, \$9.1 million and \$9.5 million, respectively.

Note 9. Accrued Liabilities

The components of the Company's accrued liabilities at December 31, 2016 and 2015 were as follows:

	2016	2015
Employee-related liabilities	\$ 54.0	\$ 40.6
Customer-related liabilities	19.3	19.0
Accrued interest payable	6.2	—
Restructuring liabilities	3.7	3.6
Accrued fixed assets	—	4.1
Other	17.5	8.1
Total accrued liabilities	<u>\$ 100.7</u>	<u>\$ 75.4</u>

Employee-related liabilities consist primarily of sales commission, payroll, incentive compensation and employee benefit accruals. Customer-related liabilities consist primarily of deferred revenue and progress billings and volume discount accruals. Other accrued liabilities include miscellaneous operating accruals and income and other tax liabilities.

Note 10. Commitments and Contingencies

As of December 31, 2016, the Company had commitments of approximately \$4.5 million for the purchase of property, plant and equipment related to incomplete projects. In addition, as of December 31, 2016, the Company had commitments of approximately \$34.3 million for outsourced services, professional, maintenance and other services. The Company also has contractual commitments of \$1.6 million for severance payments related to employee restructuring activities.

Notes to the Consolidated and Combined Financial Statements
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Future minimum rental commitments under operating leases are as follows:

<u>Year Ended December 31</u>	<u>Amount</u>
2017	\$ 28.8
2018	19.9
2019	14.9
2020	10.9
2021	9.6
2022 and thereafter	33.4
	<u>\$ 117.5</u>

The Company has operating lease commitments, including those for vacated facilities, totaling \$117.5 million extending through various periods to 2026. Future rental commitments for leases have not been reduced by minimum non-cancelable sublease rentals aggregating approximately \$34.7 million. The Company remains secondarily liable under these leases in the event that the sub-lessee defaults under the sublease terms. The Company does not believe that material payments will be required as a result of the secondary liability provisions of the primary lease agreements.

Rent expense for facilities in use and equipment was \$23.8 million, \$22.2 million and \$22.5 million for the years ended December 31, 2016, 2015 and 2014, respectively. Rent expense for vacated facilities was recognized as restructuring, impairment and other charges. See Note 4, *Restructuring, Impairment and Other Charges*, for further details.

Litigation

From time to time, the Company's customers and others file voluntary petitions for reorganization under United States bankruptcy laws. In such cases, certain pre-petition payments received by the Company from these parties could be considered preference items and subject to return. In addition, the Company may be party to certain litigation arising in the ordinary course of business. Management believes that the final resolution of these preference items and litigation will not have a material effect on the Company's combined results of operations, financial position or cash flows.

Note 11. Retirement Plans

Donnelley Financial's Participation in RRD's Pension and Postretirement Benefit Plans

RRD provided pension and other postretirement healthcare benefits to certain current and former employees of Donnelley Financial. Prior to the Separation, RRD was responsible for the net benefit plan obligations associated with these plans, and as such, these liabilities are not reflected in Donnelley Financial's consolidated and combined balance sheets.

Donnelley Financial's consolidated and combined statements of operations include expense allocations for these benefits. These allocations were funded through intercompany transactions with RRD which are reflected within net parent company investment in Donnelley Financial. Total RRD pension and postretirement benefit plan net income allocated to Donnelley Financial, related to pension cost and postretirement benefits, was \$4.2 million, \$3.7 million and \$4.3 million in the years ended December 31, 2016, 2015 and 2014, respectively. Included in these amounts is an allocation for other postretirement benefit plans for \$1.0 million, \$1.9 million and \$1.8 million in the years ended December 31, 2016, 2015 and 2014, respectively. These allocations are reflected in the Company's cost of sales and selling, general and administrative expenses.

Donnelley Financial's Pension and Postretirement Benefit Plans

RRD maintained a defined benefit plan (the "plan") for certain current and former U.S. employees of RRD. Effective December 31, 2013, RRD merged the plan into a separate defined benefit pension plan for Donnelley Financial to create a combined defined benefit pension plan (the "combined plan"). During 2015, the sponsorship of the combined plan was transferred to RRD, which became the legal obligor of the combined plan. Accordingly, the obligations of the combined plan are not reflected in the combined balance sheet of Donnelley Financial as of December 31, 2015.

Notes to the Consolidated and Combined Financial Statements
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On October 1, 2016, Donnelley Financial recorded net pension plan liabilities of \$68.3 million (consisting of a total benefit plan liability of \$317.0 million, net of plan assets having fair market value of \$248.7 million), as a result of the transfer of certain pension plan liabilities and assets from RRD to the Company upon the legal split of those plans. The pension plan asset allocation from RRD is expected to be finalized during the second quarter of 2017. The final asset allocation will result in an adjustment to the fair value of plan assets transferred to the Company from RRD. The Company also recorded a net other postretirement benefit liability of \$1.5 million, as a result of the transfer of an other postretirement benefit plan from RRD to the Company.

The Company's primary defined benefit plan is frozen. No new employees will be permitted to enter the Company's frozen plan and participants will earn no additional benefits. Benefits are generally based upon years of service and compensation. These defined benefit retirement income plans are funded in conformity with the applicable government regulations. The Company funds at least the minimum amount required for all funded plans using actuarial cost methods and assumptions acceptable under government regulations.

The annual income and expense amounts relating to the pension plan are based on calculations which include various actuarial assumptions including, mortality expectations, discount rates and expected long-term rates of return. The Company reviews its actuarial assumptions on an annual basis as of December 31 (or more frequently if a significant event requiring remeasurement occurs) and modifies the assumptions based on current rates and trends when it is appropriate to do so. The effects of modifications are recognized immediately on the consolidated and combined balance sheets, but are amortized into operating earnings over future periods, with the deferred amount recorded in accumulated other comprehensive loss. Total pension (income) /expense was (\$1.0) million, (\$27.0) million and \$62.1 million in 2016, 2015 and 2014, respectively, of which (\$25.2) million and (\$31.0) million was allocated in 2015 and 2014, respectively, to RRD and RRD related parties.

During the fourth quarter of 2015, the Company changed the method used to estimate the interest cost components of net pension plan expense for its defined benefit pension plan. Historically, the interest cost components were estimated using a single weighted-average discount rate derived from the yield curve used to measure the projected benefit obligation at the beginning of the period. Beginning in the first quarter of 2016, the Company has elected to use a full yield curve approach in the estimation of these interest components of net pension plan expense by applying the specific spot rates along the yield curve used in the determination of the projected benefit obligation to the relevant projected cash flows. The Company made this change to improve the correlation between projected benefit cash flows and the corresponding yield curve spot rates and to provide a more precise measurement of interest costs. This change does not affect the measurement and calculation of the Company's total benefit obligations. The Company has accounted for this change prospectively as a change in estimate.

In June 2014, RRD communicated to certain former employees the option to receive a lump-sum pension payment or annuity computed in accordance with statutory requirements, with payments beginning in the fourth quarter of 2014. Payments to eligible participants who elected to receive a lump-sum pension payment or annuity were funded from existing pension plan assets and constituted a complete settlement of the Company's pension liabilities with respect to these participants. The Company's pension assets and liabilities were remeasured as of the payout dates. The discount rates and actuarial assumptions used to calculate the payouts were determined in accordance with federal regulations. As of the remeasurement dates, the reductions in the reported pension obligations for these participants was \$404.0 million, compared to payout amounts of approximately \$317.7 million. The Company recorded non-cash settlement charges of \$95.7 million included in selling, general and administrative expenses in the fourth quarter of 2014 in connection with the settlement payments. These charges resulted from the recognition in earnings of a portion of the losses recorded in accumulated other comprehensive loss based on the proportion of the obligation settled.

During the year ended December 31, 2014, the Company adopted the Society of Actuaries RP-2014 mortality tables which were used in the calculation of the Company's U.S. pension obligations. The new mortality tables increased the expected life of plan participants, extending the length of time that payments may be required and increasing the plans' total expected benefit payments. During the year ended December 31, 2016, the Company adopted an update to the Society of Actuaries RP-2014 mortality tables. The 2016 mortality table update resulted in a partial reversal of the 2014 increases in the expected life of plan participants and benefit obligations.

The Company made contributions of \$1.3 million to its pension plans during the year ended December 31, 2016. The Company expects to make cash contributions of approximately \$2.2 million and \$0.1 million to its pension and other postretirement benefit plans, respectively, in 2017.

The pension plan obligations are calculated using generally accepted actuarial methods and are measured as of December 31. Actuarial gains and losses for frozen plans are amortized using the corridor method over the average remaining expected life of active plan participants.

Notes to the Consolidated and Combined Financial Statements
(in millions, except per share data, unless otherwise indicated)

The components of the estimated net pension plan (income) expense for Donnelley Financial's pension plans for the years ended December 31, 2016, 2015 and 2014 were as follows:

	Pension Benefits		
	2016	2015	2014
Service cost	\$ —	\$ —	\$ 0.1
Interest cost	2.4	147.3	161.7
Expected return on plan assets	(4.1)	(210.7)	(224.5)
Amortization of actuarial loss	0.7	36.4	29.1
Settlements	—	—	95.7
Net periodic benefit (income) expense	\$ (1.0)	\$ (27.0)	\$ 62.1
Income allocated to RRD affiliates	—	25.2	31.0
Net periodic benefit (income) expense, net of allocation	\$ (1.0)	\$ (1.8)	\$ 93.1
Weighted average assumption used to calculate net periodic benefit expense:			
Discount rate	3.7%	4.2%	5.0%
Expected return on plan assets	7.3%	7.5%	7.8%

Reconciliation of funded status

	Pension Benefits		Other Postretirement Benefits
	2016	2015	2016
Benefit obligation at beginning of year	\$ 3.2	\$ 3,631.1	\$ —
Interest cost	2.4	147.3	—
Actuarial gain	(24.7)	(254.0)	(0.3)
Plan transfer	317.0	(3,363.2)	1.5
Benefits paid	(4.6)	(158.0)	—
Benefit obligation at end of year	\$ 293.3	\$ 3.2	\$ 1.2
Fair value of plan assets at beginning of year	\$ —	\$ 3,219.9	\$ —
Actual return on assets	(9.6)	(33.8)	—
Employer contributions	1.3	—	—
Plan transfer	248.7	(3,028.1)	—
Benefits paid	(4.6)	(158.0)	—
Fair value of plan assets at end of year	\$ 235.8	\$ —	\$ —
Funded status at end of year	\$ (57.5)	\$ (3.2)	\$ (1.2)

The accumulated benefit obligation for all defined benefits pension plans was \$294.5 million and \$3.2 million at December 31, 2016 and 2015, respectively.

	Pension Benefits		Other Postretirement Benefits
	2016	2015	2016
Prepaid pension cost (included in other noncurrent assets)	\$ —	\$ 0.1	\$ —
Accrued benefit cost (included in accrued liabilities)	(2.2)	(3.3)	(0.1)
Pension and other postretirement benefits plan liabilities	(55.3)	—	(1.1)
Net liabilities recognized in the Consolidated and Combined Balance Sheets	\$ (57.5)	\$ (3.2)	\$ (1.2)

Notes to the Consolidated and Combined Financial Statements
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The amounts included in accumulated other comprehensive loss in the Consolidated and Combined Balance Sheets excluding tax effects, that have not been recognized as components of net periodic cost at December 31, 2016 and 2015 were as follows:

	Pension Benefits		Other Postretirement Benefits
	2016	2015	2016
Accumulated other comprehensive (loss) income			
Net actuarial (loss) gain	\$ (87.0)	\$ 0.1	\$ 0.2
Total	<u>\$ (87.0)</u>	<u>\$ 0.1</u>	<u>\$ 0.2</u>

The pre-tax amounts recognized in other comprehensive income (loss) in 2016 as components of net periodic costs were as follows:

	Pension Benefits	Other Postretirement Benefits
Amortization of:		
Net actuarial loss	\$ 0.7	\$ —
Amounts arising during the period:		
Net actuarial gain	10.9	0.3
Total	<u>\$ 11.6</u>	<u>\$ 0.3</u>

Actuarial gains and losses in excess of 10.0% of the greater of the projected benefit obligation or the market-related value of plan assets were recognized as a component of net periodic benefit costs over the average remaining service period of a plan's active employees. As a result of the plan freezes, the actuarial gains and losses are recognized as a component of net periodic benefit costs over the average remaining life of a plan's active employees. The amounts in accumulated other comprehensive loss that are expected to be recognized as components of net periodic benefit costs in 2017 are shown below:

	Pension Benefits
Amortization of:	
Net actuarial loss	\$ 2.1
Total	<u>\$ 2.1</u>

The weighted average assumptions used to determine the benefit obligation at the measurement date were as follows:

	Pension Benefits		Other Postretirement Benefits
	2016	2015	2016
Discount rate	4.2%	0.7%	3.6%

The following table provides a summary of under-funded or unfunded pension benefit plans with projected benefit obligations in excess of plan assets as of December 31, 2016 and 2015:

	Pension Benefits	
	2016	2015
Projected benefit obligation	\$ 293.3	\$ 3.2
Fair value of plan assets	235.8	—

Notes to the Consolidated and Combined Financial Statements
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The following table provides a summary of pension plans with accumulated benefit obligations in excess of plan assets as of December 31, 2016 and 2015:

	Pension Benefits	
	2016	2015
Accumulated benefit obligation	\$ 293.3	\$ 3.2
Fair value of plan assets	235.8	—

Benefit payments are expected to be paid as follows:

	Pension Benefits	Other Postretirement Benefits
2017	\$ 16.8	\$ 0.1
2018	16.9	0.1
2019	16.7	0.1
2020	17.5	0.1
2021	18.1	0.1
2022-2026	91.5	0.4

Plan Assets

The Company's U.S. pension plans are frozen and the Company has transitioned to a risk management approach for its U.S. pension plan assets. The overall investment objective of this approach is to further reduce the risk of significant decreases in the plan's funded status by allocating a larger portion of the plan's assets to investments expected to hedge the impact of interest rate risks on the plan's obligation. Over time, the target asset allocation percentage for the pension plan is expected to decrease for equity and other "return seeking" investments and increase for fixed income and other "hedging" investments. The assumed long-term rate of return for plan assets, which is determined annually, is likely to decrease as the asset allocation shifts over time. The expected long-term rate of return for plan assets is based upon many factors including asset allocations, historical asset returns, current and expected future market conditions, risk and active management premiums. The target asset allocation percentage as of December 31, 2016, for the primary U.S. pension plan was approximately 60.0% for return seeking investments and approximately 40.0% for hedging investments.

The Company segregated its plan assets by the following major categories and levels for determining their fair value as of 2016:

Cash and cash equivalents— Carrying value approximates fair value. As such, these assets were classified as Level 1. The Company also invests in certain short-term investments which are valued using the amortized cost method. As such, these assets were classified as Level 2.

Equity— The values of individual equity securities were based on quoted prices in active markets. As such, these assets are classified as Level 1.

Fixed income— Fixed income securities are typically priced based on a valuation model rather than a last trade basis and are not exchange-traded. These valuation models involve utilizing dealer quotes, analyzing market information, estimating prepayment speeds and evaluating underlying collateral. Accordingly, the Company classified these fixed income securities as Level 2. Fixed income securities also include investments in various asset-backed securities that are part of a government sponsored program. The prices of these asset-backed securities were obtained by independent third parties using multi-dimensional, collateral specific prepayments tables. Inputs include monthly payment information and collateral performance. As the values of these assets was determined based on models incorporating observable inputs, these assets were classified as Level 2.

The Company invests in certain equity funds that are valued at calculated net asset value per share ("NAV"), but are not quoted on active markets. The Company believes that the NAV is representative of fair value at the reporting date, as there are no significant restrictions on redemption of these investments or other reasons to indicate that the investment would be redeemed at an amount different than the NAV. In 2016, the Company adopted Accounting Standards Update No. 2015-07 "Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)" ("ASU 2015-07"). ASU 2015-07 removes the requirement to categorize investments which are eligible to be measured using NAV within the fair value hierarchy.

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For Level 2 plan assets, management reviews significant investments on a quarterly basis including investigation of unusual fluctuations in price or returns and obtaining an understanding of the pricing methodology to assess the reliability of third-party pricing estimates.

The valuation methodologies described above may generate a fair value calculation that may not be indicative of net realizable value or future fair values. While the Company believes the valuation methodologies used are appropriate, the use of different methodologies or assumptions in calculating fair value could result in different amounts.

The Company did not have any pension plan assets at December 31, 2015. The fair values of the Company's pension plan assets at December 31, 2016, by asset category were as follows:

Asset Category	December 31, 2016		
	Total	Level 1	Level 2
Cash and cash equivalents	\$ 6.4	\$ 4.1	\$ 2.3
Equity	67.6	67.6	—
Fixed income	93.9	—	93.9
Equity funds measured at NAV	67.9	—	—
Total	\$ 235.8	\$ 71.7	\$ 96.2

The Company did not have any Level 3 assets during the year ended December 31, 2016. The following table provides a summary of changes in the fair value of the Company's Level 3 assets during the year ended December 31, 2015:

	Private Equity
Balance at January 1, 2015	\$ 47.3
Unrealized gains-net	11.9
Purchases, sales and settlements	(14.1)
Plan transfer	(45.1)
Balance at December 31, 2015	\$ —

Employer 401(k) Savings Plan — For the benefit of most of its U.S. employees, the Company maintains a defined contribution retirement savings plan (401(k)) that is intended to be qualified under Section 401(a) of the Internal Revenue Code. Under this plan, employees may contribute a percentage of eligible compensation on both a before-tax and after-tax basis. The Company may provide a 401(k) discretionary match to participants, but did not in 2016, 2015 or 2014.

Multi-Employer Pension Plans — The Company no longer participates in any active defined benefit multi-employer pension plans. During the years ended December 31, 2016, 2015 and 2014, the Company incurred additional charges of \$0.2 million, \$0.2 million and \$0.3 million, respectively, related to its complete withdrawal from one multi-employer pension plan in 2013. These charges were recorded as restructuring, impairment and other charges and represent the Company's best estimate of the expected settlement of these withdrawal liabilities. See Note 4, *Restructuring, Impairment and Other Charges*, to the combined financial statements for further details of charges related to complete multi-employer pension plan withdrawal liabilities recognized in the combined statements of operations.

Note 12. Income Taxes

For periods prior to the Separation, income tax expense and deferred tax balances were calculated on a separate tax return basis although the Company's operations in certain circumstances, particularly the U.S. and Canada, have historically been included in the tax returns filed by the respective RRD entities of which the Company's business was a part. Beginning October 1, 2016, as a stand-alone entity, the Company will file tax returns on its own behalf and its deferred taxes and effective tax rate may differ from those in the historical periods.

The Company maintains an income taxes payable or receivable account in each jurisdiction and with the exception of certain entities outside the U.S. that transferred to the Company at Separation, the Company is deemed to settle current tax balances for the period prior to the Separation with the RRD tax-paying entities in the respective jurisdictions. These settlements are reflected as changes in net parent company investment in the consolidated and combined balance sheets.

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Income taxes have been based on the following components of earnings from operations before income taxes for the years ended December 31, 2016, 2015 and 2014 :

	2016	2015	2014
U.S.	\$ 84.9	\$ 156.1	\$ 74.9
Foreign	9.4	15.6	17.5
Total	<u>\$ 94.3</u>	<u>\$ 171.7</u>	<u>\$ 92.4</u>

The components of income tax expense (benefit) from operations for the years ended December 31, 2016, 2015 and 2014 were as follows:

	2016	2015	2014
Current:			
U.S. Federal	\$ 28.6	\$ 41.3	\$ 34.2
U.S. State and Local	9.0	12.1	10.5
Foreign	3.5	3.8	3.2
Current income tax expense	<u>41.1</u>	<u>57.2</u>	<u>47.9</u>
Deferred:			
U.S. Federal	(3.1)	8.1	(10.6)
U.S. State and Local	(0.4)	2.2	(3.0)
Foreign	(2.4)	(0.1)	0.7
Deferred income tax expense (benefit)	<u>(5.9)</u>	<u>10.2</u>	<u>(12.9)</u>
Total	<u>\$ 35.2</u>	<u>\$ 67.4</u>	<u>\$ 35.0</u>

The following table outlines the reconciliation of differences between the Federal statutory tax rate and the Company's effective income tax rate:

	2016	2015	2014
Federal statutory tax rate	35.0%	35.0%	35.0%
State and local income taxes, net of U.S. federal income tax benefit	5.9	5.4	5.5
Adjustment of uncertain tax positions and interest	0.6	0.1	(0.1)
Domestic manufacturing deduction	(1.3)	(0.9)	(1.3)
Foreign tax rate differential	(0.7)	(1.0)	(3.0)
Change in valuation allowances	(1.9)	—	0.1
Other	(0.3)	0.7	1.7
Effective income tax rate	<u>37.3%</u>	<u>39.3%</u>	<u>37.9%</u>

Notes to the Consolidated and Combined Financial Statements
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Deferred income taxes

The significant deferred tax assets and liabilities at December 31, 2016 and 2015 were as follows:

	2016	2015
Deferred tax assets:		
Pension and other postretirement benefit plans liabilities	\$ 24.1	\$ 2.3
Accrued liabilities	18.5	18.1
Net operating losses and other tax carryforwards	14.4	19.4
Allowance for doubtful accounts	3.3	3.3
Share-based compensation	2.2	—
Other	2.4	1.7
Total deferred tax assets	64.9	44.8
Valuation allowances	(1.2)	(4.9)
Total deferred tax assets	\$ 63.7	\$ 39.9
Deferred tax liabilities:		
Other intangible assets	\$ (21.0)	\$ (23.2)
Accelerated depreciation	(3.1)	(5.1)
Other	(2.6)	(2.0)
Total deferred tax liabilities	(26.7)	(30.3)
Net deferred tax assets	\$ 37.0	\$ 9.6

Transactions affecting the valuation allowances on deferred tax assets during the years ended December 31, 2016, 2015 and 2014 were as follows:

	2016	2015	2014
Balance, beginning of year	\$ 4.9	\$ 5.3	\$ 5.6
Current year expense (benefit)-net	(1.5)	—	0.1
Write-offs	(2.3)	—	—
Foreign exchange and other	0.1	(0.4)	(0.4)
Balance, end of year	\$ 1.2	\$ 4.9	\$ 5.3

As of December 31, 2016, the Company had domestic and foreign net operating loss deferred tax assets of approximately \$14.4 million (\$19.4 million at December 31, 2015), of which \$4.2 million expires between 2017 and 2025. As of December 31, 2015, the Company had other tax carryforwards of \$2.3 million which were written-off during 2016. Limitations on the utilization of these tax assets may apply. The Company has provided valuation allowances to reduce the carrying value of certain deferred tax assets, as management has concluded that, based on the weight of available evidence, it is more likely than not that the deferred tax assets will not be fully realized.

Deferred income taxes are not provided on the excess of the investment value for financial reporting over the tax basis of investments in foreign subsidiaries because such excess is considered to be permanently reinvested in those operations. Undistributed earnings of foreign subsidiaries that are considered indefinitely reinvested outside of the U.S. were approximately \$55.9 million as of December 31, 2016. Upon repatriation of these earnings to the U.S., the Company may be subject to U.S. and/or foreign income taxes. It is not practicable to determine the amount of income taxes payable in the event all such foreign earnings are repatriated, as the tax cost would depend on income tax laws and circumstances at that time.

Cash payments for income taxes for U.S. states and foreign jurisdictions were \$5.2 million, \$1.9 million and \$1.5 million in 2016, 2015 and 2014, respectively. In certain jurisdictions, such as the United States and Canada, the Company is deemed to settle current tax balances as of October 1, 2016 with RRD within net parent investment. Total amounts settled with RRD were \$37.2 million, \$55.1 million and \$46.7 million for 2016, 2015 and 2014, respectively. Cash refunds for income taxes were \$0.7 million and \$0.1 million in 2016 and 2015, respectively. There were no refunds for income taxes in 2014.

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Uncertain tax positions

Changes in the Company's unrecognized tax benefits at December 31, 2016, 2015 and 2014 were as follows:

	2016	2015	2014
Balance at beginning of year	\$ 1.0	\$ 0.7	\$ 1.3
Additions for tax positions of the current year	—	0.3	—
Additions for tax positions of prior years	0.9	—	—
Settlements during the year	—	—	(0.5)
Lapses of applicable statutes of limitations	—	—	(0.1)
Balance at end of year	<u>\$ 1.9</u>	<u>\$ 1.0</u>	<u>\$ 0.7</u>

As of December 31, 2016, 2015 and 2014, the Company had \$1.9 million, \$1.0 million and \$0.7 million, respectively, of unrecognized tax benefits. Unrecognized tax benefits of \$1.3 million as of December 31, 2016, if recognized, would have decreased income taxes and the corresponding effective income tax rate and increased net earnings. This potential impact on net earnings reflects the reduction of these unrecognized tax benefits, net of certain deferred tax assets and the federal tax benefit of state income tax items.

As of December 31, 2016, it is reasonably possible that the total amount of unrecognized tax benefits will decrease within twelve months by as much as \$0.9 million due to the resolution of audits or expirations of statutes of limitations related to U.S. federal, state or international tax positions.

The Company classifies interest expense and any related penalties related to income tax uncertainties as a component of income tax expense. The total interest expense, net of tax benefits, related to tax uncertainties recognized in the Consolidated and Combined Statements of Operations was \$0.3 million, \$0.2 million and \$0.2 million for the years ended December 31, 2016, 2015 and 2014, respectively. There were no benefits from the reversal of accrued penalties for the years ended December 31, 2016, 2015 and 2014. Accrued interest of \$0.3 million and \$0.2 million related to income tax uncertainties were reported as a component of other noncurrent liabilities in the Consolidated and Combined Balance Sheets at December 31, 2016 and 2015, respectively. There were no accrued penalties related to income tax uncertainties for the years ended December 31, 2016 and 2015.

The Company has tax years from 2009 that remain open and subject to examination by certain U.S. state taxing authorities and/or certain foreign tax jurisdictions. The Company's initial U.S. federal income tax return will be for the period October 1, 2016 through December 31, 2016, as such, there are no prior years subject to IRS examination.

Note 13. Debt

The Company's debt as of December 31, 2016 and 2015 consisted of the following:

	2016	2015
Term Loan Credit Facility	\$ 298.3	\$ —
8.25% senior notes due October 15, 2024	300.0	—
Other	—	8.8
Unamortized debt issuance costs	(11.3)	—
Total debt	<u>587.0</u>	<u>8.8</u>
Less: current portion	—	(8.8)
Long-term debt	<u>\$ 587.0</u>	<u>\$ —</u>

The fair value of the senior notes, which was determined using the market approach based upon interest rates available to the Company for borrowings with similar terms and maturities, were determined to be Level 2 under the fair value hierarchy. The fair value of the Company's debt was greater than its book value by approximately \$7.1 million at December 31, 2016.

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On September 30, 2016, in connection with the Separation, the Company entered into a Credit Agreement (the “Credit Agreement”) by and among the Company, the lenders party thereto from time to time and JPMorgan Chase Bank, N.A., as administrative agent. The Credit Agreement provides for (i) a new senior secured term loan B facility in an aggregate principal amount of \$350.0 million (the “Term Loan Credit Facility”) and (ii) a new first lien senior secured revolving credit facility in an aggregate principal amount of \$300.0 million (the “Revolving Facility,” and, together with the Term Loan Credit Facility, the “Credit Facilities”). The Credit Agreement contains a number of covenants, including a minimum Interest Coverage Ratio and a maximum Leverage Ratio, as defined in and calculated pursuant to the Credit Agreement, that, in part, restrict the Company’s ability to incur additional indebtedness, create liens, engage in mergers and consolidations, make restricted payments and dispose of certain assets. The Credit Agreement generally allows annual dividend payments of up to \$15.0 million in the aggregate. As of December 31, 2016, there were no borrowings under the Revolving Facility.

Borrowings under the Term Loan Credit Facility were used to provide \$340.2 million of cash to RRD, pursuant to the Separation Agreement, as of September 30, 2016. The remainder of the net proceeds was used for general corporate purposes.

On September 30, 2016, also in connection with the Separation, the Company issued \$300.0 million of 8.25% senior unsecured notes due October 15, 2024 (the “Notes”). Interest on the Notes is payable semi-annually on April 15 and October 15, commencing on April 15, 2017. The issuance of the Notes was part of a debt exchange that resulted in the settlement of certain of RRD’s bonds. The Notes were issued pursuant to an indenture where certain wholly-owned domestic subsidiaries of the Company guarantee the Notes (the “Guarantors”). The Notes are jointly and severally guaranteed, on an unsecured basis, by the Guarantors, which are comprised of each of the Company’s existing and future direct and indirect wholly-owned U.S. subsidiaries that guarantee the Company’s obligations under the Credit Facilities. The Notes are not guaranteed by the Company’s foreign subsidiaries or unrestricted subsidiaries. The Notes and the related guarantees will be the Company and the Guarantors’, respective, senior unsecured obligations and will rank equally in right of payment to all present and future senior debt, including the obligations under the Company’s Credit Facilities, senior in right of payment to all present and future subordinated debt, and effectively subordinated in right of payment to any of the Company and the Guarantors’ secured debt, to the extent of the value of the assets securing such debt. The indenture governing the Notes contains certain covenants applicable to the Company and its restricted subsidiaries, including limitations on: (1) liens; (2) indebtedness; (3) mergers, consolidations and acquisitions; (4) sales, transfers and other dispositions of assets; (5) loans and other investments; (6) dividends and other distributions, stock repurchases and redemptions and other restricted payments; (7) restrictions affecting subsidiaries; (8) transactions with affiliates; and (9) designations of unrestricted subsidiaries. Each of these covenants is subject to important exceptions and qualifications.

In connection with the offering of the Notes, the Company entered into a registration rights agreement, dated as of September 30, 2016 (the “Registration Rights Agreement”), pursuant to which the Company agreed to file a registration statement with the SEC with respect to an offer to exchange the Notes for registered notes which will have terms identical in all material respects to the Notes except that the registered notes will not contain terms that provide for restrictions on transfer, and use its reasonable best efforts to cause the exchange offer registration statement to be declared effective by the SEC by June 27, 2017. In certain circumstances, the Company may be required to file a shelf registration statement with the SEC registering the resale of the Notes by the holders thereof, in lieu of an exchange offer to such holders. The Company will be required to pay specified additional interest on the Notes if it fails to comply with its registration obligations under the Registration Rights Agreement.

During the third quarter of 2016, the Company settled an intercompany note payable with RRD. Refer to Note 20, *Related Parties* for further details.

As of December 31, 2016, the Company had \$1.4 million in outstanding letters of credit and bank guarantees, of which \$0.9 million were issued under the Revolving Facility. The letters of credit used under the Revolving Facility did not reduce availability under the Revolving Facility as of December 31, 2016, as the amounts issued were less than the reduction in availability from the Leverage Ratio covenant.

Notes to the Consolidated and Combined Financial Statements
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At December 31, 2016, the future maturities of debt were as follows:

	Amount
2017	\$ —
2018	—
2019	6.9
2020	17.5
2021	17.5
2022 and thereafter	558.1
Total (a)	\$ 600.0

- (a) Excludes unamortized debt issuance costs of \$11.3 million and a discount of \$1.7 million which do not represent contractual commitments with a fixed amount or maturity date.

The following table summarizes interest expense included in the Consolidated and Combined Statements of Operations:

	2016	2015	2014
Interest incurred	\$ 12.2	\$ 1.1	\$ 1.5
Less: interest capitalized as property, plant and equipment	(0.5)	—	—
Interest expense, net	\$ 11.7	\$ 1.1	\$ 1.5

Interest paid, net of interest received, was \$4.8 million, \$1.1 million and \$1.5 million in 2016, 2015 and 2014, respectively.

Note 14. Earnings per Share

Basic earnings per share is calculated by dividing net earnings by the weighted average number of common shares outstanding for the period. In computing diluted earnings per share, basic earnings per share is adjusted for the assumed issuance of all potentially dilutive share-based awards, including restricted stock units and restricted stock.

On October 1, 2016, RRD distributed approximately 26.2 million shares of Donnelley Financial common stock to RRD shareholders in connection with the spin-off of Donnelley Financial, with RRD retaining approximately 6.2 million shares of Donnelley Financial common stock. Holders of RRD common stock received one share of Donnelley Financial for every eight shares of RRD common stock held on September 23, 2016. Basic and diluted earnings per common share and the average number of common shares outstanding were retrospectively restated for the number of Donnelley Financial shares outstanding immediately following this transaction. For periods prior to the Separation, basic and diluted earnings per share were calculated using the number of shares distributed and retained by RRD, totaling 32.4 million. The same number of shares was used to calculate basic and diluted earnings per share since there were no Donnelley Financial equity awards outstanding prior to the spin-off.

	2016	2015	2014
Net earnings per share:			
Basic	\$ 1.81	\$ 3.22	\$ 1.77
Diluted	\$ 1.80	\$ 3.22	\$ 1.77
Numerator:			
Net earnings	\$ 59.1	\$ 104.3	\$ 57.4
Denominator:			
Weighted average number of common shares outstanding	32.6	32.4	32.4
Dilutive awards	0.2	—	—
Diluted weighted average number of common shares outstanding	32.8	32.4	32.4
Weighted average number of anti-dilutive share-based awards:			
Restricted stock units	0.2	—	—
Stock options	0.2	—	—
Total	0.4	—	—

Note 15. Share-Based Compensation

Donnelley Financial's Stock and Incentive Programs for Employees and Directors

The Company's share-based compensation plan under which it may grant future awards, the 2016 Donnelley Financial Solutions, Inc. Performance Incentive Plan ("2016 PIP"), was approved by the Board of Directors to provide incentives to key employees of the Company. Awards under the 2016 PIP may include, cash or stock bonuses, stock options, stock appreciation rights, restricted stock or restricted stock units. In addition, non-employee members of the Board of Directors may receive awards under the 2016 PIP. There were 3.5 million shares of common stock reserved and authorized for issuance under the 2016 PIP. At December 31, 2016, there were 2.6 million shares of common stock authorized and available for grant under the 2016 PIP.

Impact of the Separation from RRD

Prior to the Separation, RRD maintained an incentive stock program for the benefit of its officers, directors and certain employees, including certain Donnelley Financial employees. RRD's share-based compensation programs in which Donnelley Financial employees participated included RSUs.

In connection with the Separation, as of October 1, 2016, employee stock options and restricted stock units ("RSUs") were adjusted and converted into new equity awards of Donnelley Financial, RRD and/or LSC using a 10-day volume weighted average share price of Donnelley Financial, RRD and LSC, as described in the Separation and Distribution Agreement. Converted awards retained the same vesting schedule and expiration date of the original awards. In addition, performance-based awards granted under RRD were converted into RSUs of Donnelley Financial, RRD and/or LSC (with satisfaction of performance conditions determined through the Separation Date) and remain subject to time-based vesting for the remainder of the applicable performance period. All equity awards converted upon Separation were authorized for issuance under the 2016 PIP. In periods following the Separation, the Company records share-based compensation expense for its employees' equity awards that were converted into Donnelley Financial, RRD and/or LSC equity awards.

The rights granted to the recipient of RRD RSU awards generally accrue ratably over the restriction or vesting period, which is generally four years. RRD also granted RSU awards which cliff vest three years from the grant date. RSU awards are subject to forfeiture upon termination of employment prior to vesting, subject in some cases to early vesting upon specified events, including death or permanent disability of the grantee, termination of the grantee's employment under certain circumstances or a change in control of RRD. The Company records compensation expense of RSU awards based on the fair market value of the awards at the date of grant ratably over the period during which the restrictions lapse. Dividends are not paid on RSUs.

Share-based compensation expense

For all awards issued following the Separation, the Company recognizes compensation expense based on estimated grant date fair values for all share-based awards issued to employees and directors, including restricted stock and restricted stock units. The Company estimates the fair value of share-based awards based on assumptions as of the grant date. The Company recognizes compensation costs for RSUs expected to vest, on a straight-line basis over the requisite service period of the award, which is generally the vesting term of three years. The Company recognizes compensation expense for performance based restricted stock awards utilizing a graded vesting schedule. The Company estimates the number of awards expected to vest based, in part, on historical forfeiture rates and also based on management's expectations of employee turnover within the specific employee groups receiving each type of award. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods, if actual forfeitures differ from those estimates.

In periods prior to the Separation, share-based compensation expense includes expense attributable to the Company based on the award terms previously granted to the Company's employees and an allocation of compensation expense for RRD's corporate and shared functional employees. As those share-based compensation plans are RRD's plans, the amounts have been recognized through net parent company investment on the consolidated and combined balance sheets.

Total compensation expense was \$2.5 million, \$1.6 million and \$2.1 million for years ended December 31, 2016, 2015 and 2014, respectively. The income tax benefit related to share-based compensation expense was \$1.0 million, \$0.6 million and \$0.8 million for the years ended December 31, 2016, 2015 and 2014, respectively. As of December 31, 2016, \$7.2 million of total unrecognized compensation expense related to share-based compensation plans is expected to be recognized over a weighted-average period of 2.5 years.

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General Terms of Awards

The Donnelley Financial Compensation Committee of the Board of Directors has discretion to establish the terms and conditions for grants, including the number of shares, vesting and required service or other performance criteria. Generally, awards under the 2016 PIP must have a minimum vesting period of three years. On October 1, 2016, the Company awarded certain employees and members of the Board of Directors restricted stock and RSUs. 50% of each of the awards of restricted stock and RSUs granted in 2016 will vest two years from the grant date and 50% will vest three years from the grant date. Vesting of the restricted stock awards is also subject to performance metrics. Both the restricted stock and RSU awards are subject to forfeiture upon termination of employment prior to vesting, subject in some cases to early vesting upon specified events, including death or permanent disability of the grantee, termination of the grantee's employment under certain circumstances or a change in control of the Company.

Stock Options

As of December 31, 2016, all outstanding options were 100% vested. There were no options granted during the years ended December 31, 2016, 2015 or 2014.

The following table summarizes activity for Donnelley Financial stock options held by employees of Donnelley Financial, RRD and LSC for the period following the Separation:

	Shares Under Option (thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (millions)
Outstanding at October 1, 2016	3	\$ 22.30	5.4	\$ -
Vested options converted on October 1, 2016 in connection with the Separation	296	21.47	3.7	1.4
Outstanding at December 31, 2016	299	21.48	3.5	1.4
Exercisable at December 31, 2016	207	\$ 16.35	3.5	\$ 1.4

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the difference between the Company's closing stock price on October 3, 2016 and December 31, 2016, respectively, and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their in-the-money options on October 3, 2016 and December 31, 2016. This amount will change in future periods based on the fair market value of the Company's stock and the number of options outstanding. Total intrinsic value of options exercised for the year ended December 31, 2016 was de minimis.

Compensation expense related to stock options for the years ended December 31, 2016, 2015 and 2014 was de minimis.

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Restricted Stock Units

On October 1, 2016, under the 2016 PIP the Company awarded 60,748 RSUs to certain employees and 16,620 restricted stock units to members of the Board of Directors, as a pro-rata portion of their annual director equity retainer. The following table summarizes activity for Donnelley Financial RSUs held by employees of Donnelley Financial, RRD and LSC, and members of the Board of Directors for the period following the Separation:

	Shares (Thousands)	Weighted Average Grant Date Fair Value ⁽¹⁾
Nonvested at October 1, 2016	11	\$ 26.66
Awarded	77	24.75
Vested	(20)	25.74
Nonvested RSUs converted on October 1, 2016 in connection with the Separation	368	27.22
Nonvested at December 31, 2016	<u>436</u>	<u>\$ 25.28</u>

(1) The weighted average grant date fair value has been adjusted for the impact of the Separation.

Compensation expense related to RSUs was \$1.9 million, \$0.8 million and \$1.5 million for the years ended December 31, 2016, 2015 and 2014, respectively. As of December 31, 2016, there was \$3.7 million of unrecognized share-based compensation expense related to 0.3 million restricted stock unit awards, with a weighted-average grant date fair value of \$25.32, that are expected to vest over a weighted-average period of 2.1 years. The fair value of these awards was determined based on the Company's stock price on the grant date reduced by the present value of expected dividends through the vesting period.

Restricted Stock

On October 1, 2016, the Company awarded 156,169 shares of restricted stock with a weighted average grant date fair value of \$24.75 to certain employees under the 2016 PIP. The fair value of these awards was determined based on the Company's stock price on the grant date. The performance period for the shares awarded during 2016 is October 1, 2016 to September 30, 2019. Distributions under these awards are payable at the end of the period in common stock.

Compensation expense for the restricted stock awards granted in 2016 is currently being recognized based on 100% attainment of the targeted performance metric. Compensation expense for restricted stock awards was \$0.3 million for the year ended December 31, 2016. As of December 31, 2016, there was \$3.5 million of unrecognized compensation expense related to restricted stock awards, which is expected to be recognized over a weighted average period of 2.8 years.

Other Incentive Stock Programs

RRD maintained other incentive stock programs for the benefits of its officers and certain employees. Compensation expense related to these other stock programs was \$0.3 million, \$0.7 million and \$0.5 million for the years ended December 31, 2016, 2015 and 2014, respectively.

Note 16. Preferred Stock

The Company has one million shares of \$0.01 par value preferred stock authorized for issuance. The Board of Directors may divide the preferred stock into one or more series and fix the redemption, dividend, voting, conversion, sinking fund, liquidation and other rights. The Company has no present plans to issue any preferred stock.

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Note 17. Comprehensive Income

The components of other comprehensive income and income tax expense allocated to each component for the years ended December 31, 2016, 2015 and 2014 were as follows:

	2016			2015			2014		
	Before Tax Amount	Income Tax Expense	Net of Tax Amount	Before Tax Amount	Income Tax Expense	Net of Tax Amount	Before Tax Amount	Income Tax Expense	Net of Tax Amount
Translation adjustments	\$ (0.1)	\$ —	\$ (0.1)	\$ (7.5)	\$ —	\$ (7.5)	\$ (2.9)	\$ —	\$ (2.9)
Adjustment for net periodic pension plan and other postretirement benefits plan cost	11.9	4.8	7.1	45.9	18.4	27.5	(284.5)	(114.6)	(169.9)
Other comprehensive income (loss)	<u>\$ 11.8</u>	<u>\$ 4.8</u>	<u>\$ 7.0</u>	<u>\$ 38.4</u>	<u>\$ 18.4</u>	<u>\$ 20.0</u>	<u>\$ (287.4)</u>	<u>\$ (114.6)</u>	<u>\$ (172.8)</u>

The following table summarizes changes in accumulated other comprehensive loss by component for the years ended December 31, 2016, 2015 and 2014:

	Pension and Other Postretirement Benefits Plan Cost	Translation Adjustments	Total
Balance at January 1, 2014	\$ (495.3)	\$ (5.6)	\$ (500.9)
Other comprehensive loss before reclassifications	(244.5)	(2.9)	(247.4)
Amounts reclassified from accumulated other comprehensive loss	74.6	—	74.6
Net change in accumulated other comprehensive loss	(169.9)	(2.9)	(172.8)
Balance at December 31, 2014	<u>\$ (665.2)</u>	<u>\$ (8.5)</u>	<u>\$ (673.7)</u>
Other comprehensive income (loss) before reclassifications	5.7	(7.5)	(1.8)
Amounts reclassified from accumulated other comprehensive loss	21.8	—	21.8
Transfer of pension plan to parent company, net	637.7	—	637.7
Net change in accumulated other comprehensive loss	665.2	(7.5)	657.7
Balance at December 31, 2015	<u>\$ —</u>	<u>\$ (16.0)</u>	<u>\$ (16.0)</u>
Other comprehensive income before reclassifications	6.7	(0.1)	6.6
Amounts reclassified from accumulated other comprehensive loss	0.4	—	0.4
Transfer of pension plan from parent company, net	(59.3)	—	(59.3)
Net change in accumulated other comprehensive loss	(52.2)	(0.1)	(52.3)
Balance at December 31, 2016	<u>\$ (52.2)</u>	<u>\$ (16.1)</u>	<u>\$ (68.3)</u>

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Reclassifications from accumulated other comprehensive loss for the years ended December 31, 2016, 2015 and 2014 were as follows:

	2016	2015	2014	Classification in the Consolidated and Combined Statements of Operations
Amortization of pension and other postretirement benefits plan cost:				
Net actuarial income	\$ 0.7	\$ 36.4	\$ 29.1	(a)
Settlements	—	—	95.7	(a)
Reclassifications before tax	0.7	36.4	124.8	
Income tax expense	0.3	14.6	50.2	
Reclassifications, net of tax	<u>\$ 0.4</u>	<u>\$ 21.8</u>	<u>\$ 74.6</u>	

- (a) These accumulated other comprehensive (loss) income components are included in the calculation of net periodic pension and other postretirement benefits plan (income) expense, a component of which was allocated to Donnelley Financial in periods prior to the Separation, and recognized in cost of sales and selling, general and administrative expenses in the consolidated and combined statements of operations (see Note 11, *Retirement Plans*).

Note 18. Segment Information

The Company's segments are summarized below:

United States

The U.S. segment serves capital market and investment market clients in the U.S. by delivering products and services to help create, manage, and deliver, accurate and timely financial communications to investors and regulators. The Company also provides virtual data rooms to facilitate the deal management requirements of capital markets and mergers and acquisitions transactions, and provides data and analytics services that help professionals uncover intelligence from disclosures contained within public filings made with the SEC. The U.S. segment also includes language solutions capabilities, through which the Company can translate documents and create content in up to 140 different languages for its clients, and commercial print. The U.S. segment accounted for 86.0% of the Company's consolidated and combined net sales in 2016.

International

The International segment includes the Company's operations in Asia, Europe, Canada and Latin America. The international business is primarily focused on working with international capital markets clients on capital markets offerings and regulatory compliance related activities into or within the United States. In addition, the international segment provides language translation services and shareholder communication services to investment market clients. The International segment accounted for 14.0% of the Company's consolidated and combined net sales in 2016.

Corporate

Corporate consists of unallocated selling, general and administrative activities and associated expenses including, in part, executive, legal, finance, communications and certain facility costs. In addition, certain costs and earnings of employee benefit plans, such as pension and other postretirement benefit plan expense (income) and allocated costs for share-based compensation, are included in Corporate and not allocated to the operating segments.

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Information by Segment

The Company has disclosed income (loss) from operations as the primary measure of segment earnings (loss). This is the measure of profitability used by the Company's chief operating decision-maker and is most consistent with the presentation of profitability reported within the consolidated and combined financial statements.

	<u>Total Sales</u>	<u>Intersegment Sales</u>	<u>Net Sales</u>	<u>Income (Loss) from Operations</u>	<u>Assets of Operations</u>	<u>Depreciation and Amortization</u>	<u>Capital Expenditures</u>
<i>Year ended December 31, 2016</i>							
U.S.	\$ 852.6	\$ (7.4)	\$ 845.2	\$ 118.4	\$ 672.2	\$ 34.5	\$ 20.5
International	142.9	(4.6)	138.3	9.6	93.7	4.6	2.6
Total operating segments	995.5	(12.0)	983.5	128.0	765.9	39.1	23.1
Corporate	—	—	—	(22.0)	213.0	4.2	3.1
Total operations	<u>\$ 995.5</u>	<u>\$ (12.0)</u>	<u>\$ 983.5</u>	<u>\$ 106.0</u>	<u>\$ 978.9</u>	<u>\$ 43.3</u>	<u>\$ 26.2</u>

	<u>Total Sales</u>	<u>Intersegment Sales</u>	<u>Net Sales</u>	<u>Income (Loss) from Operations</u>	<u>Assets of Operations</u>	<u>Depreciation and Amortization</u>	<u>Capital Expenditures</u>
<i>Year ended December 31, 2015</i>							
U.S.	\$ 912.0	\$ (11.2)	\$ 900.8	\$ 160.3	\$ 664.0	\$ 37.0	\$ 25.9
International	151.1	(2.4)	148.7	15.3	86.8	4.4	1.2
Total operating segments	1,063.1	(13.6)	1,049.5	175.6	750.8	41.4	27.1
Corporate	—	—	—	(2.9)	66.8	0.3	—
Total operations	<u>\$ 1,063.1</u>	<u>\$ (13.6)</u>	<u>\$ 1,049.5</u>	<u>\$ 172.7</u>	<u>\$ 817.6</u>	<u>\$ 41.7</u>	<u>\$ 27.1</u>

	<u>Total Sales</u>	<u>Intersegment Sales</u>	<u>Net Sales</u>	<u>Income (Loss) from Operations</u>	<u>Depreciation and Amortization</u>	<u>Capital Expenditures</u>
<i>Year ended December 31, 2014</i>						
U.S.	\$ 926.0	\$ (9.7)	\$ 916.3	\$ 175.7	\$ 35.4	\$ 20.3
International	166.9	(3.1)	163.8	17.2	4.6	1.5
Total operating segments	1,092.9	(12.8)	1,080.1	192.9	40.0	21.8
Corporate	—	—	—	(102.1)	0.7	7.0
Total operations	<u>\$ 1,092.9</u>	<u>\$ (12.8)</u>	<u>\$ 1,080.1</u>	<u>\$ 90.8</u>	<u>\$ 40.7</u>	<u>\$ 28.8</u>

Corporate assets primarily consisted of the following items at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Receivable from RR Donnelley	\$ 76.0	\$ —
Software, net	41.0	42.4
Deferred income tax assets, net of valuation allowances	34.2	10.4
Cash and cash equivalents	25.5	—

Restructuring, impairment and other charges by segment for 2016, 2015 and 2014 are described in Note 4, *Restructuring, Impairment and Other Charges*.

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Note 19. Geographic Area and Products and Services Information

The table below presents net sales and long-lived assets by geographic region for the years ended December 31, 2016, 2015 and 2014.

	U.S.	Europe	Asia	Canada	Other	Consolidated
2016						
Net sales	\$ 845.2	\$ 62.4	\$ 39.2	\$ 32.1	\$ 4.6	\$ 983.5
Long-lived assets (a)	107.4	3.1	0.6	0.5	—	111.6
2015						
Net sales	\$ 900.8	\$ 70.0	\$ 49.3	\$ 23.7	\$ 5.7	\$ 1,049.5
Long-lived assets (a)	96.0	2.7	0.6	0.8	—	100.1
2014						
Net sales	\$ 916.3	\$ 73.6	\$ 53.7	\$ 29.9	\$ 6.6	\$ 1,080.1
Long-lived assets (a)	82.7	2.3	0.9	1.2	0.1	87.2

(a) Includes net property, plant and equipment, net software and other noncurrent assets.

The following table summarizes net sales for services and products for the years ended December 31, 2016, 2015 and 2014.

	2016 Net Sales	2015 Net Sales	2014 Net Sales
Capital Markets	\$ 387.6	\$ 431.0	\$ 442.3
Investment Markets	143.2	139.1	140.7
Language Solutions and other	67.8	58.5	55.2
Total services	598.6	628.6	638.2
Investment Markets	\$ 199.1	\$ 204.0	\$ 211.2
Capital Markets	168.5	193.9	203.7
Language Solutions and other	17.3	23.0	27.0
Total products	384.9	420.9	441.9
Total net sales	\$ 983.5	\$ 1,049.5	\$ 1,080.1

Note 20. Related Parties

Transition Services Agreements

In connection with the Separation, the Company entered into transition services agreements separately with RRD and LSC, under which, in exchange for the fees specified in the arrangements, RRD and LSC agree to provide certain services to the Company and the Company agrees to provide certain services to RRD, respectively, for up to 24 months following the Separation. These services include, but are not limited to, information technology, accounts receivable, accounts payable, payroll and other financial and administrative services and functions. These agreements facilitate the separation by allowing the Company to operate independently prior to establishing stand-alone back office systems across its organization.

Commercial Arrangements

The Company entered into a number of commercial and other arrangements with RRD and its subsidiaries. These include, among other things, arrangements for the provision of services, including global outsourcing and logistics services, printing and binding, digital printing, composition, premedia and access to technology. The Company also entered into a number of commercial and other arrangements with LSC and its subsidiaries, pursuant to which LSC will print and bind products for the Company. The terms of the arrangements with RRD and LSC do not exceed 24 months. Subsequent to the Separation, RRD and LSC are clients of the Company and expect to utilize financial communication software and services that the Company provides to all of its clients.

Notes to the Consolidated and Combined Financial Statements
(in millions, except per share data, unless otherwise indicated)

Stockholder and Registration Rights Agreement

The Company and RRD entered into a Stockholder and Registration Rights Agreement with respect to the Company's common stock retained by RRD pursuant to which the Company agrees that, upon the request of RRD, the Company will use its reasonable best efforts to effect the registration under applicable federal and state securities laws of the shares of the Company's common stock retained by RRD after the Separation. In addition, RRD granted the Company a proxy to vote the shares of the Company's common stock that RRD retained immediately after the Separation in proportion to the votes cast by the Company's other stockholders. This proxy, however, will be automatically revoked as to a particular share upon any sale or transfer of such share from RRD to a person other than RRD, and neither the voting agreement nor the proxy will limit or prohibit any such sale or transfer.

Sublease Agreement

In connection with the Separation, the Company assumed an operating lease through 2024 for the Company's headquarters, with a total commitment of \$13.7 million at December 31, 2016. There is a related non-cancelable sublease rental to RRD of approximately \$4.6 million for the same period. The Company remains secondarily liable under this lease in the event that the sub-lessee defaults under the sublease terms. The Company does not believe that material payments will be required as a result of the secondary liability provisions of the primary lease agreement.

Related Party Receivables/Payables

The Separation and Distribution Agreement includes a provision for RRD to make a future cash payment of \$68.0 million to Donnelley Financial no later than April 1, 2017. The Company also has other amounts due to or from RRD and LSC in the normal course of business. The following is a summary of the amounts in the consolidated and combined balance sheet due to or from RRD and LSC as of December 31, 2016:

	December 31, 2016
Receivable from RRD	\$ 96.0
Receivable from LSC	0.8
Due from related parties	<u>96.8</u>
Payable to RRD	\$ 27.1
Payable to LSC	2.5
Due to related parties	<u>29.6</u>

Allocations from RRD Prior to Separation

Prior to the Separation RRD provided Donnelley Financial with certain services, which include, but are not limited to information technology, finance, legal, human resources, internal audit, treasury, tax, investor relations and executive oversight. The financial information in these consolidated and combined financial statements does not necessarily include all the expenses that would have been incurred had Donnelley Financial been a separate, standalone entity for all periods presented. Prior to the Separation RRD charged Donnelley Financial for these services based on direct usage when possible. When specific identification was not practicable, the pro rata basis of revenue or employee headcount, or some other measure was used. These allocations were reflected as follows in the consolidated and combined financial statements:

	2016	2015	2014
Costs of goods sold allocation	\$ 28.0	\$ 38.5	\$ 41.0
Selling, general and administrative allocation	129.4	168.3	158.6
Depreciation and amortization	15.2	21.4	18.4
Total allocations from RRD	<u>\$ 172.6</u>	<u>\$ 228.2</u>	<u>\$ 218.0</u>

The Company considers the expense methodology and results to be reasonable for all periods presented. However, these allocations may not be indicative of the actual expenses that the Company would have incurred as an independent public company or the costs it may incur in the future.

Notes to the Consolidated and Combined Financial Statements
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Related Party Revenues

Donnelley Financial generates a portion of net revenue from sales to RRD's subsidiaries. Net revenues from sales to RRD and affiliates of \$19.4 million, \$7.8 million and \$8.0 million for the years ended December 31, 2016, 2015 and 2014, respectively, were included in the consolidated and combined statement of operations.

Related Party Purchases

Donnelley Financial utilizes RRD for freight and logistics and services as well as certain production of printed products. Cost of sales of \$57.9 million, \$68.3 million and \$76.5 million for the years ended December 31, 2016, 2015 and 2014, respectively, were included in the consolidated and combined statements of operations for these purchases.

Donnelley Financial also utilizes RRD's business process outsourcing business for certain composition, XBRL and other functions. Cost of sales of \$37.8 million, \$40.4 million and \$39.3 million for the years ended December 31, 2016, 2015 and 2014, respectively, were included in the consolidated and combined statements of operations for these purchases.

For periods prior to the Separation, intercompany payables with RRD and affiliates for these purchases are reflected within net parent company investment in the consolidated and combined financial statements.

Share-Based Compensation Prior to Separation

Prior to the Separation, certain Donnelley Financial employees participated in RRD's share-based compensation plans, the costs of which have been allocated to Donnelley Financial and recorded in selling, general and administrative expenses in the consolidated and combined statements of operations. Share-based compensation costs allocated to the Company were \$1.2 million for the nine months ended September 30, 2016 and \$1.6 million and \$2.1 million for the years ended December 31, 2015 and 2014, respectively.

Retirement Plans Prior to Separation

Prior to the Separation, Donnelley Financial employees participated in pension and other postretirement plans sponsored by RRD. These costs are reflected in the Company's cost of sales and selling, general and administrative expenses in the consolidated and combined statements of operations. These costs were funded through intercompany transactions with RRD which are reflected within the net parent company investment.

On October 1, 2016, Donnelley Financial recorded net pension plan liabilities of \$68.3 million (consisting of a total benefit plan liability of \$317.0 million, net of plan assets having fair market value of \$248.7 million), as a result of the transfer of certain pension plan liabilities and assets from RRD to the Company upon the legal split of those plans. Refer to Note 11 , *Retirement Plans* , for further details regarding the Company's pension and other postretirement benefit plans.

Centralized Cash Management Prior to Separation

RRD uses a centralized approach to cash management and financing of operations. Prior to the Separation, the majority of the Company's foreign subsidiaries were party to RRD's international cash pooling arrangements to maximize the availability of cash for general operating and investing purposes. As part of RRD's centralized cash management process, cash balances were swept regularly from the Company's accounts. Cash transfers to and from RRD's cash concentration accounts and the resulting balances at the end of each reporting period are reflected in net parent company investment in the consolidated and combined balance sheets.

During the fourth quarter of 2016, the Company paid a cash adjustment to RRD for the amount of the Company's September 30, 2016 cash balance that was greater than the agreed-upon target cash balance of \$50.0 million as defined in the Separation and Distribution Agreement.

Debt

RRD's third party debt and related interest expense have not been allocated to the Company for any of the periods presented as the Company was not the legal obligor of the debt and the borrowings were not directly related to the Company's business. An intercompany note payable with RRD at December 31, 2015 is presented in the accompanying consolidated and combined balance sheets. During the third quarter of 2016, the Company recorded a \$29.6 million non-cash settlement related to this intercompany note payable.

Note 21. New Accounting Pronouncements

In January 2017, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update No. 2017-04 “Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment” (“ASU 2017-04”), which simplifies the accounting for goodwill impairment. ASU 2017-04 requires entities to record an impairment charge based on the excess of a reporting unit’s carrying amount over its fair value (Step 1 under the current impairment test). The standard eliminates Step 2 from the current goodwill impairment test, which included determining the implied fair value of goodwill and comparing it with the carrying amount of that goodwill. ASU 2017-04 must be applied prospectively and is effective in the first quarter of 2020. Early adoption is permitted in the first quarter of 2017. The Company plans to adopt the standard in 2017.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02 “Leases (Topic 842)” (“ASU 2016-02”), which requires lessees to put most leases on the balance sheet but recognize expense on the income statement in a manner similar to current accounting. For lessors, ASU 2016-02 also modifies the classification criteria and the accounting for sales-type and direct financing leases. The standard requires a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements and is effective in the first quarter of 2019. Early adoption of ASU 2016-02 is permitted; however the Company plans to adopt the standard in the first quarter of 2019. The Company is evaluating the impact of ASU 2016-02.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09 “Revenue from Contracts with Customers (Topic 606)” (“ASU 2014-09”), which outlines a single comprehensive model for entities to use in accounting for revenue using a five-step process that supersedes virtually all existing revenue guidance. ASU 2014-09 also requires additional quantitative and qualitative disclosures. In August 2015, the FASB issued Accounting Standards Update No. 2015-14 “Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date” (“ASU 2015-14”), which defers the effective date of ASU 2014-09 to January 1, 2018. Early adoption of ASU 2014-09 is permitted in the first quarter of 2017. However, the Company plans to adopt the standard in the first quarter of 2018. The standard allows the option of either a full retrospective adoption, meaning the standard is applied to all periods presented, or a modified retrospective adoption, meaning the standard is applied only to the most current period. The Company is evaluating the impact of the provisions of ASU 2014-09 and currently anticipates applying the modified retrospective approach when adopting the standard.

The following standards were effective for and adopted by the Company in 2016. The adoption of these standards did not have a material impact on the Company’s consolidated financial position, results of operations or cash flows:

- Accounting Standards Update No. 2015-16 “Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments”
- Accounting Standards Update No. 2015-07 “Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)”
- Accounting Standards Update No. 2015-05 “Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement”
- Accounting Standards Update No. 2015-04 “Compensation—Retirement Benefits (Topic 715): Practical Expedient for the Measurement Date of an Employer’s Defined Benefit Obligation and Plan Assets”
- Accounting Standards Update No. 2015-02 “Consolidation (Topic 810): Amendments to the Consolidation Analysis”
- Accounting Standards Update No. 2015-01 “Income Statement—Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items”
- Accounting Standards Update No. 2014-16 “Derivatives and Hedging (Topic 815): Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity”
- Accounting Standards Update No. 2014-15 “Presentation of Financial Statements – Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern”
- Accounting Standards Update No. 2014-12 “Compensation—Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period”

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Note 22. Guarantor Financial Information

As described in Note 13, Debt, on September 30, 2016, the Company issued \$300.0 million of 8.25% senior unsecured notes due October 15, 2024. Donnelley Financial, LLC and DFS International Holding, Inc. (together the “Guarantor Subsidiaries”) entered into an agreement pursuant to which each agreed to guarantee the obligations of Donnelley Financial Solutions, Inc. (the “Parent”) under the Notes. All guarantees are full and unconditional and joint and several. The Guarantor Subsidiaries are 100% directly owned subsidiaries of the Parent.

The guarantee of the notes by a subsidiary guarantor will be automatically released under certain situations, including upon the sale or disposition of such subsidiary guarantor to a person that is not Donnelley Financial or a subsidiary guarantor of the notes, the liquidation or dissolution of such subsidiary guarantor, and if such subsidiary guarantor is released from its guarantee obligations under the Company’s Credit Facilities.

The following tables set forth condensed consolidating statements of income for the years ended December 31, 2016, 2015, and 2014, condensed consolidating statements of financial position as of December 31, 2016 and December 31, 2015, and condensed consolidating statements of cash flows for the years ended December 31, 2016, 2015, and 2014. The principal consolidating adjustments are to eliminate the investment in subsidiaries and intercompany balances and transactions.

Condensed Consolidating Statements of Operations
Year Ended December 31, 2016

	<u>Parent</u>	<u>Guarantor Subsidiaries</u>	<u>Non-guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
Services net sales	\$ —	\$ 502.2	\$ 104.1	\$ (7.7)	\$ 598.6
Products net sales	—	350.4	38.8	(4.3)	384.9
Total net sales	—	852.6	142.9	(12.0)	983.5
Services cost of sales (exclusive of depreciation and amortization)	—	236.0	68.2	(7.1)	297.1
Services cost of sales with RR Donnelley affiliates (exclusive of depreciation and amortization)	—	35.6	2.2	—	37.8
Products cost of sales (exclusive of depreciation and amortization)	—	207.0	24.1	(4.9)	226.2
Products cost of sales with RR Donnelley affiliates (exclusive of depreciation and amortization)	—	57.3	0.6	—	57.9
Total cost of sales	—	535.9	95.1	(12.0)	619.0
Selling, general and administrative expenses (exclusive of depreciation and amortization)	—	176.8	33.0	—	209.8
Restructuring, impairment and other charges-net	—	4.8	0.6	—	5.4
Depreciation and amortization	—	38.6	4.7	—	43.3
Income from operations	—	96.5	9.5	—	106.0
Interest expense-net	11.7	—	—	—	11.7
Earnings (loss) before income taxes and equity in net income of subsidiaries	(11.7)	96.5	9.5	—	94.3
Income tax (benefit) expense	(4.3)	38.5	1.0	—	35.2
Earnings (loss) before equity in net income of subsidiaries	(7.4)	58.0	8.5	—	59.1
Equity in net income of subsidiaries	66.5	8.5	—	(75.0)	—
Net earnings (loss)	\$ 59.1	\$ 66.5	\$ 8.5	\$ (75.0)	\$ 59.1
Comprehensive income (loss)	\$ 66.1	\$ 73.5	\$ 8.6	\$ (82.1)	\$ 66.1

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Condensed Consolidating Statements of Operations
Year Ended December 31, 2015

	<u>Parent</u>	<u>Guarantor Subsidiaries</u>	<u>Non-guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
Services net sales	\$ —	\$ 530.2	\$ 106.6	\$ (8.2)	\$ 628.6
Products net sales	—	381.8	44.5	(5.4)	420.9
Total net sales	—	912.0	151.1	(13.6)	1,049.5
Services cost of sales (exclusive of depreciation and amortization)	—	230.7	68.4	(7.2)	291.9
Services cost of sales with RR Donnelley affiliates (exclusive of depreciation and amortization)	—	38.1	2.3	—	40.4
Products cost of sales (exclusive of depreciation and amortization)	—	208.8	28.5	(6.4)	230.9
Products cost of sales with RR Donnelley affiliates (exclusive of depreciation and amortization)	—	68.2	0.1	—	68.3
Total cost of sales	—	545.8	99.3	(13.6)	631.5
Selling, general and administrative expenses (exclusive of depreciation and amortization)	—	168.1	31.1	—	199.2
Restructuring, impairment and other charges-net	—	3.5	0.9	—	4.4
Depreciation and amortization	—	37.3	4.4	—	41.7
Income from operations	—	157.3	15.4	0.0	172.7
Interest expense-net	—	1.1	—	—	1.1
Investment and other income-net	—	—	(0.1)	—	(0.1)
Earnings before income taxes and equity in net income of subsidiaries	—	156.2	15.5	0.0	171.7
Income tax expense	—	63.8	3.6	—	67.4
Earnings before equity in net income of subsidiaries	—	92.4	11.9	0.0	104.3
Equity in net income of subsidiaries	104.3	11.9	—	(116.2)	—
Net earnings (loss)	<u>\$ 104.3</u>	<u>\$ 104.3</u>	<u>\$ 11.9</u>	<u>\$ (116.2)</u>	<u>\$ 104.3</u>
Comprehensive income (loss)	<u>\$ 124.3</u>	<u>\$ 124.3</u>	<u>\$ 4.4</u>	<u>\$ (128.7)</u>	<u>\$ 124.3</u>

Notes to the Consolidated and Combined Financial Statements
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Condensed Consolidating Statements of Operations
Year Ended December 31, 2014

	<u>Parent</u>	<u>Guarantor Subsidiaries</u>	<u>Non-guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
Services net sales	\$ —	\$ 529.7	\$ 116.2	\$ (7.7)	\$ 638.2
Products net sales	—	396.3	50.7	(5.1)	441.9
Total net sales	—	926.0	166.9	(12.8)	1,080.1
Services cost of sales (exclusive of depreciation and amortization)	—	237.3	70.8	(6.9)	301.2
Services cost of sales with RR Donnelley affiliates (exclusive of depreciation and amortization)	—	36.9	2.4	—	39.3
Products cost of sales (exclusive of depreciation and amortization)	—	208.8	33.4	(5.9)	236.3
Products cost of sales with RR Donnelley affiliates (exclusive of depreciation and amortization)	—	76.3	0.2	—	76.5
Total cost of sales	—	559.3	106.8	(12.8)	653.3
Selling, general and administrative expenses (exclusive of depreciation and amortization)	—	254.7	35.8	—	290.5
Restructuring, impairment and other charges-net	—	2.5	2.3	—	4.8
Depreciation and amortization	—	36.1	4.6	—	40.7
Income from operations	—	73.4	17.4	—	90.8
Interest expense-net	—	1.5	—	—	1.5
Investment and other income-net	—	(3.0)	(0.1)	—	(3.1)
Earnings before income taxes and equity in net income of subsidiaries	—	74.9	17.5	—	92.4
Income tax expense	—	31.1	3.9	—	35.0
Earnings before equity in net income of subsidiaries	—	43.8	13.6	—	57.4
Equity in net income of subsidiaries	57.4	13.6	—	(71.0)	—
Net earnings (loss)	<u>\$ 57.4</u>	<u>\$ 57.4</u>	<u>\$ 13.6</u>	<u>\$ (71.0)</u>	<u>\$ 57.4</u>
Comprehensive (loss) income	<u>\$ (115.4)</u>	<u>\$ (115.4)</u>	<u>\$ 10.7</u>	<u>\$ 104.7</u>	<u>\$ (115.4)</u>

Notes to the Consolidated and Combined Financial Statements
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Condensed Consolidating Balance Sheets
December 31, 2016

	<u>Parent</u>	<u>Guarantor Subsidiaries</u>	<u>Non-guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
ASSETS					
Cash and cash equivalents	\$ —	\$ 21.8	\$ 16.8	\$ (2.4)	\$ 36.2
Receivables, less allowances	—	119.9	36.3	—	156.2
Receivable from RR Donnelley	68.0	28.0	—	—	96.0
Intercompany receivables	—	63.0	—	(63.0)	—
Intercompany short-term note receivable	—	—	15.3	(15.3)	—
Inventories	—	22.7	1.4	—	24.1
Prepaid expenses and other current assets	4.3	8.1	4.7	—	17.1
Total current assets	<u>72.3</u>	<u>263.5</u>	<u>74.5</u>	<u>(80.7)</u>	<u>329.6</u>
Property, plant and equipment-net	—	32.4	3.1	—	35.5
Goodwill	—	429.2	17.2	—	446.4
Other intangible assets-net	—	44.0	10.3	—	54.3
Software-net	—	41.0	0.6	—	41.6
Deferred income taxes	—	34.2	2.8	—	37.0
Other noncurrent assets	4.4	27.7	2.4	—	34.5
Investments in consolidated subsidiaries	692.2	65.1	—	(757.3)	—
Total assets	<u>\$ 768.9</u>	<u>\$ 937.1</u>	<u>\$ 110.9</u>	<u>\$ (838.0)</u>	<u>\$ 978.9</u>
LIABILITIES AND STOCKHOLDERS' EQUITY					
Accounts payable	\$ 3.4	\$ 72.8	\$ 11.5	\$ (2.4)	\$ 85.3
Intercompany payable	43.9	—	18.6	(62.5)	—
Intercompany short-term note payable	15.3	—	—	(15.3)	—
Accrued liabilities	8.2	81.4	11.6	(0.5)	100.7
Total current liabilities	<u>70.8</u>	<u>154.2</u>	<u>41.7</u>	<u>(80.7)</u>	<u>186.0</u>
Long-term debt	587.0	—	—	—	587.0
Deferred compensation liabilities	—	24.4	—	—	24.4
Pension and other postretirement benefits plan liabilities	—	55.3	1.1	—	56.4
Other noncurrent liabilities	—	11.0	3.0	—	14.0
Total liabilities	<u>657.8</u>	<u>244.9</u>	<u>45.8</u>	<u>(80.7)</u>	<u>867.8</u>
Total equity	<u>111.1</u>	<u>692.2</u>	<u>65.1</u>	<u>(757.3)</u>	<u>111.1</u>
Total liabilities and equity	<u>\$ 768.9</u>	<u>\$ 937.1</u>	<u>\$ 110.9</u>	<u>\$ (838.0)</u>	<u>\$ 978.9</u>

Notes to the Consolidated and Combined Financial Statements
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Condensed Consolidating Balance Sheets
December 31, 2015

	<u>Parent</u>	<u>Guarantor Subsidiaries</u>	<u>Non-guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
ASSETS					
Cash and cash equivalents	\$ —	\$ 0.1	\$ 15.0	\$ —	\$ 15.1
Receivables, less allowances	—	115.0	31.2	—	146.2
Intercompany receivables	—	7.4	—	(7.4)	—
Inventories	—	21.4	0.8	—	22.2
Prepaid expenses and other current assets	—	3.0	4.3	—	7.3
Total current assets	—	146.9	51.3	(7.4)	190.8
Property, plant and equipment-net	—	31.0	2.0	—	33.0
Goodwill	—	429.2	17.6	—	446.8
Other intangible assets-net	—	55.8	13.5	—	69.3
Software-net	—	42.3	1.1	—	43.4
Deferred income taxes	—	10.4	0.2	—	10.6
Other noncurrent assets	—	20.6	3.1	—	23.7
Investments in consolidated subsidiaries	623.5	50.2	—	(673.7)	—
Total assets	<u>\$ 623.5</u>	<u>\$ 786.4</u>	<u>\$ 88.8</u>	<u>\$ (681.1)</u>	<u>\$ 817.6</u>
LIABILITIES AND STOCKHOLDERS' EQUITY					
Accounts payable	\$ —	\$ 31.7	\$ 7.8	\$ —	\$ 39.5
Intercompany payable	—	—	7.4	(7.4)	—
Accrued liabilities	—	62.8	12.6	—	75.4
Short-term debt	—	—	8.8	—	8.8
Total current liabilities	—	94.5	36.6	(7.4)	123.7
Note payable with an RRD affiliate	—	29.2	—	—	29.2
Deferred compensation liabilities	—	28.5	—	—	28.5
Other noncurrent liabilities	—	10.7	2.0	—	12.7
Total liabilities	—	162.9	38.6	(7.4)	194.1
Total equity	623.5	623.5	50.2	(673.7)	623.5
Total liabilities and equity	<u>\$ 623.5</u>	<u>\$ 786.4</u>	<u>\$ 88.8</u>	<u>\$ (681.1)</u>	<u>\$ 817.6</u>

Notes to the Consolidated and Combined Financial Statements
(in millions, except per share data, unless otherwise indicated)

Condensed Consolidating Statements of Cash Flows
Year Ended December 31, 2016

	<u>Parent</u>	<u>Guarantor Subsidiaries</u>	<u>Non-guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
OPERATING ACTIVITIES					
Net cash (used in) provided by operating activities	\$ (1.2)	\$ 103.2	\$ 6.4	\$ (2.4)	\$ 106.0
INVESTING ACTIVITIES					
Capital expenditures	—	(23.6)	(2.6)	—	(26.2)
Purchases of investments	—	(3.5)	—	—	(3.5)
Other investing activities	—	—	0.4	—	0.4
Net cash used in investing activities	—	(27.1)	(2.2)	—	(29.3)
FINANCING ACTIVITIES					
Proceeds from issuance of long-term debt	348.2	—	—	—	348.2
Payments on long-term debt	(50.0)	—	—	—	(50.0)
Net change in short-term debt	—	—	(8.8)	—	(8.8)
Debt issuance costs	(9.3)	—	—	—	(9.3)
Net transfers to Parent and affiliates	(287.7)	(54.4)	2.0	—	(340.1)
Net cash provided by (used in) financing activities	1.2	(54.4)	(6.8)	—	(60.0)
Effect of exchange rate on cash and cash equivalents	—	—	4.4	—	4.4
Net increase (decrease) in cash and cash equivalents	—	21.7	1.8	(2.4)	21.1
Cash and cash equivalents at beginning of year	—	0.1	15.0	—	15.1
Cash and cash equivalents at end of period	\$ —	\$ 21.8	\$ 16.8	\$ (2.4)	\$ 36.2
Supplemental non-cash disclosure:					
Debt exchange with RR Donnelley, including \$5.5 million of debt issuance costs	\$ 300.0	\$ —	\$ —	\$ —	\$ 300.0
Settlement of intercompany note payable	—	29.6	—	—	29.6
Accrued debt issuance costs	1.5	—	—	—	1.5

Notes to the Consolidated and Combined Financial Statements
(in millions, except per share data, unless otherwise indicated)

Condensed Consolidating Statements of Cash Flows
Year Ended December 31, 2015

	<u>Parent</u>	<u>Guarantor Subsidiaries</u>	<u>Non-guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
OPERATING ACTIVITIES					
Net cash provided by operating activities	\$ —	\$ 106.7	\$ 14.2	\$ —	\$ 120.9
INVESTING ACTIVITIES					
Capital expenditures	—	(25.9)	(1.2)	—	(27.1)
Purchases of investments	—	(10.0)	—	—	(10.0)
Net cash used in investing activities	—	(35.9)	(1.2)	—	(37.1)
FINANCING ACTIVITIES					
Net change in short-term debt	—	—	(24.0)	—	(24.0)
Payments on note payable with an RRD affiliate	—	(14.6)	(0.2)	—	(14.8)
Net transfers to Parent and affiliates	—	(56.2)	0.2	—	(56.0)
Net cash used in financing activities	—	(70.8)	(24.0)	—	(94.8)
Effect of exchange rate on cash and cash equivalents	—	—	(2.5)	—	(2.5)
Net decrease in cash and cash equivalents	—	—	(13.5)	—	(13.5)
Cash and cash equivalents at beginning of year	—	0.1	28.5	—	28.6
Cash and cash equivalents at end of period	\$ —	\$ 0.1	\$ 15.0	\$ —	\$ 15.1

Notes to the Consolidated and Combined Financial Statements
(in millions, except per share data, unless otherwise indicated)

Condensed Consolidating Statements of Cash Flows
Year Ended December 31, 2014

	<u>Parent</u>	<u>Guarantor Subsidiaries</u>	<u>Non-guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
OPERATING ACTIVITIES					
Net cash provided by operating activities	\$ —	\$ 108.0	\$ 17.3	\$ —	\$ 125.3
INVESTING ACTIVITIES					
Capital expenditures	—	(27.3)	(1.5)	—	(28.8)
Acquisition of business, net of cash acquired	—	—	(6.0)	—	(6.0)
Proceeds from sales of other assets	—	5.3	—	—	5.3
Net cash used in investing activities	—	(22.0)	(7.5)	—	(29.5)
FINANCING ACTIVITIES					
Net change in short-term debt	—	—	(12.8)	—	(12.8)
Payments on note payable with an RRD affiliate	—	(14.7)	—	—	(14.7)
Net transfers to Parent and affiliates	—	(71.9)	9.0	—	(62.9)
Net cash used in financing activities	—	(86.6)	(3.8)	—	(90.4)
Effect of exchange rate on cash and cash equivalents	—	—	2.0	—	2.0
Net (decrease) increase in cash and cash equivalents	—	(0.6)	8.0	—	7.4
Cash and cash equivalents at beginning of year	—	0.7	20.5	—	21.2
Cash and cash equivalents at end of period	\$ —	\$ 0.1	\$ 28.5	\$ —	\$ 28.6

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Donnelley Financial Solutions, Inc.
Chicago, Illinois

We have audited the accompanying consolidated and combined balance sheets of Donnelley Financial Solutions, Inc. and subsidiaries (the "Company") as of December 31, 2016 and 2015, and the related consolidated and combined statements of operations, comprehensive income, equity and cash flows for each of the three years in the period ended December 31, 2016. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated and combined financial statements present fairly, in all material respects, the financial position of Donnelley Financial Solutions, Inc. and subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, prior to October 1, 2016, the accompanying consolidated and combined financial statements have been derived from the consolidated financial statements and accounting records of R.R. Donnelley & Sons Company. The consolidated and combined financial statements include the allocation of certain assets, liabilities, expenses and income that have historically been held at the RR Donnelley & Sons Company corporate level but which are specifically identifiable or attributable to the Company. The consolidated and combined financial statements also include expense allocations for certain corporate functions historically provided by R.R. Donnelley & Sons Company. These costs and allocations may not be reflective of the actual expense which would have been incurred had the Company operated as a separate unaffiliated entity apart from R.R. Donnelley & Sons Company.

/s/ DELOITTE & TOUCHE LLP

Chicago, Illinois
February 28, 2017

UNAUDITED INTERIM FINANCIAL INFORMATION
(In millions, except per-share data)

	Year Ended December 31,				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
2016					
Net sales	\$ 240.1	\$ 298.0	\$ 224.4	\$ 221.0	\$ 983.5
Income from operations	22.5	59.0	18.0	6.5	106.0
Net earnings (loss)	13.4	36.3	10.2	(0.8)	59.1
Net earnings (loss) per share					
Basic net earnings (loss) per share	0.41	1.12	0.31	(0.02)	1.81
Diluted net earnings (loss) per share	0.41	1.12	0.31	(0.02)	1.80
Weighted average number to common shares outstanding (a)					
Basic	32.4	32.4	32.4	32.6	32.6
Diluted	32.4	32.4	32.4	32.6	32.8

2015					
Net sales	\$ 270.4	\$ 308.9	\$ 231.6	\$ 238.6	\$ 1,049.5
Income from operations	39.8	66.6	28.2	38.1	172.7
Net earnings	23.8	40.5	16.8	23.2	104.3
Basic and diluted net earnings per share	0.73	1.25	0.52	0.72	3.22
Basic and diluted common shares outstanding (a)	32.4	32.4	32.4	32.4	32.4

(a) On October 1, 2016, RRD distributed approximately 26.2 million shares of Donnelley Financial common stock to RRD shareholders in connection with the spin-off of Donnelley Financial, with RRD retaining approximately 6.2 million shares of Donnelley Financial common stock. For periods prior to the Separation, basic and diluted earnings per share were calculated using the number of shares distributed and retained by RRD, totaling 32.4 million. The same number of shares was used to calculate basic and diluted earnings per share since there were no Donnelley Financial equity awards outstanding prior to the spin-off.

Includes the following significant items:

	Pre-tax					After-tax				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Year ended December 31, 2016										
Restructuring, impairment and other charges										
- net	\$ 0.6	\$ 1.3	\$ 1.7	\$ 1.8	\$ 5.4	\$ 0.4	\$ 0.8	\$ 1.0	\$ 1.1	\$ 3.3
Spin-off related transaction expenses	—	—	—	4.9	4.9	—	—	—	3.0	3.0
Share-based compensation expense	0.3	0.7	0.2	1.3	2.5	0.2	0.4	0.1	0.8	1.5
	Pre-tax					After-tax				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Year ended December 31, 2015										
Restructuring, impairment and other charges										
- net	\$ 0.5	\$ 1.4	\$ 1.4	\$ 1.1	\$ 4.4	\$ 0.3	\$ 0.9	\$ 0.9	\$ 0.7	\$ 2.8
Share-based compensation expense	0.4	0.6	0.3	0.3	1.6	0.2	0.4	0.2	0.2	1.0

INDEX TO EXHIBITS

- 2.1 Separation and Distribution Agreement, dated as of September 14, 2016, by and among R. R. Donnelley & Sons Company, LSC Communications, Inc. and Donnelley Financial Solutions, Inc. (the “Separation Agreement”) (incorporated by reference to Exhibit 2.1 to the Company’s Current Report on Form 8-K dated September 30, 2016, filed on October 3, 2016)
- 2.2 Transition Services Agreement, dated as of September 14, 2016, between Donnelley Financial Solutions, Inc. and R. R. Donnelley & Sons Company (incorporated by reference to Exhibit 2.2 to the Company’s Current Report on Form 8-K dated September 30, 2016, filed on October 3, 2016)
- 2.3 Transition Services Agreement, dated as of September 14, 2016, between LSC Communications, Inc. and Donnelley Financial Solutions, Inc. (incorporated by reference to Exhibit 2.3 to the Company’s Current Report on Form 8-K dated September 30, 2016, filed on October 3, 2016)
- 2.4 Tax Disaffiliation Agreement, dated as of September 14, 2016, between Donnelley Financial Solutions, Inc. and R. R. Donnelley & Sons Company (incorporated by reference to Exhibit 2.4 to the Company’s Current Report on Form 8-K dated September 30, 2016, filed on October 3, 2016)
- 2.5 Patent Assignment and License Agreement, dated as of September 27, 2016, between Donnelley Financial, LLC and R. R. Donnelley & Sons Company (incorporated by reference to Exhibit 2.5 to the Company’s Current Report on Form 8-K dated September 30, 2016, filed on October 3, 2016)
- 2.6 Trademark Assignment and License Agreement, dated as of September 27, 2016, between Donnelley Financial, LLC and R. R. Donnelley & Sons Company (incorporated by reference to Exhibit 2.6 to the Company’s Current Report on Form 8-K dated September 30, 2016, filed on October 3, 2016)
- 2.7 Data Assignment and License Agreement, dated as of September 27, 2016, between Donnelley Financial, LLC and R. R. Donnelley & Sons Company (incorporated by reference to Exhibit 2.7 to the Company’s Current Report on Form 8-K dated September 30, 2016, filed on October 3, 2016)
- 2.8 Software, Copyright and Trade Secret Assignment and License Agreement, dated as of September 27, 2016, between Donnelley Financial, LLC and R. R. Donnelley & Sons Company (incorporated by reference to Exhibit 2.8 to the Company’s Current Report on Form 8-K dated September 30, 2016, filed on October 3, 2016)
- 3.1 Amended and Restated Certificate of Incorporation of Donnelley Financial Solutions, Inc. (incorporated by reference to Exhibit 3.1 to the Company’s Current Report on Form 8-K dated September 30, 2016, filed on October 3, 2016)
- 3.2 Amended and Restated By-laws of Donnelley Financial Solutions, Inc. (incorporated by reference to Exhibit 3.2 to the Company’s Current Report on Form 8-K dated September 30, 2016, filed on October 3, 2016)
- 4.1 Stockholder and Registration Rights Agreement, dated as of September 14, 2016, between Donnelley Financial Solutions, Inc. and R. R. Donnelley & Sons Company (incorporated by reference to Exhibit 4.1 to the Company’s Current Report on Form 8-K dated September 30, 2016, filed on October 3, 2016)
- 4.2 Indenture, dated as of September 30, 2016, among Donnelley Financial Solutions, Inc., the subsidiary guarantors party thereto and Wells Fargo Bank, National Association, as Trustee (incorporated by reference to Exhibit 4.2 to the Company’s Current Report on Form 8-K dated September 30, 2016, filed on October 3, 2016)
- 4.3 Registration Rights Agreement, dated as of September 30, 2016, by and among Donnelley Financial Solutions, Inc., the subsidiary guarantors party thereto and J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc. and MUFG Securities Americas Inc., as Representatives (incorporated by reference to Exhibit 4.3 to the Company’s Current Report on Form 8-K dated September 30, 2016, filed on October 3, 2016)
- 10.1 Credit Agreement, dated as of September 30, 2016, among Donnelley Financial Solutions, Inc., as Borrower, the lenders party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K dated September 30, 2016, filed on October 3, 2016)*
- 10.2 2016 Donnelley Financial Solutions, Inc. Performance Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company’s Current Report on Form 8-K dated September 30, 2016, filed on October 3, 2016)*
- 10.3 Donnelley Financial Solutions, Inc. Non-Employee Director Compensation Plan (incorporated by reference to Exhibit 10.3 to the Company’s Current Report on Form 8-K dated September 30, 2016, filed on October 3, 2016)*

- 10.4 Policy on Retirement Benefits, Phantom Stock Grants and Stock Options for Directors (incorporated by reference to Exhibit 10.1 to R.R Donnelley & Sons Company Quarterly Report on Form 10-Q for the quarter ended June 30, 2008, filed on August 6, 2008)*
- 10.5 Donnelley Financial Solutions, Inc. Nonqualified Deferred Compensation Plan, dated as of September 22, 2016 (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K dated September 30, 2016, filed on October 3, 2016)*
- 10.6 Donnelley Financial Unfunded Supplemental Pension Plan effective October 1, 2016 (filed herewith)*
- 10.7 Assignment of Employment Agreement and Acceptance of Assignment, dated as of September 29, 2016, between Donnelley Financial Solutions, Inc., R. R. Donnelley & Sons Company and Daniel N. Leib (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K dated September 30, 2016, filed on October 3, 2016)*
- 10.8 Amendment to Employment Agreement between the Company and Daniel N. Leib dated October 26, 2016 (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K dated October 26, 2016, filed on October 27, 2016)*
- 10.9 Assignment of Employment Agreement and Acceptance of Assignment, dated as of September 29, 2016, between Donnelley Financial Solutions, Inc., R. R. Donnelley & Sons Company and Thomas F. Juhase (incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K dated September 30, 2016, filed on October 3, 2016)*
- 10.10 Assignment of Employment Agreement and Acceptance of Assignment, dated as of September 29, 2016, between Donnelley Financial Solutions, Inc., R. R. Donnelley & Sons Company and David A. Gardella (incorporated by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K dated September 30, 2016, filed on October 3, 2016)*
- 10.11 Assignment of Severance Agreement and Acceptance of Assignment, dated as of September 29, 2016, between Donnelley Financial Solutions, Inc., R. R. Donnelley & Sons Company and Jennifer B. Reiners (incorporated by reference to Exhibit 10.8 to the Company's Current Report on Form 8-K dated September 30, 2016, filed on October 3, 2016)*
- 10.12 Written Description of the 2016 Annual Incentive Plan of the Company with respect to the period from October 1, 2016 to December 31, 2016 (filed herewith)*
- 10.13 2017 Annual Incentive Plan (filed herewith)*
- 10.14 Amended and Restated Annual Incentive Plan of R.R. Donnelley & Sons Company (incorporated by reference to Exhibit 10.32 to the R.R. Donnelley & Sons Company Quarterly Report on Form 10-Q for the quarter ended March 31, 2015, filed on May 7, 2015)*
- 10.15 Form of Founders Award (Restricted Stock) Agreement (filed herewith)*
- 10.16 Form of Performance Share Unit Award Agreement (for 2014) converted from R. R. Donnelley & Sons Company to the Company pursuant to the Separation Agreement (incorporated by reference to Exhibit 10.23 to the R.R. Donnelley & Sons Company Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, filed on May 1, 2014)*
- 10.17 Form of Performance Share Unit Award Agreement (for 2015) converted from R. R. Donnelley & Sons Company to the Company pursuant to the Separation Agreement (incorporated by reference to Exhibit 10.19 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015, filed on May 7, 2015)*
- 10.18 Form of Restricted Stock Unit Award Agreement for certain executive officers, as amended (for 2014) converted from R. R. Donnelley & Sons Company to the Company pursuant to the Separation Agreement (incorporated by reference to Exhibit 10.17 to the R.R. Donnelley & Sons Company Annual Report on Form 10-K for the fiscal year ended December 31, 2008, filed on February 25, 2009)*
- 10.19 Form of Restricted Stock Unit Award Agreement for certain executive officers (for 2015 and 2016) converted from R. R. Donnelley & Sons Company to the Company pursuant to the Separation Agreement (incorporated by reference to Exhibit 10.12 to the R.R. Donnelley & Sons Company Quarterly Report on Form 10-Q for the quarter ended March 31, 2015, filed on May 7, 2015)*
- 10.20 Form of Cash Retention Award Agreement (for 2013) converted from R. R. Donnelley & Sons Company to the Company pursuant to the Separation Agreement (incorporated by reference to Exhibit 10.21 to the R. R. Donnelley & Sons Company Quarterly Report on Form 10-Q for the quarter ended March 31, 2013, filed on April 25, 2013)*
- 10.21 Form of Cash Award Agreement (for 2014) converted from R. R. Donnelley & Sons Company to the Company pursuant to the Separation Agreement (filed herewith)*

10.22	Form of Cash Award Agreement (for 2015) converted from R. R. Donnelley & Sons Company to the Company pursuant to the Separation Agreement (filed herewith)*
10.23	Form of Cash Award Agreement (for 2016) converted from R. R. Donnelley & Sons Company to the Company pursuant to the Separation Agreement (filed herewith)*
10.24	Form of Amendment to Cash Retention Awards (for 2014) converted from R.R. Donnelley & Sons Company to the Company pursuant to the Separation Agreement (incorporated by reference to Exhibit 10.1 to the R.R. Donnelley & Sons Company Current Report on Form 8-K dated March 2, 2016, filed on March 2, 2016)*
10.25	Agreement regarding title and retention bonus for Thomas Juhase dated March 21, 2016 converted from R.R. Donnelley & Sons Company to the Company pursuant to the Separation Agreement (filed herewith)*
10.26	Form of Director Restricted Stock Unit Award (filed herewith)*
10.27	Form of Restricted Stock Unit Award Agreement for directors converted from R.R. Donnelley & Sons Company to the Company pursuant to the Separation Agreement (incorporated by reference to Exhibit 10.21 to the R.R. Donnelley & Sons Company Annual Report on Form 10-K for the fiscal year ended December 31, 2004, filed on March 14, 2005)*
10.28	Form of Restricted Stock Unit Award Agreement for directors converted from R.R. Donnelley & Sons Company to the Company pursuant to the Separation Agreement (incorporated by reference to Exhibit 10.25 to the R.R. Donnelley & Sons Company Annual Report on Form 10-K for the fiscal year ended December 31, 2007, filed on February 27, 2008)*
10.29	Form of Restricted Stock Unit Award Agreement for directors converted from R.R. Donnelley & Sons Company to the Company pursuant to the Separation Agreement (incorporated by reference to Exhibit 10.23 to the R.R. Donnelley & Sons Company Annual Report on Form 10-K for the fiscal year ended December 31, 2008, filed on February 25, 2009)*
10.30	Form of Amendment to Director Restricted Stock Unit Awards converted from R.R. Donnelley & Sons Company to the Company pursuant to the Separation Agreement (incorporated by reference to Exhibit 10.22 to the R.R. Donnelley & Sons Company Annual Report on Form 10-K for the fiscal year ended December 31, 2008, filed on February 25, 2009)*
10.31	Form of Amendment to Director Restricted Stock Unit Awards dated May 21, 2009 converted from R.R. Donnelley & Sons Company to the Company pursuant to the Separation Agreement (incorporated by reference to Exhibit 10.23 to the R.R. Donnelley & Sons Company Quarterly Report on Form 10-Q for the quarter ended June 30, 2009, filed on August 5, 2009)*
10.32	Form of Director Indemnification Agreement (incorporated by reference to Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q dated September 30, 2016, filed on November 9, 2016)
12.1	Statements of Computation of Ratio of Earnings to Fixed Charges (filed herewith)
14.1	Code of Ethics for the Chief Executive Officer and Senior Financial Officers (filed herewith)
21.1	Subsidiaries of the Registrant (filed herewith)
23.1	Consent of Deloitte & Touche LLP (filed herewith)
24.1	Power of Attorney (filed herewith)
31.1	Certification by Daniel N. Leib, President and Chief Executive Officer, required by Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934 (filed herewith)
31.2	Certification by David A. Gardella, Executive Vice President and Chief Financial Officer, required by Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934 (filed herewith)
32.1	Certification by Daniel N. Leib, President and Chief Executive Officer, required by Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 and Section 1350 of Chapter 63 of Title 18 of the United States Code (filed herewith)
32.2	Certification by David A. Gardella, Executive Vice President and Chief Financial Officer, required by Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 and Section 1350 of Chapter 63 of Title 18 of the United States Code (filed herewith)
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Management contract or compensatory plan or arrangement.

DONNELLEY FINANCIAL, LLC

ADOPTION OF THE

DONNELLEY FINANCIAL UNFUNDED SUPPLEMENTAL PENSION PLAN

BY THE SOLE MEMBER OF DONNELLEY FINANCIAL, LLC

WHEREAS, pursuant to the applicable laws of Delaware and the limited liability company operating agreement of Donnelley Financial, LLC, a Delaware limited liability company (the “**Company**”), the undersigned, being the sole member (the “**Member**”) of the Company, has the authority and discretion to take action on behalf the Company; and

WHEREAS, the Member, acting as the Company, desires to adopt the Donnelley Financial Unfunded Supplemental Pension Plan (the “**Plan**”), in the form of the document attached hereto, such Plan document to be generally effective 12:00 a.m., Eastern Time, October 1, 2016.

NOW, THEREFORE, the Member, acting as the Company, hereby adopts the Donnelley Financial Unfunded Supplemental Pension Plan, in the form of the document attached hereto, such Plan document to be effective as of the date specified in the preceding recital.

Executed this 30th day of September, 2016, by the undersigned.

R. R. DONNELLEY & SONS COMPANY

By: /s/ Anne N. Pease
Name: Anne N. Pease
Title: Vice President, Benefits

Being the sole member of Donnelley Financial, LLC

**DONNELLEY FINANCIAL
UNFUNDED SUPPLEMENTAL
PENSION PLAN**
(effective October 1, 2016)

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DONNELLEY FINANCIAL UNFUNDED SUPPLEMENTAL PENSION PLAN

(effective October 1, 2016)

INTRODUCTION

This retirement plan is established on October 1, 2016 as a spin-off from the RR Donnelley Unfunded Supplemental Pension Plan (formerly known as the R.R. Donnelley & Sons Company Unfunded Supplemental Benefit Plan), which included a merger of the Predecessor Plans (each of which was sponsored by an Affiliate) with and into the RR Donnelley Unfunded Supplemental Pension Plan effective January 1, 2009. The spin-off of benefit obligations is occurring in connection with the distribution by R. R. Donnelley & Sons Company to its shareholders of the shares of common stock of Donnelley Financial Solutions, Inc. and LSC Communications, Inc., both of which are prior to such distribution wholly-owned subsidiaries of R. R. Donnelley & Sons Company. The Plan primarily provides (i) benefits which, but for the Code Limitations, would have been payable under the Qualified Plans, and (ii) benefits pursuant to (A) the Predecessor Plans, and (B) additional arrangements that provide for the payment of nonqualified deferred compensation generally in the form of an annuity, in each case for the benefit of a select group of management or highly compensated employees or former employees within the meaning of ERISA. The Plan is intended to comply with the requirements of section 409A of the Code and the Treasury Regulations and other guidance thereunder. Prior to January 1, 2009, payments under the Plan and the Predecessor Plans were generally “linked” to payments under Qualified Plans. The rights of Members whose benefits, immediately prior to January 1, 2009, had not commenced, and the rights of such Member’s Spouse or Beneficiary were determined pursuant to the terms of the January 1, 2009 restatement. From and after the Effective Date, the terms of this October 1, 2016 restatement shall govern the rights of Members and their Spouses and Beneficiaries.

Section 1 DEFINITIONS

As used herein the following words and phrases shall, when capitalized herein, have the following respective meanings:

(1) Actuarial Equivalent has the meaning assigned to such term in the Donnelley Financial Pension Plan, as such definition is appropriately modified to make it applicable to the Plan (e.g., by modifying cross-references and by ignoring provisions addressing terms not applicable to the Plan), as determined in the sole discretion of the Benefits Committee.

(2) Additional Benefit. An individual’s benefit, if any, described on Exhibit B hereto.

(3) Additional Supplemental Benefit. The Supplemental Benefit to which a Reemployed Member is entitled that is attributable to services rendered after he or she becomes a Reemployed Member.

(4) Adverse Benefit Determination. A Benefit Determination that is a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) with respect to a Claim, including any such denial, reduction, termination, or failure to provide or make payment that is based on a determination of an individual's eligibility to participate in this Plan.

(5) Affiliate. An entity (other than the Company) that is (i) a corporation which is a member of the same controlled group of corporations (within the meaning of section 414(b) of the Code) as the Company, (ii) a trade or business (whether or not incorporated) under common control (within the meaning of section 414(c) of the Code) with the Company, (iii) any organization (whether or not incorporated) which is a member of an affiliated service group (within the meaning of section 414(m) of the Code) which includes the Company, a corporation described in clause (i) of this paragraph or a trade or business described in clause (ii) of this paragraph, or (iv) any other entity which is required to be aggregated with the Company pursuant to Regulations promulgated under section 414(o) of the Code. With respect to periods of time prior to the Effective Date, the term "Affiliate" refers to entities that were Affiliates at the relevant time.

(6) Appeal has the meaning assigned to such term in Section 16(f).

(7) Beneficiary. An individual that is designated by a Member to receive a survivor benefit, if any, under Section 4(b), and that is (i) not such Member's Spouse and (ii) not more than 30 years younger than such Member.

(8) Benefit. A benefit provided by the Plan.

(9) Benefit Commencement Date. The first day of the month that begins coincident with, or immediately following, a Member's Payment Event.

(10) Benefit Determination. The Benefits Committee's decision with respect to a Claim or an Appeal.

(11) Benefits Committee. The committee created and organized pursuant to the provisions of Section 9.

(12) Change In Control. A change in ownership of the Company, a change in effective control of the Company, or a change in ownership of a substantial portion of the assets of the Company as such terms are defined in Treasury Regulation §1.409A-3(i)(5)(v), (vi), and (vii), respectively; provided, however, that such a change in ownership of a substantial portion of the assets of the Company shall constitute a "Change In Control" only if all or substantially all of the Company's assets change ownership in connection therewith.

(13) Claim. A request for a Benefit or eligibility for a Benefit Received prior to the time the Benefits Committee has Received an Appeal with respect to the same matter, made by a Claimant in accordance with this Plan's procedures for filing Claims, as described in Section 16(b). If the procedures described in Section 16(b) are not followed with respect to any submission by an individual, such submission will be deemed not to constitute a Claim.

(14) Claimant has the meaning assigned to such term in Section 16(a).

(15) Code. The Internal Revenue Code of 1986, as amended. If the Code is succeeded or renumbered, then references to particular sections of the Code included herein shall be deemed to be references to the appropriate renumbered sections of the Code or its successor.

(16) Code Limitations. The limitations set forth in sections 401(a)(17) and 415 of the Code.

(17) Company. Donnelley Financial LLC, a Delaware limited liability company, and any company which is substituted for such company as described in Section 14.

(18) Delivered has the meaning set forth in Section 17 and Delivery means Delivery pursuant to, and subject to, Section 17.

(19) Designated Age. Age 55, or such other age as may be elected by a Member pursuant to Section 3(b).

(20) Effective Date. 12:00 a.m., Eastern Time, October 1, 2016, the time and date as of which the Plan is established by the Company pursuant to the spinoff from the RR Donnelley Unfunded Supplemental Pension Plan of the benefit obligations thereunder with regard to certain members and their beneficiaries of the RR Donnelley Unfunded Supplemental Pension Plan. With respect to an entity that becomes an Employer after the Effective Date, the Plan will not be effective as to such entity until the date as of which such entity so becomes an Employer.

(21) Employer. Any Affiliate which is or becomes a participating employer under a Qualified Plan or which is otherwise designated by the Company as an Employer under the Plan.

(22) ERISA. The Employee Retirement Income Security Act of 1974, as amended. If ERISA is succeeded or renumbered, then references to particular sections of ERISA included herein shall be deemed to be references to the appropriate renumbered sections of ERISA or its successor.

(23) Initial Payment Date. The later to occur of (i) a Member's Benefit Commencement Date, and (ii) the first day of the month that begins coincident with, or immediately following, the six-month anniversary of the date the Member incurs a Separation From Service.

(24) Member. An individual who is entitled to a Supplemental Benefit or a Post-2016 Restatement Merged Plan Benefit. As of the Effective Date, an individual shall be a Member only if such individual is identified as a Member on Exhibit E.

(25) Non-Early Retirement Eligible Member. A Member (a) whose employment terminated prior to the date he or she attained age 65, (b) who for at least two of the three calendar years immediately preceding his or her termination of employment was eligible to participate in the R.R. Donnelley & Sons Company Stock Purchase Plan for Selected Managers and Key Staff Employees, or would have been eligible to participate in such plan except for a disqualifying sale of stock, and (c) who, at any time within the 36-month period which began on the date of his or her termination of employment, engaged directly or indirectly in any phase of business in competition with the business of an "Employer" (as such term was defined in the January 1, 2002 Amendment and Restatement of the Retirement Benefit Plan of R.R. Donnelley & Sons Company, or the applicable predecessor version of such plan) or directly provided

services to any business which supplied materials, equipment or other products or chemicals to such an employer or to any business engaged in the graphics arts industry in any part of the United States as a sole proprietor, partner, director, officer, employee, agent, consultant or advisor in any capacity whatsoever without the written consent of the Company .

(26) Notice, Notification or Notify means the Delivery or furnishing of information in a manner that satisfies applicable provisions of Section 17.

(27) Original Supplemental Benefit. With respect to a Reemployed Member, the Supplemental Benefit attributable to services rendered prior to becoming a Reemployed Member.

(28) Payment Event. The later to occur of (a) a Member incurring a Separation From Service, (b) the Member attaining his or her Designated Age, and (c) with respect to a Member who incurred a Separation From Service prior to January 1, 2009 and whose benefits under a Qualified Plan did not commence prior to January 1, 2009, January 1, 2009.

(29) Plan. The Donnelley Financial Unfunded Supplemental Pension Plan as herein set forth, as amended from time to time.

(30) Plan Year. The calendar year.

(31) Post-2016 Restatement Merged Plan. A plan or arrangement that is merged into the Plan after October 1, 2016. Exhibit D shall be updated from time to time by the Company to reflect any plan or arrangement that is merged into the Plan after October 1, 2016, but failure to so update Exhibit D shall not affect the effectiveness of any such merger.

(32) Post-2016 Restatement Merged Plan Benefit. An individual's benefit, if any, under a Post-2016 Restatement Merged Plan.

(33) Predecessor Benefit. An individual's benefit, if any, under a Predecessor Plan.

(34) Predecessor Plan. A plan or arrangement listed on Exhibit C. Certain of the plan documents in effect immediately prior to the Effective Date for the plans or arrangements that are Predecessor Plans as of the Effective Date are attached to Exhibit C as supplements thereto.

(35) Qualified Plan. A plan listed on Exhibit A hereto, effective as of the date indicated on Exhibit A.

(36) Received has the meaning set forth in Section 17 and Receipt means Receipt pursuant to, and subject to, Section 17.

(37) Reemployed Member. A Member who (a) has incurred a Separation From Service, (b) is entitled to a Supplemental Benefit (whether or not in pay status) attributable to services rendered prior to such Separation From Service, and (c) is employed by an Employer following such Separation From Service.

(38) Restored Benefit. With respect to an individual whose retirement benefit payable under a Qualified Plan (including benefits payable pursuant to a supplement thereto) is less than the retirement benefit that would be payable under such Qualified Plan without giving effect to the Code Limitations, an amount equal to (A) minus (B) where:

(A) equals the retirement benefit that would be payable to the individual under the Qualified Plan without giving effect to the Code Limitations; and

(B) equals the retirement benefit actually payable to the individual under the Qualified Plan.

(39) Retirement Benefit Records. Records, files or other documents maintained by an Employer or the Plan that designate, relate to the determination of, or otherwise indicate the benefit to which an individual is entitled under the Plan (including any Predecessor Plan) and any adjustments or enhancements thereto.

(40) Separation From Service. An employee's Separation From Service with the Employers, as described in Treasury Regulation § 1.409A-1(h).

(41) Spouse. With respect to a Member, a person who is legally married to the Member under the laws of any domestic or foreign jurisdiction that has the legal authority to sanction marriages, and "marriage" and similar terms shall mean the legal union between the Member and a person who thereby became the Spouse of the Member.

(42) Supplemental Benefit. The sum of an individual's Restored Benefit, Predecessor Benefit and Additional Benefit, as actuarially adjusted to reflect any advance of benefits paid pursuant to Section 5(d) and any amounts previously distributed to or on behalf of the Member under the Plan or a Predecessor Plan. For the avoidance of doubt, a Member's Supplemental Benefit shall not include his or her Post-2016 Restatement Merged Plan Benefit.

(43) Treasurer. The most recently elected Treasurer of the Company or such other officer of the Company which from time to time assumes the responsibilities with respect to the Plan which are, on the Effective Date, allocated to the Treasurer. In the event of the temporary absence of the Company's officer who would otherwise be the "Treasurer" under this paragraph, whether due to illness, disability, or otherwise, or upon the resignation or removal of such officer, the substitute or successor officer to the Treasurer who performs substantially similar duties with respect to the Plan (whether assigned a different title by the Company or not), or, in the absence of such a substitute or successor, the person to whom such Treasurer would report, will be the Treasurer.

(44) Vice President. The most recently elected Senior Vice President, Compensation and Benefits, of the Company or such other officer of the Company which from time to time assumes the responsibilities with respect to the Plan which are, on the Effective Date, allocated to the Vice President, Benefits. In the event of the temporary absence of the Company's officer who would otherwise be the "Vice President" under this paragraph, whether due to illness, disability, or otherwise, or upon the resignation or removal of such officer, the substitute or successor officer to the Vice President who performs substantially similar duties with respect to the Plan (whether assigned a different title by the Company or not), or, in the absence of such a substitute or successor, the person to whom such Vice President would report, will be the Vice President.

Section 2
SUPPLEMENTAL BENEFIT

A Member's Supplemental Benefit shall be determined as of the Member's Benefit Commencement Date and paid to or on behalf of such Member at the time designated in Section 3 and in the manner designated in Section 4, both subject to Section 5.

Section 3
TIME OF PAYMENT

(a) In General. Subject to Section 5, the payment of a Member's Supplemental Benefit shall begin on the Member's Initial Payment Date.

(b) Designated Age Elections.

(i) Initial Elections.

- (I) Initial Eligibility Elections. An individual who first accrues (or who would, but for the application of an age, service or similar requirement, first accrue) a benefit under the Plan, a Predecessor Plan or any other plan that is aggregated with the Plan for purposes of section 409A of the Code during 2008 or any Plan Year thereafter may, if permitted by, and subject to rules established by, the Company, elect to have his or her Designated Age be any age between 56 and 65, inclusive; provided, however, that any such election shall not be given effect if made after the thirtieth day of the Plan Year immediately following the Plan Year in which such Member first so accrued a benefit.
- (II) Transition Elections. During 2008 only, if permitted by, and subject to rules established by, the Company, a Member (or an individual who would, but for the application of an age, service or similar requirement, be a Member) whose benefits had not previously commenced, may elect to have his or her Designated Age be any age between 56 and 65, inclusive; provided, however, that such election shall not be given effect if (A) payments would have otherwise commenced during 2008, or (B) such election would have resulted in payments commencing during 2008.

(ii) Subsequent Deferral Elections. If permitted by, and subject to rules established by, the Company, a Member may elect to have his or her Designated Age be any age that is both (i) at least five years after his or her then Designated Age (taking into account any election made pursuant to Section 3(b)(i) and any other election made pursuant to this Section 3(b)(ii)), and (ii) between ages 60 and 65, inclusive ; provided, however, that any election made less than twelve months before the date the Member would attain his or her then Designated Age (taking into account any prior election) shall not be given effect and payment shall commence as though no such election had been made.

(c) Post-2016 Restatement Merged Plan Benefits. The payment of a Member's Post-2016 Restatement Merged Plan Benefit shall begin at the time provided in the applicable Post-2016 Restatement Merged Plan.

Section 4 **FORM OF PAYMENT**

(a) In General. Subject to Sections 4(b) and 5, a Member's Supplemental Benefit shall be paid in the form of:

(i) with respect to a Member who does not have a Spouse on the Member's Benefit Commencement Date, a single life annuity; and

(ii) with respect to a Member who has a Spouse on the Member's Benefit Commencement Date, a joint and 50% survivor annuity (with any survivor's benefit payable to the Member's Spouse).

(b) Optional Forms of Payment.

(i) Single Members. A Member who does not have a Spouse on the Member's Benefit Commencement Date may, if permitted by, and subject to rules established by, the Company, elect to receive his or her Supplemental Benefit in the form of (A) a joint and 50% survivor annuity (with any survivor's benefit payable to the Member's Beneficiary), or (B) a joint and 100% survivor annuity (with any survivor's benefit payable to the Member's Beneficiary); provided that such options shall be the Actuarial Equivalent of the form of benefit the Member would have received pursuant to Section 4(a)(i) had no election been made.

(ii) Married Members.

(I) In General. Subject to Section 4(b)(ii)(II), a Member who has a Spouse on the Member's Benefit Commencement Date may, if permitted by, and subject to rules established by, the Company, elect to receive his or her Supplemental Benefit in the form of (A) a joint and 100% survivor annuity (with any survivor's benefit payable to the Member's Spouse), (B) a joint and 100% survivor annuity (with any survivor's benefit payable to the Member's Beneficiary), (C) a joint and 50% survivor annuity (with any survivor's benefit payable to the Member's Beneficiary), or (D) a single life annuity; provided that such options shall be the Actuarial Equivalent of the form of benefit the Member would have received pursuant to Section 4(a)(ii) had no election been made.

(II) Election Procedures. In the case of a Member who has a Spouse on his or her Benefit Commencement Date, no election under Section 4(b)(ii)(I) shall be effective unless (1) the Member's Spouse has consented to such election, to the satisfaction of the Company, or (2) it is established to the satisfaction of the Company that such consent cannot be obtained because the Member's Spouse cannot be located.

(c) Post-2016 Restatement Merged Plan Benefits. A Member's Post-2016 Restatement Merged Plan Benefit shall be paid in the form provided in the applicable Post-2016 Restatement Merged Plan.

Section 5

ADDITIONAL PAYMENT PROVISIONS

(a) Commenced Benefits and Existing Elections. If a Member's benefits under the Plan or a Predecessor Plan commenced prior to the Effective Date, then the payment of such benefits shall continue pursuant to the terms under which the payment of such benefits commenced. If a Member's benefit under a Post-2016 Restatement Merged Plan commenced prior to the date on which such plan was merged with the Plan, then the payments of such benefit shall continue pursuant to the terms under which the payments of such benefit commenced.

(b) Small Amount Cash-outs. Notwithstanding anything herein to the contrary, if at any time following a Member's Separation From Service the Company determines that the aggregate single sum amount that is the Actuarial Equivalent of the Member's Supplemental Retirement Benefit would be equal to or less than the then applicable amount prescribed by section 402(g) of the Code, such benefit will be paid to the Member in a lump sum on the later of (i) the first day of the calendar month following the six-month anniversary of the Member's Separation From Service, and (ii) the first day of the calendar month following the date the Member's benefit is determined to be equal to or less than such applicable amount.

(c) Change In Control. Notwithstanding anything herein to the contrary, if a Member incurs a Separation From Service within twenty-four (24) months following a Change In Control, then his or her Supplemental Benefit will be paid to such Member in a lump sum on the first day of the calendar month following the six-month anniversary of such Member's Separation From Service. If such Member is not alive on the date such benefit would have been paid to him or her, then such benefit shall be paid to his or her estate.

(d) Tax Matters.

(i) The Company or an Employer may, at the discretion of the Company, withhold from any payment of benefits hereunder any taxes that may be due in respect of such payment in such amount as the Company or such Employer may reasonably estimate to be necessary to cover any taxes which the Company or such Employer may be liable to withhold.

(ii) If a Member's participation in the Plan results in the imposition of any employment taxes, then the Company or the Member's Employer may remit any required employment taxes, and related income tax withholding, to the taxing authority and the Member's Supplemental Benefit may be actuarially reduced to reflect such remittance.

(iii) If at any time the Plan, with respect to a particular Member, is found to fail to meet the requirements of section 409A of the Code and the Treasury Regulations thereunder, the Company or an Employer may, at the discretion of the Company, distribute an amount equal to all taxes required to be paid on the amount included in income, and the Member's Supplemental Benefit may be actuarially reduced to reflect such distribution.

(iv) A Member shall have no discretion, and shall have no direct or indirect election, as to whether a payment will be accelerated pursuant to this Section 5(d).

(e) 6-Month Delay Following Separation From Service.

(i) Notwithstanding anything to the contrary in the other Sections of the Plan, in no event shall payment of a Member's Benefit be made before the six-month anniversary of the Member's Separation From Service.

(ii) If a Member's Initial Payment Date is later than his or her Benefit Commencement Date, then the first payment made to or on behalf of the Member shall include an amount equal to the amount (without any adjustment for interest) that would have previously been paid to or on behalf of the Member had his or her Initial Payment Date been the same date as his or her Benefit Commencement Date.

(f) Age 65 Distributions for Certain Members. Notwithstanding anything herein to the contrary, in the case of a Non-Early Retirement Eligible Member, the payment of such Member's Supplemental Benefit shall begin on the first day of the month that begins coincident with, or immediately following, the date such Member attains age 65.

(g) Additional Supplemental Benefits.

(i) Form of Payment. Notwithstanding anything herein to the contrary, if a Reemployed Member incurs a Separation From Service while his or her Original Supplemental Benefit is in pay status, then his or her Additional Supplemental Benefit, if any, shall be paid in a form determined pursuant to the following:

- (I) Original Supplemental Benefit Form Remains Available. If the form of benefit in which his or her Original Supplemental Benefit is being paid is still offered under the Plan, then his or her Additional Supplemental Benefit shall be paid in the same form (and with the same contingent annuitant, if any) as the Original Supplemental Benefit.
- (II) Original Supplemental Benefit Form No Longer Available. If the form of benefit in which his or her Original Supplemental Benefit is being paid is no longer offered under the Plan, then his or her Additional Supplemental Benefit shall be paid in the default form described in Section 4(a)(i) or (ii), as applicable.

If a Reemployed Member incurs a Separation From Service when his or her Original Supplemental Benefit is not in pay status, then his or her Additional Supplemental Benefit shall be paid in the same form in which his or her Original Supplemental Benefit is paid pursuant to Section 4 of the Plan.

(ii) Time of Payment. If a Reemployed Member is entitled to an Additional Supplemental Benefit, then his or her Additional Supplemental

Benefit shall, subject to Section 5(e), commence at a time determined pursuant to the following:

- (I) Original Supplemental Benefit Not in Pay Status. If the Member's Original Supplemental Benefit is not in pay status when the Reemployed Member incurs another Separation From Service, then his or her Additional Supplemental Benefit shall commence at the same time his or her Original Supplemental Benefit commences.
- (II) Original Supplemental Benefit In Pay Status. If the Member's Original Supplemental Benefit is already in pay status, then his or her Additional Supplemental Benefit shall commence (or shall result in an increase to the ongoing payments attributable to his or her Original Supplemental Benefit, as applicable) on the first day of the month that begins coincident with or immediately following the six-month anniversary of the Reemployed Member's Separation From Service.
 - (iii) Pre-Retirement Survivor Benefits. If a Reemployed Member dies while his Original Supplemental Benefit is in pay status but prior to again incurring a Separation From Service, then any Additional Supplemental Benefit shall not be subject to terms of Section 6 and shall be treated as though the Member had incurred a Separation From Service immediately prior to his or her death.

(h) Post-2016 Restatement Merged Plans. The amount, time and manner of payment of the benefit provided under the Plan with respect to any Post-2016 Restatement Merged Plan Benefit shall be determined in accordance with the provisions of the applicable Post-2016 Restatement Merged Plan. Administrative, plan governance or other provisions of the Post-2016 Restatement Merged Plan that do not affect the amount, time or form of benefits will not have any force or effect. Exhibit D may set forth any additional terms applicable to a Post-2016 Restatement Merged Plan Benefit.

Section 6

PRE-RETIREMENT SURVIVOR BENEFITS

(a) In General. If a Member dies prior to his or her Benefit Commencement Date and such Member's surviving Spouse, if any, is entitled to payment of a pre-retirement survivor benefit under a Qualified Plan that is less than the survivor benefit that would be payable under the Qualified Plan (i) but for the Code Limitations and (ii) treating the Additional Benefits described in Part I of Exhibit B hereto as payable with respect to such Member as having accrued under a Qualified Plan, then such surviving Spouse shall be entitled to receive a supplemental survivor benefit from the Company or the deceased Member's former Employer under this Plan in an amount equal to (A) minus (B) where:

(A) equals the survivor benefit that would be payable under the Qualified Plan if such benefit were determined (I) without giving effect to the Code Limitations and (II) by treating the Additional Benefits described in Part I of Exhibit B hereto as having accrued under the Qualified Plan; and

(B) equals the survivor benefit actually payable to such surviving Spouse under the Qualified Plan.

Any supplemental survivor benefit described in this Section 6(a) shall be paid in a lump sum on the first day of the month following the later of (i) the six-month anniversary of the Member's death, and (ii) the date the Member would have attained age 55.

(b) Predecessor Plans. If a Predecessor Plan provides that a survivor benefit shall be paid if a participant therein dies prior to his or her Benefit Commencement Date, then any such survivor benefits shall be paid in a lump sum on the first day of the month following the later of (i) the six-month anniversary of the Member's death, and (ii) the date the Member would have attained age 55.

(c) Additional Benefits. If an Additional Benefit described in Part II of Exhibit B provides that a survivor benefit shall be paid if the Member entitled to such Additional Benefit dies prior to his or her Benefit Commencement Date, then, unless specified otherwise therein, any such survivor benefits shall be paid in a lump sum on the first day of the month following the later of (i) the six-month anniversary of the Member's death, and (ii) the date the Member would have attained age 55.

(d) Small Amount Cash-out. Notwithstanding anything herein to the contrary, if at any time following a Member's death the Company determines that the single sum amount that is the Actuarial Equivalent of the aggregate supplemental survivor benefit described in Section 6(a), (b) and (c) to which any individual is entitled is equal to or less than the then applicable amount prescribed by section 402(g) of the Code, such benefits will be paid to such individual in a lump sum on the later of (i) the first day of the calendar month following the six-month anniversary of the Member's death, and (ii) the first day of the calendar month following the date the such individual's supplemental survivor benefit is determined to be equal to or less than such applicable amount.

(e) Reductions for Prior Distributions. Notwithstanding anything herein to the contrary, an individual's benefit, if any, under this Section 6 shall be actuarially adjusted to reflect any amounts previously distributed under the Plan or a Predecessor Plan to or on behalf of such individual or the Member.

(f) Post-2016 Restatement Merged Plans. Notwithstanding anything herein to the contrary, with respect to a Post-2016 Restatement Merged Plan Benefit, the terms of any survivor benefit and any other terms applicable in the event of a Member's death shall be determined in accordance with the terms of the applicable Post-2016 Restatement Merged Plan.

Section 7

AMENDMENT AND TERMINATION

This Plan shall be subject to the same reserved powers of amendment and termination as the Donnelley Financial Pension Plan (without regard to any limitations imposed on such powers by the Code or ERISA), except that no such amendment or termination shall reduce or otherwise adversely affect the rights of Members or beneficiaries in respect of amounts accrued hereunder as of the date of such amendment or termination without their written consent.

Section 8
APPLICATION OF ERISA

This Plan is intended to be an unfunded plan maintained primarily for the purpose of providing deferred compensation to a select group of management or highly compensated employees within the meaning of sections 201(2), 301(a)(3) and 401(a)(1) of ERISA and Department of Labor Regulation § 2520.104-23. Neither the Company nor any of the Employers shall be under any obligation to set aside any funds for the purpose of making payments under this Plan. Any payments hereunder shall be made out of the general assets of the Company or the Employers, as applicable.

Section 9
ADMINISTRATION

The Benefits Committee is hereby established and shall consist, at a minimum, of the Treasurer and the Vice President. The Benefits Committee may add additional members pursuant to procedures established in its by-laws. The Benefits Committee may always act by unanimous consent, has adopted by-laws to govern its activities and may amend such by-laws from time to time. Except as the context otherwise requires, the Benefits Committee shall be charged with the administration of this Plan and shall have the same powers and duties, and shall be subject to the same limitations, as are applicable to the Benefits Committee under the Donnelley Financial Pension Plan.

Section 10
COMPANY ACTION

“Company” when referred to in the Plan, with respect to actions taken by the Company as sponsor of the Plan will be a reference to the Benefits Committee, the board of directors of the Company, or any delegee of any of the foregoing, in each case acting as the Company; provided, however, that any action by the Company pursuant to Section 7 to amend the Plan, if taken by any of the foregoing except the board of directors of the Company, may only be taken if, in the reasonable opinion of the person taking such action, the amendment does not have a material effect on the cost to the Employers of, or benefits in the aggregate under, the Plan; and provided further, that the Plan may be terminated with respect to all Employers only by resolution duly adopted by the Company’s board of directors. Whenever in the Plan any determination or other action is to be made or taken by the Company or any other Employer, such determination or other action will be made or taken in the sole discretion of the Company or other Employer, as appropriate.

Section 11
NONASSIGNMENT OF BENEFITS

Notwithstanding anything contained in the Plan, any Predecessor Plan or any Qualified Plan to the contrary, it shall be a condition of the right to payment of Benefits that neither such Benefits nor any portion thereof shall be assigned, alienated or transferred to any person voluntarily or by operation of any law, including any assignment, division or awarding of property under state domestic relations law (including community property law).

Section 12
NON-DUPLICATION OF BENEFITS

Notwithstanding anything herein to the contrary, nothing herein shall operate to result in the duplication of any benefits under this Plan, between the Plan and any other plan or arrangement, or otherwise with respect to any Member or other individual (including, without limitation, multiple accruals based on the same “compensation”), as determined in the sole discretion of the Company.

Section 13
NO GUARANTY OF EMPLOYMENT

Nothing contained in this Plan shall be construed as a contract of employment between any Employer and any employee or as conferring a right on any employee to be continued in the employment of any Employer.

Section 14
TRUST

(a) Funding. The Company may in its sole discretion establish a trust for the purpose of administering assets of the Company and the Employers to be used for the purpose of satisfying their obligations under the Plan. Any such trust shall be established in such manner so as to be a “grantor trust” of which the Company is the grantor, within the meaning of section 671 et. seq. of the Code. The existence of any such trust shall not relieve the Company or the Employers of their liabilities under the Plan, but the obligations of the Company and the Employers under the Plan shall be deemed satisfied to the extent paid from the trust.

(b) Taxation and Gross-ups. If any Member incurs a tax due to the application of section 409A(b)(3) of the Code in connection with the transfer of assets to any trust, the Company shall pay to such Member an amount such that after payment by the Member of all related taxes (including additional taxes imposed upon such payment to the Member) the Member retains an amount equal to the taxes imposed as a result of the application of section 409A(b)(3) of the Code. Any such payment shall be made no later than the fifteenth day of the third month following the calendar year in which such Member incurs such taxes.

Section 15
MISCELLANEOUS

(a) Applicable Law. This Plan and all rights hereunder and all determinations made and actions taken pursuant hereto, to the extent not otherwise governed by the Code or the laws of the United States, shall be governed by the laws of the State of Illinois and construed in accordance therewith without giving effect to its principles of conflict of laws.

(b) Expenses. All costs and expenses incurred in administering this Plan, including the expenses of the Benefits Committee, the fees of counsel and any agents of the Benefits Committee and other administrative expenses shall be paid by the Company and the Employers. The Company, in its sole discretion, having regard to the nature of a particular expense, shall determine the portion of such expense which is to be borne by the Company or a particular Employer.

(c) Successors and Assigns. The provisions of this Plan shall bind and inure to the benefit of the Company and each Employer and their successors and assigns, as well as each Member and his or her Spouse or other beneficiary and successors.

Section 16

CLAIMS AND APPEALS PROCEDURES

(a) Authority to Submit Claims. Any individual who believes that he or she is entitled to receive a Benefit under this Plan, including one greater than that initially determined by the Benefits Committee, may (or his or her duly authorized representative may) file a Claim in writing with the Benefits Committee. The Benefits Committee will determine whether an individual is duly authorized to act on behalf of another individual, and may establish reasonable procedures for making this determination. Any such individual is referred to in this Plan as a Claimant.

(b) Procedure for Filing a Claim. In order for a communication from a Claimant to constitute a valid Claim, it must satisfy all the requirements of this Section 16(b), and if it does, it will constitute a valid Claim whether or not all the information necessary to make a Benefit Determination accompanies the communication.

(i) Any Claim must be Delivered to the Benefits Committee by a Claimant, in writing, and on the appropriate Claim form, or in such other form as may be acceptable to the Benefits Committee; and

(ii) Any Claim must be identified in writing as a formal Claim for a Benefit under the Claims and Appeals Procedures.

(c) Initial Claim Review. The initial Claim review will be conducted by the Benefits Committee, with or without the presence of the Claimant, as determined by the Benefits Committee in its discretion. The Benefits Committee will consider the applicable terms and provisions of this Plan and amendments to this Plan, information and evidence that is presented by the Claimant and any other information it deems relevant. In reviewing the Claim, the Benefits Committee will also consider and be consistent with prior determinations of Claims from other Claimants who were similarly situated and which have been processed through this Plan's Claims and Appeals procedures within the past 24 months.

(d) Benefit Determination on Claim.

(i) The Benefits Committee will make a Benefit Determination regarding the Claim and Notify the Claimant of such Benefit Determination within a reasonable period of time, but in any event (except as described in Section 16(d)(ii) below) within 90 days after Receipt of the Claim by the Benefits Committee.

(ii) The Benefits Committee may extend the period for making the Benefit Determination on the Claim by up to 90 days if it determines that special circumstances require an extension of time, and if it Notifies the Claimant, prior to the end of the initial 90-day period, of the special circumstances requiring the extension of time and the date by which the Benefits Committee expects to render a Benefit Determination.

(e) Manner and Content of Notification of Adverse Benefit Determination on a Claim.

(i) The Benefits Committee will provide a Claimant with written or electronic Notice of any Adverse Benefit Determination on the Claim.

(ii) The Notification will set forth in a manner calculated to be understood by the Claimant:

- (I) the specific reason or reasons for the Adverse Benefit Determination;
- (II) reference to the specific provision(s) of this Plan on which the Adverse Benefit Determination is based;
- (III) description of any additional material or information necessary for the Claimant to perfect the Claim and an explanation of why such material or information is necessary; and
- (IV) a description of this Plan's review procedures and the time limits applicable to such procedures, including a statement describing the Claimant's right to bring a civil action under section 502(a) of ERISA following an Adverse Benefit Determination on review.

(f) Authority to Submit an Appeal. Any Claimant who receives an Adverse Benefit Determination with respect to a Claim may file a request for review of such Adverse Benefit Determination (an "Appeal").

(g) Procedure for Filing for a Request for Review of an Adverse Benefit Determination. In order for a communication from a Claimant to constitute a valid Appeal, it must satisfy all the requirements of this Section 16(g), and if it does, it will constitute a valid Appeal whether or not all the information necessary to make a Benefit Determination on Appeal accompanies the request.

(i) Any Appeal must be submitted by a Claimant, in writing, and on the appropriate form, or in such other form as may be acceptable to the Benefits Committee.

(ii) Any Appeal must be Delivered to the Benefits Committee within 60 days of Receipt by the Claimant of the Notice of the Adverse Benefit Determination on the Claim .

If the Benefits Committee does not Receive a valid Appeal within 60 days of Delivery to the Claimant of the Notice of Adverse Benefit Determination for the related Claim, the Claimant will be barred from filing any Appeal thereafter and he or she will be deemed to have failed to exhaust all administrative remedies under this Plan.

(h) Review Procedures for Appeals.

(i) The Appeal review will be conducted by the Benefits Committee, with or without the presence of the Claimant, as determined by the Benefits Committee in its discretion. The Benefits Committee will consider the applicable terms and provisions of this Plan and amendments to this Plan, information and evidence that is presented by the Claimant

(including all comments, documents, records and other information submitted by the Claimant without regard to whether such information was submitted or considered in the initial Benefit Determination) and any other information it deems relevant. In reviewing the Appeal, the Benefits Committee, where appropriate, will also consider and be consistent with prior determinations of Appeals from other Claimants who were similarly situated and which have been processed through this Plan's Claims and Appeals procedures within the past 24 months.

(ii) The Claimant will be provided, upon request and free of charge, reasonable access to and copies of all Relevant Documents.

(iii) The review procedure will involve only one level of review.

(iv) The Claimant will be allowed to submit any supporting comments, documents, records and other information.

(i) Timing and Notification of Benefit Determination on Review.

(i) The Benefits Committee will make a Benefit Determination regarding the Appeal and Notify the Claimant of such Benefit Determination within a reasonable period of time, but in any event (except as described in Section 16(i)(ii) below) within 60 days after Receipt of the Appeal by the Benefits Committee.

(ii) The Benefits Committee may extend the period for making the Benefit Determination on the Appeal by up to 60 days if it determines that special circumstances require an extension of time, and if it Notifies the Claimant, prior to the end of the initial 60-day period, of the special circumstances requiring the extension of time and the date by which the Benefits Committee expects to render a decision. If such an extension is necessary due to a failure of the Claimant to submit information necessary to decide the Appeal, the period in which the Benefits Committee is required to make a decision shall be tolled by the Benefits Committee from the date on which the Notification is sent to the Claimant until the Benefits Committee has Received from the Claimant a response to the request for additional information. If the Claimant fails to respond to the Benefits Committee's request for additional information within a reasonable time, the Benefits Committee may, in its discretion, render a Benefit Determination on the Appeal based on the record before the Benefits Committee.

(j) Manner and Content of Notification of Adverse Benefit Determination on Appeal.

(i) The Benefits Committee will provide a Claimant with written or electronic Notice of any Adverse Benefit Determination on the Appeal.

(ii) The Notification will set forth in a manner calculated to be understood by the Claimant:

- (I) The specific reason or reasons for the Adverse Benefit Determination;
- (II) Reference to the specific provision(s) of this Plan on which the Adverse Benefit Determination is based;
- (III) A statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of all Relevant Documents; and
- (IV) A statement describing the Claimant's right to bring a civil action under section 502(a) of ERISA following an Adverse Benefit Determination on review.

(k) Collectively Bargained Benefits. Where benefits are provided pursuant to a collective bargaining agreement and

(i) such collective bargaining agreement maintains or incorporates by specific reference (i) provisions concerning the filing and disposition of Claims; and (ii) a grievance and arbitration procedure to which Appeals are subject, then Section 16(b) through and including Section 16(j) will not apply to Claims covered by such collective bargaining agreement; or

(ii) such collective bargaining agreement maintains or incorporates by specific reference a grievance and arbitration procedure to which Appeals are subject, then Section 16(g) through and including Section 16(j) will not apply to such Appeal.

(l) Limitation on Actions. No legal action, including without limitation any lawsuit, may be brought for a Benefit by a Claimant more than (a) two years after the date the related Claim is Received by the Benefits Committee, or (b) if the Claimant has Received a denial of his or her related Appeal during such time, two years after such Receipt.

(m) Failure to Exhaust Administrative Remedies. No legal action for a Benefit, including without limitation any lawsuit, may be brought by a Claimant who has not timely filed a Claim and an Appeal for such Benefit and otherwise exhausted all administrative remedies under this Plan.

Section 17

DELIVERY AND RECEIPT

For purposes of Section 17, any Notice, Notification, Claim, or other thing(s) or document(s) may be delivered in person, via messenger or courier service, or via United States Mail; provided, however, that any Notice sent by the Benefits Committee related to a Claim may be sent via fax if (a) Receipt of the fax is confirmed by a print out from the sending fax machine indicating that the transmission was Received, and (b) the fax transmission is followed by a hard copy sent via next business day courier service sent no later than the business day after the fax is transmitted. Any such item sent to the Benefits Committee must be sent to the address specified for the benefits committee of the Donnelly Financial Pension Plan in the summary plan description of such plan. Any such item sent by the Benefits Committee, the Company or an

Employer may be sent to the last known address of the intended recipient, as determined by reference to the records of this Plan, the Company or an Employer. Any such item which meets the above-requirements will be deemed “Delivered” and “Received” on the earlier of (a) the date of actual Receipt, if Receipt is evidenced by a written Receipt, (b) 10 days after deposit in the United States Mail, first class postage prepaid and return Receipt requested, and (c) the date of confirmation of successful transmission via fax. If the above-specified procedures are not followed, the item will be deemed not Delivered or Received and it will not be effective.

EXHIBIT A
QUALIFIED PLANS

<u>Name of Plan</u>	<u>Effective Date of becoming a Qualified Plan</u>
Donnelley Financial Pension Plan	Inception of Plan

EXHIBIT B

ADDITIONAL BENEFITS

PART I—BENEFITS INCLUDED IN SECTION 6(A) PRE-RETIREMENT SURVIVOR BENEFITS

1. Compensation-Based Benefits Derived from Nonqualified Deferred Compensation Plans .

(a) Sales Representative Plan. With respect to an individual who is a participant in the R. R. Donnelley & Sons Company Global Capital Markets and Global Investment Markets Business Units of the Financial Business Unit Sales Representative Deferred Compensation Plan ¹ (the “Sales Representatives Plan”), if the retirement benefit payable to such individual under a Qualified Plan is less than the retirement benefit that would be payable under the Qualified Plan if compensation deferred by the individual under the Sales Representatives Plan that would have otherwise been received as salary or bonus were included in the Member’s compensation used to determine the amount of his or her accrued benefit under the Qualified Plan, without giving effect to the Code Limitations, then such individual shall be entitled to an Additional Benefit in an amount equal to (A) minus (B) where:

(A) equals the retirement benefit that would be payable under the Qualified Plan if such benefit were determined by including compensation deferred by the individual under the Sales Representatives Plan and without giving effect to the Code Limitations; and

(B) equals the sum of the retirement benefit actually payable to the individual under the Qualified Plan and the individual’s Restored Benefit.

¹ The R. R. Donnelley & Sons Company Global Capital Markets and Global Investment Markets Business Units of the Financial Business Unit Sales Representative Deferred Compensation Plan was merged into, and became a component plan of, the R.R. Donnelley & Sons Company Nonqualified Deferred Compensation Plan (the “NQDC”) on January 1, 2009. On October 1, 2016 this component plan of the NQDC was transferred to and made a part of the Donnelley Financial Deferred Compensation Plan which was sponsored by Donnelley Financial, LLC and which was transferred out of the R. R. Donnelley & Sons Company controlled group when Donnelley Financial Solutions, Inc., the parent company of Donnelley Financial, LLC, was spun off to the shareholders of R. R. Donnelley & Sons Company on October 1, 2016.

(b) RRD Deferred Compensation Plan. With respect to an individual who is a participant in the R.R. Donnelley & Sons Company Nonqualified Deferred Compensation Plan (the “RRD Deferred Compensation Plan”), if the retirement benefit payable to such individual under a Qualified Plan is less than the retirement benefit that would be payable under the Qualified Plan if compensation deferred by the individual under the RRD Deferred Compensation Plan that would have otherwise been received as salary or bonus during 2005 or any later year were included in the individual’s compensation used to determine the amount of his or her accrued benefit under the Qualified Plan, without giving effect to the Code Limitations, then such individual shall be entitled to an Additional Benefit in an amount equal to (A) minus (B) where:

(A) equals the retirement benefit that would be payable under the Qualified Plan if such benefit were determined by including compensation deferred by the individual under the RRD Deferred Compensation Plan and without giving effect to the Code Limitations; and

(B) equals the sum of the retirement benefit actually payable to the individual under the Qualified Plan and the individual’s Restored Benefit.

2. Past Service Improvements. Each Member designated in the Retirement Benefit Records as entitled to receive a “Past Service Improvement”, “Cost of Living Adjustment” or similar adjustment under the Plan or a Predecessor Plan for reasons other than on account of the Code Limitations shall be entitled to an Additional Benefit determined in the manner and in the amount designated in the Retirement Benefit Records with respect to such Member.

3. Early Retirement Window Benefits. Each Member designated in the Retirement Benefit Records as eligible for, and who elected to participate in, an early retirement window program offered to such Member and providing enhanced retirement benefits that are designated by the Company as payable under this Plan for reasons other than on account of the Code Limitations shall be entitled to an Additional Benefit determined in the manner and in the amount designated in the Retirement Benefit Records with respect to such Member.

4. Additional Benefits for Eligible Stream Employees.

(a) Amount of Additional Benefit. An Eligible Stream Employee, as hereinafter defined, who as of April 21, 1995 (i) had at least five years of RRD Continuous Service, as hereinafter defined, and (ii) had attained age 40 shall be entitled to an Additional Benefit in an amount equal to the amount designated in the Retirement Benefit Records as payable to such Eligible Stream Employee in connection with a transfer of employment from an Employer to Stream International, Inc.

(b) Definitions.

(i) The term “Eligible Stream Employee” shall mean any individual designated in the Retirement Benefit Records as eligible to receive a benefit under this Plan and who immediately prior to April 21, 1995 was employed in the United States (including expatriates deemed to be employed in the United States) at a facility included in the RRD GSS Assets or RRD Norwest GSS Assets, as hereinafter defined, or was otherwise assigned thereto prior to such date and who transfers or transferred to Stream International Inc. on or after such date.

(ii) The term “GSS Business” means, as of April 21, 1995, the business of providing computer and computer software related documentation services, including printing and binding, media replication, kitting assembly, packaging, translation and localization, electronic exchange, licensing and fulfillment, as engaged in by the Company directly through its Global Software Services division and indirectly through a division of R. R. Donnelley Norwest Inc.

(iii) The term “RRD GSS Assets” means all of the assets and properties of the Company of every kind and description, wherever located, real, personal or mixed, tangible or intangible, used primarily in connection with the GSS Business as the same existed on April 21, 1995.

(iv) The term “RRD Norwest GSS Assets” means all of the assets and properties of R. R. Donnelley Norwest Inc. of every kind and description, wherever located, real, personal or mixed, tangible or intangible, used primarily in connection with the GSS Business as the same existed on April 21, 1995.

(v) The term “RRD Continuous Service” shall mean the continuous employment of such person with the Company, plus periods of up to 30 days when such person is not so employed, but excluding any period of employment with any company prior to the Company’s acquisition thereof or assets relating thereto.

PART II—BENEFITS NOT INCLUDED IN §6(A) PRE-RETIREMENT SURVIVOR BENEFITS

EXHIBIT C

PREDECESSOR PLANS

1. Werthan Industries, Inc. Supplemental Retirement Plan (a/k/a Check Printers Supplemental Retirement Plan)
2. Moore Wallace North America, Inc. Non-Qualified Retirement Income Plan
3. Supplemental Unfunded Retirement Income Plan for Employees of Meredith/Burda Corporation
4. Supplemental Unfunded Retirement Income Plan for Employees of Meredith/Burda Company, Limited Partnership
5. Each other nonqualified deferred compensation plan maintained by an Affiliate that provides benefits in the form of an annuity, other than the Banta Corporation Supplemental Retirement Plan for Key Employees.

EXHIBIT D
POST-2016 RESTATEMENT MERGED PLANS

EXHIBIT E

MEMBERS OF THE PLAN

An individual shall be a Member in the Plan on or after the Effective Date if and only if such individual is identified on this Exhibit E (1) as an individual who was a “Member” in the RR Donnelley Unfunded Supplemental Pension Plan immediately prior to the Effective Date (a “Legacy RR Donnelley Member”), and (2) as an individual with regard to whom benefit obligations of RR Donnelley Unfunded Supplemental Pension Plan are as of the Effective Date spun off from the RR Donnelley Unfunded Supplemental Pension Plan to the Plan (such a Legacy RR Donnelley Member being an “Donnelley Financial Unfunded Supplemental Pension Plan Member”).

The schedule accompanying this Exhibit E identifies all individuals who are Donnelley Financial Unfunded Supplemental Pension Plan Members.

Any individual who is not identified on the accompanying schedule but who is determined by the Benefits Committee to be identified on the official records of the RR Donnelley Unfunded Supplemental Pension Plan as a “Member” in the RR Donnelley Unfunded Supplemental Pension Plan immediately prior to the Effective Date, and who is in a group of “Participants” identified in the following table with regard to whom qualified retirement benefit obligations of a component plan of the Bowne Pension Plan are as of the Effective Date spun off from the Bowne Pension Plan to the Donnelley Financial Pension Plan is hereby identified on this Exhibit E as a Donnelley Financial Unfunded Supplemental Pension Plan Member.

Note: Certain capitalized terms used in the following table are defined immediately after the table.

	Each Individual who is in the group of such “Participants” identified below:	as of the Effective Date has all of his or her benefit obligations of the Component Plans of the Bowne Plan spun off to the LSC Plan or to the DFS Plan, or retained by the Bowne Plan, as indicated below:
A	a “Participant” in the <u>R.R. Donnelley Printing Companies Component Plan</u>	spun off to the LSC Plan
B1	other than individuals described in A above, an Employee of RR Donnelley	retained by the Bowne Plan
B2	other than individuals described in A above, an Employee of LSC	spun off to the LSC Plan
B3	other than individuals described in A above, an Employee of DFS	spun off to the DFS Plan
C1	Other than individuals described in A or any B above, and other than an individual described in E1 below, a “Participant” in the <u>Moore Wallace Component Plan</u> whose benefit under that Component Plan is in pay status on August 1, 2016 with an Benefit Commencement Date before that date	retained by the Bowne Plan

C2	Other than individuals described in A or any B above, a “Participant” in the <u>Bowne Component Plan</u> whose benefit under that Component Plan is in pay status on August 1, 2016 with an Benefit Commencement Date before that date	retained by the Bowne Plan
D1	Other than individuals described in A or any B or C above, and other than an individual described in E1 below, a “Participant” in the <u>RR Donnelley Component Plan</u>	spun off to the LSC Plan
D2	Other than individuals described in A or any B or C above, and other than an individual described in E1 below, a “Participant” in the <u>Moore Wallace Component Plan</u>	spun off to the LSC Plan
D3	Other than individuals described in A or any B or C above, a “Participant” in the <u>Bowne Component Plan</u>	spun off to the LSC Plan
D4	Other than individuals described in A or any B or C above, and other than an individual described in E3 below, a “Participant” in the <u>Banta Employees Component Plan</u>	spun off to the LSC Plan
E1	Other than individuals described in A, any B, C2, D3 or D4 above, a “Participant” in the <u>Haddon Component Plan</u>	spun off to the DFS Plan
E2	Other than individuals described in A or any B, C or D above, and other than an individual described in E3 below, a “Participant” in the <u>Banta Book Group Component Plan</u> , <u>Banta Danbury Component Plan</u> or <u>Banta Specially Converting Component Plan</u>	spun off to the DFS Plan
E3	Other than individuals described in A or any B, C or D above, a “Participant” in the <u>Banta Employees Component Plan</u> whose benefit under that Component Plan is in pay status on August 1, 2016 with an Benefit Commencement Date before that date	spun off to the DFS Plan

Note: For purposes of the preceding table, the following capitalized terms have the following meanings:

“RR Donnelley” means R. R. Donnelley & Sons Company and entities that are expected to be its subsidiaries immediately after as of the Distribution Effective Time (excluding LSC and DFS).

“LSC” means LSC Communications US, LLC and entities that are expected to be its subsidiaries immediately after the Distribution Effective Time.

“DFS” means Donnelley Financial, LLC and entities that are expected to be its subsidiaries immediately after the Distribution Effective Time.

An individual is an “Employee of RR Donnelley” if such individual was an Employee of the Controlled Group of R. R. Donnelley & Sons Company on August 1, 2016 and his last employment preceding the Distribution Effective Time is by RR Donnelley.

An individual is an “Employee of LSC” if such individual was an Employee of the Controlled Group of R. R. Donnelley & Sons Company on August 1, 2016 and his last employment preceding the Distribution Effective Time is by LSC.

An individual is an “Employee of DFS” if such individual was an Employee of the Controlled Group of R. R. Donnelley & Sons Company on August 1, 2016 and his last employment preceding the Distribution Effective Time is by DFS.

“Bowne Plan” means the Bowne Pension Plan. Effective on the Effective Date, the Bowne Pension Plan is renamed the “RR Donnelley Pension Plan.”

“LSC Plan” means the LSC Pension Plan.

“DFS Plan” means the Donnelley Financial Pension Plan.

The "Controlled Group" of an entity (the "first entity") consists of that first entity and every other entity that is (1) a corporation which is a member of the same controlled group of corporations (within the meaning of section 414(b) of the Code) as the first entity, (2) a trade or business (whether or not incorporated) under common control (within the meaning of section 414(c) of the Code) with the first entity, (3) any organization (whether or not incorporated) which is a member of an affiliated service group (within the meaning of section 414(m) of the Code) which includes the first entity, a corporation described in clause (1) of this sentence or a trade or business described in clause (2) of this sentence, or (4) any other entity which is required to be aggregated with the first entity pursuant to Regulations promulgated under section 414(o) of the Code.

"Distribution Effective Time" is the effective time of the distribution by R. R. Donnelley & Sons Company to its shareholders of the shares of common stock of Donnelley Financial Solutions, Inc. and LSC Communications, Inc., both of which are prior to such distribution wholly-owned subsidiaries of R. R. Donnelley & Sons Company.

For privacy reasons, the schedule accompanying this Exhibit E accompanies only non-public copies of this Exhibit E, the master of which is maintained in the Donnelley Financial corporate files under the following file name and path:

G:\Legal - Benefits\Donnelley Financial\Benefit Plans\SERP\DFS UnfSupPenPln\16-10-1\Plan\Plan Doc\16-10-1.DFS
UnfSupPenPln.ExE.xlsx

Formerly Sidley # 217431059

**WRITTEN DESCRIPTION OF THE
ANNUAL INCENTIVE PLAN OF
DONNELLEY FINANCIAL SOLUTIONS, INC.
WITH RESPECT TO THE PERIOD FROM
OCTOBER 1, 2016 TO DECEMBER 31, 2016**

Pursuant to the Donnelley Financial Solutions, Inc. 2016 Performance Incentive Plan (the “2016 PIP”), the Compensation Committee approved a stub incentive plan (the “Stub Plan”), a subplan under the 2016 PIP, covering the period from October 1, 2016 to December 31, 2016 (the “Stub Plan Period”). During the Stub Plan Period, 25% of the potential payout for all participants in the Stub Plan was based on a corporate financial target of non-GAAP adjusted EBITDA of \$35.3 million. Payouts for this financial portion started at 80% of the corporate financial target, with a Stub Period AIP payout of 80% and scale upward from 80% to 100% of target reflecting actual EBITDA generated as a percentage of target, with the corporate financial target needing to be attained to fund at 100%. The remaining 75% of the Stub Plan awards was based upon the achievement of transitional objectives for participants who were Vice Presidents and above, and individual performance for participants below the level of Vice President. Payout for achievement of the transitional objectives was determined on a discretionary basis by the Compensation Committee based on progress achieved.

Donnelley Financial Solutions
Annual Incentive Plan
(Effective February 14, 2017)

OVERVIEW

The Donnelley Financial Solutions Annual Incentive Plan (the “Annual Incentive Plan” or the “Plan”) is designed to promote the growth and profitability of Donnelley Financial and its subsidiaries with incentives to reward and enhance the retention of eligible employees. Awards are made depending on the Company’s financial performance and on how well an eligible employee performs against individual objectives that link to and support Donnelley Financial’s strategic and financial priorities.

The Plan is a sub-plan of the Donnelley Financial Solutions, Inc. 2016 Performance Incentive Plan (the “2016 PIP”) and is subject to all of the performance conditions established pursuant to the 2016 PIP and the limitations set forth therein. With respect to participants who are subject to Section 162(m) of the Internal Revenue Code, as amended (the “Code”), to the extent that any term of the Plan conflicts with the terms of the 2016 PIP, the terms of the 2016 PIP will apply. Notwithstanding anything herein to the contrary, no award may be made under this Plan to a Covered Person (as defined below) with respect to any Plan Year if the pre-established performance goal (which is based on one or more of the “performance goals” listed in Section II.2 of the 2016 PIP and which is intended to cause awards under this Plan to Covered Persons to constitute performance-based compensation within the meaning of Section 162(m) of the Code) is not met and certified by the Committee as described below.

The Compensation Committee of the Board of Directors (the “Committee”) administers the Plan. The Committee has authority to establish rules and regulations for the Plan’s implementation and administration, including the authority to impose limitations and conditions, with respect to competitive employment or otherwise, that are not inconsistent with the Plan’s purposes.

PARTICIPATION

Eligibility is limited to officers selected by the Committee and other key management employees designated as eligible by position in the organization (“eligible participant” or “participant”).

TARGET AWARD PERCENTAGE AND PLAN FUNDING

Each eligible participant’s target incentive opportunity under the Annual Incentive Plan is a percentage of such participant’s base salary as of December 31 of the Plan Year, or such other amount as determined by the Committee. This is referred to as the “Target Award Percentage” and will be communicated to eligible participants annually. Eligible wages do not include disability benefit payments. The “Plan Year” for any year is the calendar year.

The portion of any Target Award Percentage that is dependent upon achievement of corporate or business unit financial objectives (the “Financial Objective Percentage”) and the portion that is dependent upon achievement of non-financial objectives (the “Non-Financial Objective Percentage”) will be determined by the Committee and will be communicated to eligible participants annually.

FINANCIAL OBJECTIVES AND PLAN FUNDING

Subject to the performance conditions established under the 2016 PIP and the limitations set forth therein, the Company must fund the Plan for a Plan Year for participants to receive an award based on corporate financial objectives (the “Corporate Financial Objectives”) or business unit financial objectives (the

“Business Unit Financial Objectives”) for that Plan Year. The decision whether or not to fund all or part of the Plan for a particular Plan Year, as well as the Plan’s funding level, is made by the Committee in its sole discretion based on the Corporate and Business Unit Financial Objectives pre-established by the Committee, which financial performance objectives must be based on one or more of the “performance goals” listed in Section II.2 of the 2016 PIP. The Committee will separately adopt such Corporate and Business Unit Financial Objectives (which may not be amended following their adoption) prior to 90 days after the beginning of each Plan Year.

Plan funding is based upon the Company’s corporate and business unit actual financial performance for the Plan Year against the pre-established Corporate and Business Unit Financial Objectives. If the Committee determines that the Corporate or Business Unit Financial Objectives have been met, the Plan will be funded with respect to the applicable financial objectives. In the event the Corporate or Business Unit Financial Objectives have not been met, the Plan will not be funded with respect to the applicable financial objectives.

If the Company funds the Plan with respect to a financial objective, awards will be made to eligible participants for that financial objective based upon the Plan funding level up to 200% of the participant’s Financial Objective Percentage (or such other percentage as determined by the Committee). The Committee will determine the percentage of the participant’s Target Award Percentage to be paid out based upon the participant’s Financial Objective Percentage and the Plan’s funding level; such percentages will be communicated to the participant. Eligible participants will only receive awards with respect to Financial Objectives assigned to such participant (e.g., if a Business Unit Financial Objective funds, only participants with such Business Unit Financial Objective will be eligible for awards based on the funding).

Any actual award made under the Annual Incentive Plan based on the Financial Objective Percentage can range from 0% to 200% of the Financial Objective Percentage (or such other percentage as determined by the Committee), depending upon the Plan’s funding level; provided, however, that the Committee shall have the discretion to determine the actual amount of any Financial Objective award paid to a participant under the Plan but may only exercise “negative discretion” to reduce (not increase) the amount of the award payable to a person who is a “covered employee,” as defined in Section 162(m) of the Code (a “Covered Employee”).

NON-FINANCIAL OBJECTIVES AND PLAN FUNDING

Non-financial objectives are established for each participant each Plan Year to support Donnelley Financial’s strategic and financial priorities. A participant’s non-financial objectives are determined each year in consultation with the participant and his or her manager and are communicated to the participant in writing as part of the objective goal-setting process. Achievement of non-financial objectives will be made in the Committee’s discretion in consultation with management, the Committee will determine the percentage of the participant’s Target Award Percentage to be paid out based upon the participant’s Non-Financial Objective Percentage and the Committee’s determination of whether a participant has attained, in whole or in part, the participant’s non-financial objectives for a Plan Year, shall be final and binding.

Any actual award made under the Annual Incentive Plan based on the Non-Financial Objective Percentage can range from 0% to 100% of the Non-Financial Objective Percentage (or such other percentage as determined by the Committee), depending upon the participant’s achievement of non-financial objectives; provided, however, that the Committee shall have the discretion to determine the actual amount of any Non-Financial Objective award paid to a participant under the Plan but may only exercise “negative discretion” to reduce (not increase) the amount of the award payable to a Covered Employee.

AWARD AMOUNT AND PAYMENT

Awards are paid following the Plan Year after the Committee has certified the achievement of Financial Objectives under the 2016 PIP and the Plan funding decisions and non-financial objective performance measurements have been made. Except as otherwise provided herein, or by the Committee, at any time prior to the end of such Plan Year, any award to be paid under the Plan shall be paid to recipients within 2 1/2 months after the end of the Plan Year (i.e., by the following March 15). A participant must be on the payroll of the Company as of the date of payment of the award to receive an award. Special provisions apply to retirees and in the case of a participant's death or Disability. *(Please refer to the Changes in Employment Status section of this document for details.)*

The Committee also has discretionary authority to increase or decrease the amount of the award otherwise payable if it determines that an adjustment is appropriate to better reflect the actual performance of the Company, business unit and/or the participant; provided, however, that the Committee may not increase the amount of the award payable to a person who is a "covered employee," as defined in Section 162(m) of the Code, to an amount in excess of the amount earned under the 2016 PIP; and provided further, however, the Committee has discretionary authority to decrease the amount of the award otherwise payable at any time for any person designated as an executive officer of the Company for purposes of Section 16 of the Securities Exchange Act of 1934. Additionally, the Committee has discretionary authority to reduce the amount of the award otherwise payable if it determines that any participant engaged in misconduct.

BENEFITS AND TAX TREATMENT

Award payments are subject to applicable deductions, including social security taxes and federal and applicable state and local income tax withholding.

The treatment of award payments as compensation for purposes of other Donnelley Financial employee benefits plans is determined by the terms of the applicable plans.

CHANGES IN EMPLOYMENT STATUS

A. PROMOTIONS, DEMOTIONS, TRANSFERS, CHANGES IN ASSIGNMENT

If a participant is promoted, demoted, transferred to or between business units or from corporate during the year, any award payout normally will be calculated by prorating the payouts for each eligible position based on the Target Award Percentage and the time assigned to that position.

B. NEW HIRE

Employees hired on or prior to September 30th of the Plan Year shall be eligible to participate in the Annual Incentive Plan in the year of hire for the prorata portion of the Plan Year in which they are employed if designated. Eligible employees hired after September 30th of the Plan Year shall not be eligible to begin participation in the Plan until the following Plan Year, except for those who receive approval for participation from the Company's Chief Human Resources Officer.

C. RETIREMENT, DEATH or DISABILITY

A participant's retirement*, death, or Disability** during a Plan Year or prior to the payment date will not disqualify a participant from eligibility to receive a pro rata award based on the Committee's determination of the Plan's funding level (including the achievement of any performance goals intended to satisfy the performance-based exception under Section 162(m)), the participant's Personal Objective Percentage and achievement of the participant's personal objectives, each as determined by the Committee in its discretion.

* For purposes of the Plan, "retirement" generally means (i) retirement at age 65, or (ii) retirement at or after age 55 with 5 or more years of continuous service.

** For purposes of the Plan, "Disability" means disability as defined as in the Company's long-term disability policy as in effect at the time of the participant's disability.

D. OTHER TERMINATION

If participant's employment terminates for reasons other than retirement (as defined above), death, or Disability (as defined above) prior to the end of the Plan Year, no award shall be payable.

ADMINISTRATION

The Committee has full discretionary authority to administer the Plan, including the authority to determine the performance achievement attained under the Plan. The Committee may delegate to members of Donnelley Financial's management the authority to administer the Plan and determine performance under the Plan.

Donnelley Financial retains the right to amend or terminate the Plan at any time; provided however that awards for any plan year may not be amended or terminated after the completion of such Plan Year except in cases of misconduct of the participant.

Questions regarding the Plan should be directed to the Donnelley Financial Human Resources Department.

DONNELLEY FINANCIAL SOLUTIONS, INC.
FOUNDER'S AWARD (RESTRICTED STOCK)
(2016 PIP)

This Restricted Stock Founder's Award ("Award") is granted as of **October [●], 2016** (the "Grant Date") by Donnelley Financial Solutions, Inc., a Delaware corporation (the "Company"), to **XXXXXX** ("Grantee").

1. Grant of Award. This Award is granted as an incentive for Grantee to remain an employee of the Company and share in the future success of the Company. The Company hereby grants to Grantee **XXXXX** restricted shares (the "Shares"), subject to the restrictions and on the terms and conditions set forth herein. This Award is made pursuant to the provisions of the Company's 2016 Performance Incentive Plan (the "2016 PIP"). Capitalized terms not defined herein shall have the meanings specified in the 2016 PIP. Grantee shall indicate acceptance of this Award by signing and returning a copy hereof. The Shares will be held for you by Computershare until the Performance Vesting Date (as defined below).

2. Vesting.

(a) The Shares will be earned subject to the attainment of the performance condition or conditions as established by the Committee and set forth on Exhibit A hereto (each, a "Performance Condition") for the applicable performance period (the "Performance Period") as established by the Committee and set forth on Exhibit A and subject to the time-based vesting conditions set forth below. The Committee shall determine the attainment of each Performance Condition after the applicable Performance Period.

(b) This Award is intended to constitute "performance-based compensation" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code") and is intended to comply the requirements thereof to the extent the Grantee is a "covered person" within the meaning of Section 162(m).

(c) Upon the Acceleration Date associated with a Change in Control, the Shares shall, in accordance with the terms of the 2016 PIP, become fully vested.

3. Treatment Upon Separation from Service.

(a) If Grantee has a separation from service (within the meaning of Treasury Regulation § 1.409A-1(h), hereinafter a "Separation from Service") by reason of death or Disability (as defined in the applicable Company long-term disability policy as in effect at the time of Grantee's disability), the Shares shall become fully vested of the date of such Separation from Service.

(b) If Grantee has a Separation from Service other than for death or Disability, the Shares, if unvested, shall be forfeited.

4. Period of Restriction.

(a) Performance-Based Vesting. Subject to Grantee's continued employment with the Company through the end of the Performance Period, the performance-based vesting restrictions set forth in this Award with respect to the Shares shall lapse upon certification by the Committee that the Performance Condition for the applicable Performance Period set forth on Exhibit A has been satisfied (the "Performance Vesting Date"). Upon the Performance Vesting Date, all restrictions applicable to the Shares shall lapse. Unless the vesting of the Shares is accelerated under the circumstances set forth above, if the Performance Condition is not satisfied, then the Shares shall be forfeited.

(b) Time-Based Vesting. In addition to satisfying the Performance Condition as described above, the Shares shall also be subject to the time-based vesting conditions set forth on Exhibit A. Upon achievement of the Performance Condition and the applicable time-based vesting conditions, the restrictions applicable to the Shares shall lapse.

5. Rights as a Shareholder. Participant shall have all rights of a shareholder (including, without limitation, dividends and voting rights) with respect to the Shares, for record dates occurring on or after the Grant Date and prior to the date any such Shares are forfeited in accordance with this Award, except that any dividends or distributions shall, until such time as the applicable restrictions have lapsed, be deposited with the Company or any holder appointed, (together with a stock power endorsed in blank or other appropriate instrument of transfer for dividends or distributions paid in Shares or other securities with respect to the Shares), or credited to Grantee's book-entry account, as applicable, and shall be subject to the same restrictions (including, without limitation, the need to satisfy the Performance Condition) as such Shares and otherwise considered to be such Shares for all purposes hereunder.

6. Withholding Taxes.

(a) All payments or distributions of Shares or with respect thereto shall be net of any amounts required to be withheld pursuant to applicable federal, national, state and local tax withholding requirements (the "Required Tax Payments"). The Company may require Grantee to remit to it an amount sufficient to satisfy such Required Tax Payments prior to delivery of any certificates for such Shares or with respect thereto. In lieu thereof, the Company shall have the right to withhold the number of Shares equal to the amount of such taxes or may withhold such amount from any other amounts (provided such amounts do not constitute deferred compensation within the meaning of Section 409A of the Code) that are due or to become due from such corporation to the Grantee as the Company shall determine.

(b) Grantee may elect to satisfy his obligation to advance the Required Tax Payments by any of the following means: (1) a cash payment to the Company, (2) delivery to the Company of previously owned whole shares of Common Stock for which Grantee has good title, free and clear of all liens and encumbrances, having a fair market value, determined as of the date the obligation to withhold or pay taxes first arises in connection with the Award (the "Tax Date"), equal to the Required Tax Payments, (3) directing the Company to withhold a number of Shares subject to this Award having a fair market value, determined

as of the Tax Date, equal to the Required Tax Payments or (4) any combination of (1)-(3). Any fraction of a share of Common Stock which would be required to satisfy such an obligation shall be disregarded and the remaining amount due shall be paid in cash by Grantee. No certificate representing a share of Common Stock shall be delivered until the Required Tax Payments have been satisfied in full. For purposes of this Award, the fair market value of a share of Common Stock on a specified date shall be determined by reference to the closing stock price in trading of the Common Stock on such date or, if no such trading in the Common Stock occurred on such date, then on the next preceding date when such trading occurred.

7. Non-Solicitation.

(a) Grantee hereby acknowledges that the Company's relationship with the customer or customers Grantee serves, and with other employees, is special and unique, based upon the development and maintenance of good will resulting from the customers' and other employees' contacts with the Company and its employees, including Grantee. As a result of Grantee's position and customer contacts, Grantee recognizes that Grantee will gain valuable information about (i) the Company's relationship with its customers, their buying habits, special needs, and purchasing policies, (ii) the Company's pricing policies, purchasing policies, profit structures, and margin needs, (iii) the skills, capabilities and other employment-related information relating to Company employees, and (iv) and other matters of which Grantee would not otherwise know and that is not otherwise readily available. Such knowledge is essential to the business of the Company and Grantee recognizes that, if Grantee has a Separation from Service, the Company will be required to rebuild that customer relationship to retain the customer's business. Grantee recognizes that during a period following Separation from Service, the Company is entitled to protection from Grantee's use of the information and customer and employee relationships with which Grantee has been entrusted by the Company during Grantee's employment.

(b) Grantee acknowledges and agrees that any injury to the Company's customer relationships, or the loss of those relationships, would cause irreparable harm to the Company. Accordingly, Grantee shall not, while employed by the Company and for a period of one year from the date of Grantee's Separation from Service for any reason, including Separation from Service initiated by the Company with or without cause, directly or indirectly, either on Grantee's own behalf or on behalf of any other person, firm or entity, solicit or provide services that are the same as or similar to the services the Company provided or offered while Grantee was employed by the Company to any customer or prospective customer of the Company (i) with whom Grantee had direct contact during the last two years of Grantee's employment with the Company or about whom Grantee learned confidential information as a result of his or her employment with the Company or (ii) with whom any person over whom Grantee had supervisory authority at any time had direct contact during the last two years of Grantee's employment with the Company or about whom such person learned confidential information as a result of his or her employment with the Company.

(c) Grantee shall not, while employed by the Company and for a period of two years following Grantee's Separation from Service for any reason, including Separation from

Service initiated by the Company with or without cause, either directly or indirectly solicit, induce or encourage any individual who was a Company employee at the time of, or within six months prior to, Grantee's Separation from Service, to terminate their employment with the Company or accept employment with any entity, including but not limited to a competitor, supplier or customer of the Company, nor shall Grantee cooperate with any others in doing or attempting to do so. As used herein, the term "solicit, induce or encourage" includes, but is not limited to, (i) initiating communications with a Company employee relating to possible employment, (ii) offering bonuses or other compensation to encourage a Company employee to terminate his or her employment with the Company and accept employment with any entity, including but not limited to a competitor, supplier or customer of the Company, or (iii) referring Company employees to personnel or agents employed by any entity, including but not limited to competitors, suppliers or customers of the Company.

(d) Grantee acknowledges that the non-solicitation restrictions set forth in this Section 7 apply whether or not the Shares subject to this Award actually vest.

8. Miscellaneous.

(a) The Company shall pay all original issue or transfer taxes with respect to the issuance or delivery of the Shares pursuant hereto and all other fees and expenses necessarily incurred by the Company in connection therewith, and will use reasonable efforts to comply with all laws and regulations which, in the opinion of counsel for the Company, shall be applicable thereto.

(b) Nothing in this Award shall confer upon Grantee any right to continue in the employ of the Company or any other company that is controlled, directly or indirectly, by the Company or to interfere in any way with the right of the Company to terminate Grantee's employment at any time.

(c) This Award shall be governed in accordance with the laws of the state of Delaware.

(d) This Award shall be binding upon and inure to the benefit of any successor or successors to the Company.

(e) Neither this Award nor the Shares nor any rights hereunder or thereunder may be transferred or assigned by Grantee prior to vesting other than by will or the laws of descent and distribution or pursuant to beneficiary designation procedures approved by the Company or other procedures approved by the Company. Any other transfer or attempted assignment, pledge or hypothecation, whether or not by operation of law, shall be void.

(f) The Committee, as from time to time constituted, shall have the right to determine any questions which arise in connection with this Award or the Shares. This Award and the Shares are subject to the provisions of the 2016 PIP and shall be interpreted in accordance therewith.

(g) If Grantee is a resident of Canada, Grantee further agrees and represents that any acquisitions of Common Stock hereunder are for his own account for investment, and

without the present intention of distributing or selling such Common Stock or any of them. Further, the Company and its subsidiaries expressly reserve the right at any time to dismiss Grantee free from any liability, or any claim under this Award, except as provided herein or in any agreement entered into hereunder. Any obligation of the Company under this Award to make any payment at any future date or issue Common Stock merely constitutes the unfunded and unsecured promise of the Company to make such payment or issue such Common Stock; any payment shall be from the Company's general assets in accordance with this Award and the issuance of any Common Stock shall be subject to the Company's compliance with all applicable laws including securities law and the laws its jurisdiction of incorporation or continuance, as applicable, and no Grantee shall have any interest in, or lien or prior claim upon, any property of the Company or any subsidiary by reason of that obligation. If Grantee is a resident of Canada, Grantee hereby indemnifies the Company against and agrees to hold it free and harmless from any loss, damage, expense or liability resulting to the Company if any sale or distribution of the Common Stock by Grantee is contrary to the representations and agreements referred to above.

(h) If there is any inconsistency between the terms and conditions of this Award and the terms and conditions of Grantee's employment agreement, employment letter or other similar agreement, the terms and conditions of such agreement shall control.

IN WITNESS WHEREOF, the Company has caused this Award to be duly executed by its duly authorized officer.

Donnelley Financial Solutions, Inc.

By:

Name: Diane Bielawski
Title: Chief Human Resources Officer

All of the terms of this Award are accepted as of this ____ day of _____, 2016.

Grantee:

R.R. DONNELLEY & SONS COMPANY
CASH AWARD
(2012 PIP)

This Cash Award ("Award") is granted as of **March 3, 2014** by R.R. Donnelley & Sons Company, a Delaware corporation (the "Company"), to **XXXXXXX** ("Grantee").

1. Grant of Award. This Award is in recognition of your hard work and dedication over the last several years and is granted as an incentive for the Grantee to remain an employee of the Company and share in the future success of the Company. The Company hereby credits to Grantee **XXXXXXX** (the "Cash Award"), subject to the restrictions and on the terms and conditions set forth herein. This Award is made pursuant to the provisions of the Company's 2012 Performance Incentive Plan (the "2012 PIP"). Capitalized terms not defined herein shall have the meanings specified in the 2012 PIP. Grantee shall indicate acceptance of this Award by signing and returning a copy hereof.

2. Vesting.

(a) Except to the extent otherwise provided in paragraph 2(b) or 3 below, the Cash Award shall vest in four equal 25% increments on each of:

- March 2, 2015
- March 2, 2016
- March 2, 2017
- March 2, 2018

(b) Upon the Acceleration Date associated with a Change in Control, the Cash Award, shall, in accordance with the terms of the 2012 PIP, become fully vested.

3. Treatment Upon Separation from Service.

(a) If Grantee has a separation from service (within the meaning of Treasury Regulation § 1.409A-1(h), hereinafter a "Separation from Service") by reason of death or Disability (as defined as in the Company's long-term disability policy as in effect at the time of Grantee's disability), any portion of the Cash Award that is unvested as of the date of such Separation from Service shall become fully vested.

(b) If Grantee has a Separation from Service either (i) prior to age 65 by reason of a Qualifying Retirement or (ii) on account of retirement on or after age 65, at any time prior to the first vest date set forth in paragraph 2(a) above, any portion of the Cash Award that is unvested as of the date of such Separation from Service shall be forfeited. If Grantee has a Separation from Service either (i) prior to age 65 by reason of a Qualifying Retirement or (ii) on account of retirement on or after age 65, at any time after the first vest date set forth in paragraph 2(a) above, any portion of the Cash Award that is unvested as of the date of such Separation from Service shall vest in accordance with the terms of paragraph 2 above. A "Qualifying Retirement" is defined as

(A) Grantee is an active participant in a Company sponsored retirement benefit plan and is eligible to commence benefits thereunder at the time of Separation from Service and Grantee's Separation from Service was not initiated by the Company for cause (a Grantee that is a participant in the Retirement Benefit Plan of R.R. Donnelley & Sons Company (the "RR Donnelley Pension Plan") is eligible to commence benefits under the plan if Grantee is eligible to commence benefits under the traditional formula of the RR Donnelley Pension Plan, or would have been eligible to commence benefits under the traditional formula of the RR Donnelley Pension Plan had Grantee been a participant in the traditional formula of the RR Donnelley Pension Plan during his or her service with R.R. Donnelley & Sons Company and/or any subsidiary at the time of Separation from Service); or

(B) Grantee is not an active participant in a Company sponsored retirement benefit plan but Grantee would have been eligible to commence benefits under the traditional formula of the RR Donnelley Pension Plan had Grantee been a participant in the traditional formula of the RR Donnelley Pension Plan during his or her service with the Company and/or any subsidiary at the time of Separation from Service ; or

(C) a Separation from Service that the Committee determines is a Qualifying Retirement.

(c) If Grantee has a Separation from Service other than for death, Disability or Retirement, any portion of the Cash Award that is unvested as of the date of such Separation from Service shall be forfeited.

4. Payment of Award. As soon as practicable following the vesting date, the Company shall pay Grantee the portion of the Cash Award that vested upon such vesting date, subject to deduction of the Required Tax Payments in accordance with paragraph 5 below; provided, however, that if Grantee has a Separation from Service described in Section 3(b) and Grantee is a "specified employee" within the meaning set forth in the document entitled "409A: Policy of R.R. Donnelly & Sons Company and to Affiliates Regarding Specified Employees" on the date of Grantee's Separation from Service, then the date of issuance shall be postponed to the first business day of the sixth month occurring after the month in which the date of Grantee's Separation from Service occurs (or, if earlier, thirty days after the date of Grantee's death) .

5. Withholding Taxes. As a condition precedent to the payment of the Cash Award pursuant to this Award, the Company may, in its discretion, deduct from any amount then or thereafter payable by the Company to Grantee such amount of cash as the Company may be required, under all applicable federal, state, local or other laws or regulations, to withhold and pay over as income or other withholding taxes (the "Required Tax Payments") with respect to the Award.

6. Non-Solicitation .

(a) Grantee hereby acknowledges that the Company's relationship with the customer or customers Grantee serves, and with other employees, is special and unique, based upon the development and maintenance of good will resulting from the customers' and other

employees' contacts with the Company and its employees, including Grantee. As a result of Grantee's position and customer contacts, Grantee recognizes that Grantee will gain valuable information about (i) the Company's relationship with its customers, their buying habits, special needs, and purchasing policies, (ii) the Company's pricing policies, purchasing policies, profit structures, and margin needs, (iii) the skills, capabilities and other employment-related information relating to Company employees, and (iv) and other matters of which Grantee would not otherwise know and that is not otherwise readily available. Such knowledge is essential to the business of the Company and Grantee recognizes that, if Grantee has a Separation from Service, the Company will be required to rebuild that customer relationship to retain the customer's business. Grantee recognizes that during a period following Separation from Service, the Company is entitled to protection from Grantee's use of the information and customer and employee relationships with which Grantee has been entrusted by the Company during Grantee's employment.

(b) Grantee acknowledges and agrees that any injury to the Company's customer relationships, or the loss of those relationships, would cause irreparable harm to the Company. Accordingly, Grantee shall not, while employed by the Company and for a period of one year from the date of Grantee's Separation from Service for any reason, including Separation from Service initiated by the Company with or without cause, directly or indirectly, either on Grantee's own behalf or on behalf of any other person, firm or entity, solicit or provide services that are the same as or similar to the services the Company provided or offered while Grantee was employed by the Company to any customer or prospective customer of the Company (i) with whom Grantee had direct contact during the last two years of Grantee's employment with the Company or about whom Grantee learned confidential information as a result of his or her employment with the Company or (ii) with whom any person over whom Grantee had supervisory authority at any time had direct contact during the last two years of Grantee's employment with the Company or about whom such person learned confidential information as a result of his or her employment with the Company.

(c) Grantee shall not, while employed by the Company and for a period of two years following Separation from Service Grantee's Separation from Service for any reason, including Separation from Service initiated by the Company with or without cause, either directly or indirectly solicit, induce or encourage any individual who was a Company employee at the time of, or within six months prior to, Grantee's Separation from Service, to terminate their employment with the Company or accept employment with any entity, including but not limited to a competitor, supplier or customer of the Company, nor shall Grantee cooperate with any others in doing or attempting to do so. As used herein, the term "solicit, induce or encourage" includes, but is not limited to, (i) initiating communications with a Company employee relating to possible employment, (ii) offering bonuses or other compensation to encourage a Company employee to terminate his or her employment with the Company and accept employment with any entity, including but not limited to a competitor, supplier or customer of the Company, or (iii) referring Company employees to personnel or agents employed by any entity, including but not limited to competitors, suppliers or customers of the Company.

7. Miscellaneous.

(a) Nothing in this Award shall confer upon Grantee any right to continue in the employ of the Company or any other company that is controlled, directly or indirectly, by the Company or to interfere in any way with the right of the Company to terminate Grantee's employment at any time.

(b) This Award shall be governed in accordance with the laws of the state of Delaware.

(c) This Award shall be binding upon and inure to the benefit of any successor or successors to the Company.

(d) Neither this Award nor any rights hereunder may be transferred or assigned by Grantee other than by will or the laws of descent and distribution or pursuant to beneficiary designation procedures approved by the Company or other procedures approved by the Company. Any other transfer or attempted assignment, pledge or hypothecation, whether or not by operation of law, shall be void.

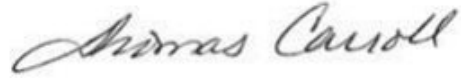
(e) The Committee, as from time to time constituted, shall have the right to determine any questions which arise in connection with this Agreement. This Agreement and the Award are subject to the provisions of the 2012 PIP and shall be interpreted in accordance therewith.

(f) If there is any inconsistency between the terms and conditions of this Award and the terms and conditions of Grantee's employment agreement, employment letter or other similar agreement, the terms and conditions of such agreement shall control.

(g) This Award is intended to comply with section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations promulgated thereunder. This Award shall be administered and interpreted to the extent possible in a manner consistent with the intent expressed in this paragraph. If any compensation or benefits provided by this Award may result in the application of section 409A of the Code, the Company shall, in consultation with you, modify this Award as necessary in order to exclude such compensation from the definition of "deferred compensation" within the meaning of such section 409A of the Code or in order to comply with the provisions of section 409A of the Code. By signing this Agreement you acknowledge that if any amount paid or payable to you becomes subject to section 409A of the Code, you are solely responsible for the payment of any taxes and interest due as a result.

IN WITNESS WHEREOF, the Company has caused this Award to be duly executed by its duly authorized officer.

R.R. Donnelley & Sons Company

A handwritten signature in cursive script that reads "Thomas Carroll".

By:

Name: Thomas Carroll

Title: EVP, Chief Human Resources Officer

All of the terms of this Award are accepted as of this ____ day of _____, 2014.

Grantee:

**R.R. DONNELLEY & SONS COMPANY
LONG TERM INCENTIVE CASH AWARD
(2012 PIP)**

This Long Term Incentive Cash Award ("Award") is granted as of **March 2, 2015** by R.R. Donnelley & Sons Company, a Delaware corporation (the "Company"), to **XXXXXXX** ("Grantee").

1. Grant of Award. This Award is in recognition of your hard work and dedication over the last several years and is granted as an incentive for the Grantee to remain an employee of the Company and share in the future success of the Company. The Company hereby credits to Grantee **XXXXXXX** (the "Cash Award"), subject to the restrictions and on the terms and conditions set forth herein. This Award is made pursuant to the provisions of the Company's 2012 Performance Incentive Plan (the "2012 PIP"). Capitalized terms not defined herein shall have the meanings specified in the 2012 PIP. Grantee shall indicate acceptance of this Award by signing and returning a copy hereof.

2. Vesting.

(a) Except to the extent otherwise provided in paragraph 2(b) or 3 below, the Cash Award shall vest and be payable 100% on March 2, 2018.

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(b) Upon the Acceleration Date associated with a Change in Control, the Cash Award, shall, in accordance with the terms of the 2012 PIP, become fully vested.

3. Treatment Upon Separation from Service.

(a) If Grantee has a separation from service (within the meaning of Treasury Regulation § 1.409A-1(h), hereinafter a "Separation from Service") by reason of death or Disability (as defined in the applicable Company long-term disability policy as in effect at the time of Grantee's disability), the Cash Award shall become fully vested as of the date of such Separation from Service.

(b) If Grantee has a Separation from Service other than for death or Disability, the Cash Award, if unvested as of the date of such Separation from Service, shall be forfeited.

4. Payment of Award. As soon as practicable, but not more than 2½ months following the vesting date, the Company shall pay Grantee the Cash Award that vested upon such vesting date, subject to deduction of the Required Tax Payments in accordance with paragraph 5 below.

5. Withholding Taxes. As a condition precedent to the payment of the Cash Award pursuant to this Award, the Company may, in its discretion, deduct from any amount then or thereafter payable by the Company to Grantee such amount of cash as the Company may be required, under all applicable federal, state, local or other laws or regulations, to withhold and pay over as income or other withholding taxes (the "Required Tax Payments") with respect to the Award.

6. Non-Solicitation.

(a) Grantee hereby acknowledges that the Company's relationship with the customer or customers Grantee serves, and with other employees, is special and unique, based upon the development and maintenance of good will resulting from the customers' and other employees' contacts with the Company and its employees, including Grantee. As a result of Grantee's position and customer contacts, Grantee recognizes that Grantee will gain valuable information about (i) the Company's relationship with its customers, their buying habits, special needs, and purchasing policies, (ii) the Company's pricing policies, purchasing policies, profit structures, and margin needs, (iii) the skills, capabilities and other employment-related information relating to Company employees, and (iv) and other matters of which Grantee would not otherwise know and that is not otherwise readily available. Such knowledge is essential to the business of the Company and Grantee recognizes that, if Grantee has a Separation from Service, the Company will be required to rebuild that customer relationship to retain the customer's business. Grantee recognizes that during a period following Separation from Service, the Company is entitled to protection from Grantee's use of the information and customer and employee relationships with which Grantee has been entrusted by the Company during Grantee's employment.

(b) Grantee acknowledges and agrees that any injury to the Company's customer relationships, or the loss of those relationships, would cause irreparable harm to the Company. Accordingly, Grantee shall not, while employed by the Company and for a period of one year from the date of Grantee's Separation from Service for any reason, including Separation from Service initiated by the Company with or without cause, directly or indirectly, either on Grantee's own behalf or on behalf of any other person, firm or entity, solicit or provide services that are the same as or similar to the services the Company provided or offered while Grantee was employed by the Company to any customer or prospective customer of the Company (i) with whom Grantee had direct contact during the last two years of Grantee's employment with the Company or about whom Grantee learned confidential information as a result of his or her employment with the Company or (ii) with whom any person over whom Grantee had supervisory authority at any time had direct contact during the last two years of Grantee's employment with the Company or about whom such person learned confidential information as a result of his or her employment with the Company.

(c) Grantee shall not, while employed by the Company and for a period of two years following Separation from Service Grantee's Separation from Service for any reason, including Separation from Service initiated by the Company with or without cause, either directly or indirectly solicit, induce or encourage any individual who was a Company

employee at the time of, or within six months prior to, Grantee's Separation from Service , to terminate their employment with the Company or accept employment with any entity, including but not limited to a competitor, supplier or customer of the Company, nor shall Grantee cooperate with any others in doing or attempting to do so. As used herein, the term "solicit, induce or encourage" includes, but is not limited to, (i) initiating communications with a Company employee relating to possible employment, (ii) offering bonuses or other compensation to encourage a Company employee to terminate his or her employment with the Company and accept employment with any entity, including but not limited to a competitor, supplier or customer of the Company, or (iii) referring Company employees to personnel or agents employed by any entity, including but not limited to competitors, suppliers or customers of the Company.

7. Miscellaneous

(a) Nothing in this Award shall confer upon Grantee any right to continue in the employ of the Company or any other company that is controlled, directly or indirectly, by the Company or to interfere in any way with the right of the Company to terminate Grantee's employment at any time.

(b) This Award shall be governed in accordance with the laws of the state of Delaware.

(c) This Award shall be binding upon and inure to the benefit of any successor or successors to the Company.

(d) Neither this Award nor any rights hereunder may be transferred or assigned by Grantee other than by will or the laws of descent and distribution or pursuant to beneficiary designation procedures approved by the Company or other procedures approved by the Company. Any other transfer or attempted assignment, pledge or hypothecation, whether or not by operation of law, shall be void.

(e) The Committee, as from time to time constituted, shall have the right to determine any questions which arise in connection with this Agreement. This Agreement and the Award are subject to the provisions of the 2012 PIP and shall be interpreted in accordance therewith.

(f) If there is any inconsistency between the terms and conditions of this Award and the terms and conditions of Grantee's employment agreement, employment letter or other similar agreement, the terms and conditions of such agreement shall control.

(g) This Award is intended to be exempt from section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations promulgated thereunder, as a "short-term deferral." This Award shall be administered and interpreted to the extent possible in a manner consistent with the intent expressed in this paragraph. If any compensation or benefits provided by this Award may result in the application of section 409A of the Code, the Company shall, in consultation with you, modify this Award as necessary in order to exclude such compensation from the definition of "deferred compensation" within the meaning of such section 409A of the Code or in order to comply with the provisions of section 409A of the Code. By signing this Agreement you

acknowledge that if any amount paid or payable to you becomes subject to section 409A of the Code, you are solely responsible for the payment of any taxes and interest due as a result.

IN WITNESS WHEREOF, the Company has caused this Award to be duly executed by its duly authorized officer.

R.R. Donnelley & Sons Company

By:



Name: Thomas Carroll

Title: EVP, Chief Human Resources Officer

All of the terms of this Award are accepted as of this ____ day of _____, 2015.

Grantee:

**R.R. DONNELLEY & SONS COMPANY
LONG TERM INCENTIVE CASH AWARD
(2012 PIP)**

This Long Term Incentive Cash Award ("Award") is granted as of **February 29, 2016** by R.R. Donnelley & Sons Company, a Delaware corporation (the "Company"), to **XXXXXXX** ("Grantee").

1. Grant of Award. This Award is in recognition of your hard work and dedication over the last several years and is granted as an incentive for the Grantee to remain an employee of the Company and share in the future success of the Company. The Company hereby credits to Grantee **XXXXXXX** (the "Cash Award"), subject to the restrictions and on the terms and conditions set forth herein. This Award is made pursuant to the provisions of the Company's 2012 Performance Incentive Plan (the "2012 PIP"). Capitalized terms not defined herein shall have the meanings specified in the 2012 PIP. Grantee shall indicate acceptance of this Award by signing and returning a copy hereof.

2. Vesting.

(a) Except to the extent otherwise provided in paragraph 2(b) or 3 below, the Cash Award shall vest and be payable 100% on March 2, 2019.

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(b) Upon the Acceleration Date associated with a Change in Control, the Cash Award, shall, in accordance with the terms of the 2012 PIP, become fully vested.

3. Treatment Upon Separation from Service.

(a) If Grantee has a separation from service (within the meaning of Treasury Regulation § 1.409A-1(h), hereinafter a "Separation from Service") by reason of death or Disability (as defined in the applicable Company long-term disability policy as in effect at the time of Grantee's disability), the Cash Award shall become fully vested as of the date of such Separation from Service.

(b) If Grantee has a Separation from Service other than for death or Disability, the Cash Award, if unvested as of the date of such Separation from Service, shall be forfeited.

4. Payment of Award. As soon as practicable, but not more than 2½ months following the vesting date, the Company shall pay Grantee the Cash Award that vested upon such vesting date, subject to deduction of the Required Tax Payments in accordance with paragraph 5 below.

5. Withholding Taxes. As a condition precedent to the payment of the Cash Award pursuant to this Award, the Company may, in its discretion, deduct from any amount then or thereafter payable by the Company to Grantee such amount of cash as the Company may be required, under all applicable federal, state, local or other laws or regulations, to withhold and pay over as income or other withholding taxes (the "Required Tax Payments") with respect to the Award.

6. Non-Solicitation.

(a) Grantee hereby acknowledges that the Company's relationship with the customer or customers Grantee serves, and with other employees, is special and unique, based upon the development and maintenance of good will resulting from the customers' and other employees' contacts with the Company and its employees, including Grantee. As a result of Grantee's position and customer contacts, Grantee recognizes that Grantee will gain valuable information about (i) the Company's relationship with its customers, their buying habits, special needs, and purchasing policies, (ii) the Company's pricing policies, purchasing policies, profit structures, and margin needs, (iii) the skills, capabilities and other employment-related information relating to Company employees, and (iv) and other matters of which Grantee would not otherwise know and that is not otherwise readily available. Such knowledge is essential to the business of the Company and Grantee recognizes that, if Grantee has a Separation from Service, the Company will be required to rebuild that customer relationship to retain the customer's business. Grantee recognizes that during a period following Separation from Service, the Company is entitled to protection from Grantee's use of the information and customer and employee relationships with which Grantee has been entrusted by the Company during Grantee's employment.

(b) Grantee acknowledges and agrees that any injury to the Company's customer relationships, or the loss of those relationships, would cause irreparable harm to the Company. Accordingly, Grantee shall not, while employed by the Company and for a period of one year from the date of Grantee's Separation from Service for any reason, including Separation from Service initiated by the Company with or without cause, directly or indirectly, either on Grantee's own behalf or on behalf of any other person, firm or entity, solicit or provide services that are the same as or similar to the services the Company provided or offered while Grantee was employed by the Company to any customer or prospective customer of the Company (i) with whom Grantee had direct contact during the last two years of Grantee's employment with the Company or about whom Grantee learned confidential information as a result of his or her employment with the Company or (ii) with whom any person over whom Grantee had supervisory authority at any time had direct contact during the last two years of Grantee's employment with the Company or about whom such person learned confidential information as a result of his or her employment with the Company.

(c) Grantee shall not, while employed by the Company and for a period of two years following Separation from Service Grantee's Separation from Service for any reason, including Separation from Service initiated by the Company with or without cause, either directly or indirectly solicit, induce or encourage any individual who was a Company employee at the time of, or within six months prior to, Grantee's Separation from Service, to terminate their employment with the Company or accept employment with any entity,

including but not limited to a competitor, supplier or customer of the Company, nor shall Grantee cooperate with any others in doing or attempting to do so. As used herein, the term "solicit, induce or encourage" includes, but is not limited to, (i) initiating communications with a Company employee relating to possible employment, (ii) offering bonuses or other compensation to encourage a Company employee to terminate his or her employment with the Company and accept employment with any entity, including but not limited to a competitor, supplier or customer of the Company, or (iii) referring Company employees to personnel or agents employed by any entity, including but not limited to competitors, suppliers or customers of the Company.

7. Miscellaneous.

(a) Nothing in this Award shall confer upon Grantee any right to continue in the employ of the Company or any other company that is controlled, directly or indirectly, by the Company or to interfere in any way with the right of the Company to terminate Grantee's employment at any time.

(b) This Award shall be governed in accordance with the laws of the state of Delaware.

(c) This Award shall be binding upon and inure to the benefit of any successor or successors to the Company.

(d) Neither this Award nor any rights hereunder may be transferred or assigned by Grantee other than by will or the laws of descent and distribution or pursuant to beneficiary designation procedures approved by the Company or other procedures approved by the Company. Any other transfer or attempted assignment, pledge or hypothecation, whether or not by operation of law, shall be void.

(e) The Committee, as from time to time constituted, shall have the right to determine any questions which arise in connection with this Agreement. This Agreement and the Award are subject to the provisions of the 2012 PIP and shall be interpreted in accordance therewith.

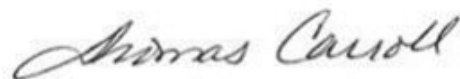
(f) If there is any inconsistency between the terms and conditions of this Award and the terms and conditions of Grantee's employment agreement, employment letter or other similar agreement, the terms and conditions of such agreement shall control.

(g) This Award is intended to be exempt from section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations promulgated thereunder, as a "short-term deferral." This Award shall be administered and interpreted to the extent possible in a manner consistent with the intent expressed in this paragraph. If any compensation or benefits provided by this Award may result in the application of section 409A of the Code, the Company shall, in consultation with you, modify this Award as necessary in order to exclude such compensation from the definition of "deferred compensation" within the meaning of such section 409A of the Code or in order to comply with the provisions of section 409A of the Code. By signing this Agreement you acknowledge that if any amount paid or payable to you becomes subject to section 409A of the Code, you are solely responsible for the payment of any taxes and interest due as a result.

IN WITNESS WHEREOF, the Company has caused this Award to be duly executed by its duly authorized officer.

R.R. Donnelley & Sons Company

By:

A handwritten signature in dark ink, appearing to read "Thomas Carroll", written in a cursive style.

Name: Thomas Carroll

Title: EVP, Chief Human Resources Officer

All of the terms of this Award are accepted as of this ____ day of _____, 2015.

Grantee:

[RR Donnelley & Sons Letterhead]

March 21, 2016

Mr. Thomas Juhase
RR Donnelley
255 Greenwich Street
New York, NY 10007

Dear Tom:

Subject to confirmation of appointment by the HR Committee of the Board of Directors, I would like to confirm that you will be named Chief Operating Officer of Donnelley Financial Solutions reporting to the CEO of Donnelley Financial Solutions.

In addition, you will receive a Retention Bonus of \$420,000 that will cliff vest on October 1, 2019. You must be here on vest date in order to receive the retention bonus. However, if you do have a separation from service (within the meaning of Treasury Regulation § 1.409-A1(h), hereinafter a "Separation from Service") initiated by the Company without cause, the Retention Bonus shall become fully vested and payable.

Your current employment agreement will remain in full effect.

Congratulations on becoming part of the management team for Donnelley Financial Solutions.

Sincerely,

R.R. Donnelley & Sons Company

By: /s/ Thomas Carroll

Tom Carroll
EVP and Chief HR Officer

DONNELLEY FINANCIAL SOLUTIONS, INC.
DIRECTOR RESTRICTED STOCK UNIT AWARD

This Restricted Stock Unit Award (“Award”) is granted as of this XXth day of XXXX, 20__ (the “Grant Date”) by Donnelley Financial Solutions, Inc., a Delaware corporation (the “Company”), to XXXXXXX (“Grantee”). This Award is made to Grantee pursuant to the provisions of the Company’s 2016 Performance Incentive Plan (the “2016 PIP”). Capitalized terms not defined herein shall have the meanings specified in the 2016 PIP.

1. Grant of Award. The Company hereby credits to Grantee XXXXX restricted stock units (the “RSUs”), subject to the restrictions and on the terms and conditions set forth herein. Grantee shall indicate acceptance of this Award by signing and returning a copy hereof.

2. Issuance of Common Stock in Satisfaction of Restricted Stock Units.

(a) Except to the extent otherwise provided in paragraph 2(c) below, the Company shall deliver to Grantee on the earlier of (1) the first anniversary of the Grant Date or (2) the date Grantee ceases to be a member of the Board or such other date as required by section 409A(a)(2)(A)(i) of the Internal Revenue Code of 1986, as amended (the “Code”), the number of shares of Common Stock equal to all of the RSUs and cash in the amount of Dividend Equivalents (as defined below) earned with respect to such RSUs pursuant to paragraph 4 below. .

(b) Upon the Acceleration Date associated with a Change in Control, shares of Common Stock with respect to any remaining RSUs and cash in the amount of Dividend Equivalents earned with respect to such RSUs pursuant to paragraph 4 below shall be delivered to Grantee in accordance with the terms of the 2016 PIP.

(c) Each RSU shall be cancelled upon the issuance of a share of Common Stock (or cash with respect to fractional shares) with respect thereto.

3. Dividend Equivalents. An amount in cash equal to the amount of dividends and other distributions that are payable (other than dividends or distributions for which the record date is prior to the date hereof) during the period commencing on the date hereof and ending on the date on which no RSUs shall remain outstanding (due to issuance of shares of Common Stock (or cash) in satisfaction of RSUs pursuant to paragraphs 2) on a like number of shares of Common Stock as are equal to the number of RSUs then outstanding shall be credited to a bookkeeping account for Grantee (the “Dividend Equivalents”). Such bookkeeping account shall be credited quarterly (beginning on the last day of the calendar quarter in which the first credit to the account was made) with an amount of interest on the balance (including interest previously credited) at an annual rate equal to the then current yield obtainable on United States government bonds having a maturity date of approximately five years.

4. Rights as a Shareholder. Prior to issuance, Grantee shall not have the right to vote, nor have any other rights of ownership in, the shares of Common Stock to be issued in satisfaction of the RSUs.

5. Withholding Taxes

(a) As a condition precedent to the issuance to Grantee of any shares of Common Stock pursuant to this Award, Grantee shall, upon request by the Company, pay to the Company such amount of cash as the Company may be required, under all applicable and allowable laws or regulations, to withhold and pay over as income or other withholding taxes (the "Required Tax Payments") with respect to the Award and any Dividend Equivalents. If Grantee shall fail to advance the Required Tax Payments after request by the Company, the Company may, in its discretion, deduct any Required Tax Payments from any amount then or thereafter payable by the Company to Grantee.

(b) Grantee may elect to satisfy his or her obligation to advance the Required Tax Payments by any of the following means: (1) a cash payment to the Company, (2) delivery to the Company of previously owned whole shares of Common Stock for which Grantee has good title, free and clear of all liens and encumbrances, having a fair market value, determined as of the date the obligation to withhold or pay taxes first arises in connection with the Award and any Dividend Equivalents (the "Tax Date"), equal to the Required Tax Payments, or (3) directing the Company to withhold a number of shares of Common Stock (or cash) otherwise issuable to Grantee pursuant to this Award and any Dividend Equivalents having a fair market value, determined as of the Tax Date, equal to the Required Tax Payments or any combination of (1)-(3). No certificate representing a share of Common Stock shall be delivered until the Required Tax Payments have been satisfied in full. For purposes of this Award and any Dividend Equivalents, the fair market value of a share of Common Stock on a specified date shall be determined by reference to the closing stock price in trading of the Common Stock or, if no such trading in the Common Stock occurred on such date, then on the next preceding date when such trading occurred.

6. Miscellaneous

(a) The Company shall pay all original issue or transfer taxes with respect to the issuance or delivery of shares of Common Stock pursuant hereto and all other fees and expenses necessarily incurred by the Company in connection therewith, and will use reasonable efforts to comply with all laws and regulations which, in the opinion of counsel for the Company, shall be applicable thereto.

(b) This Award shall be governed in accordance with the laws of the State of Illinois.

(c) This Award shall be binding upon and inure to the benefit of any successor or successors to the Company.

(d) Neither this Award nor the RSUs nor any rights hereunder or thereunder may be transferred or assigned by Grantee other than:

(1) by will or the laws of descent and distribution;

(2) in whole or in part to one or more transferees; provided that (i) any such transfer must be without consideration, (ii) each transferee must be a “family member” of Grantee, a trust established for the exclusive benefit of Grantee and/or one or more family member of Grantee or a partnership whose sole equity owners are Grantee and/or family members of Grantee, and (iii) such transfer is specifically approved by the Company’s General Counsel or the Committee following the receipt of a completed Assignment of Restricted Stock Unit Award; or

(3) as otherwise set forth in an amendment to this Award.

In the event the RSUs are transferred as contemplated in this Section 6(d), such transfer shall become effective when approved by the Company’s General Counsel or the Committee (as evidenced by counter execution of the Assignment of Restricted Stock Unit Award on behalf of the Company), and such RSUs may not be subsequently transferred by the transferee other than by will or the laws of descent and distribution. Any transferred RSU shall continue to be governed by and subject to the terms and conditions of the 2016 PIP and this Agreement and the transferee shall be entitled to the same rights as Grantee as if no transfer had taken place. Except as permitted by the foregoing, the RSUs and this Award may not be sold, transferred, assigned, pledged, hypothecated, encumbered or otherwise disposed of (whether by operation of law or otherwise) or be subject to execution, attachment or similar process. Upon any attempt to so sell, transfer, assign, pledge, hypothecate, encumber or otherwise dispose of the RSUs, the RSUs and all rights hereunder shall immediately become null and void. As used in this Section, “family member” with respect to any person, includes any child, step-child, grandchild, parent, step-parent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law and sister-in-law, including adoptive relationships, and any person sharing the transferor’s household (other than a tenant or employee) .

(e) The Committee, as from time to time constituted, shall have the right to determine any questions which arise in connection with this Award, the RSUs or the Dividend Equivalents. This Award and the RSUs are subject to the provisions of the 2016 PIP and shall be interpreted in accordance therewith.

IN WITNESS WHEREOF, the Company has caused this Award to be duly executed by its duly authorized officer.

Donnelley Financial Solutions, Inc.

By:

Name: Diane Bielawski

Title: Chief Human Resources Officer

Accepted:

[Name]

Donnelley Financial Solutions, Inc. and Subsidiaries
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(in millions, except ratios)

	Years ended December 31,				
	2016	2015	2014	2013	2012
Earnings available for fixed charges:					
Earnings from continuing operations before income taxes	\$ 94.3	\$ 171.7	\$ 92.4	\$ 158.9	\$ 118.1
Less: Equity (loss) income of minority-owned companies included in earnings from continuing operations before income taxes	—	(0.1)	—	(0.2)	0.1
Add: Fixed charges before capitalized interest	17.5	6.5	7.0	7.8	5.8
Add: Amortization of capitalized interest	0.6	—	—	—	—
Total earnings available for fixed charges	\$ 112.4	\$ 178.3	\$ 99.4	\$ 166.9	\$ 123.8
Fixed charges:					
Interest expense	\$ 11.7	\$ 1.1	\$ 1.5	\$ 2.2	\$ 0.2
Interest portion of rental expense	5.8	5.4	5.5	5.6	5.6
Total fixed charges before capitalized interest	17.5	6.5	7.0	7.8	5.8
Capitalized interest	0.5	—	—	—	—
Total fixed charges	\$ 18.0	\$ 6.5	\$ 7.0	\$ 7.8	\$ 5.8
Ratio of earnings to fixed charges	6.24	27.43	14.20	21.40	21.34

DONNELLEY FINANCIAL SOLUTIONS, INC.**CODE OF ETHICS for the CHIEF EXECUTIVE OFFICER and
SENIOR FINANCIAL OFFICERS****(Effective October 1, 2016)**

Donnelley Financial Solutions, Inc. (the “Company”) maintains its “Principles of Ethical Business Conduct” and the policies referred to therein applicable to all directors and employees of the Company. The Chief Executive Officer (“CEO”) and all Senior Financial Officers (including particularly the Chief Financial Officer and the Controller) are bound by the provisions set forth in the Principles relating to ethical conduct and fair dealing, conflicts of interest, confidentiality of Company information and compliance with law, but in addition are subject to the following specific policies:

1. The CEO and all Senior Financial Officers are responsible for full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the Company with the Securities and Exchange Commission. Accordingly, it is the responsibility of the CEO and each Senior Financial Officer promptly to bring to the attention of the Company’s Disclosure Committee any material information of which he or she may become aware that affects the disclosures made by the Company in its public filings or otherwise assist the Company’s Disclosure Committee in fulfilling its responsibilities as specified in the Company’s Disclosure Policy
 2. The CEO and each Senior Financial Officer shall promptly bring to the attention of the Company’s Disclosure Committee and the Audit Committee any information he or she may have concerning (a) significant deficiencies in the design or operation of internal controls which could adversely affect the Company’s ability to record, process, summarize and report financial data or (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s financial reporting, disclosures or internal controls.
 3. The CEO and each Senior Financial Officer shall promptly bring to the attention of the General Counsel or the CEO and to the Audit Committee any information he or she may have concerning any violation of the Company’s Principles of Ethical Business Conduct, including any actual or apparent conflicts of interest between personal and professional relationships, involving any management or other employees who have a significant role in the Company’s financial reporting, disclosures or internal controls. All investigations into any matter reported hereunder shall be handled as described in the Company’s whistleblower procedures.
 4. The CEO and each Senior Financial Officer shall promptly bring to the attention of the General Counsel or the CEO and to the Audit Committee any information he or she may have concerning evidence of a material violation of the securities or other laws, rules or regulations applicable to the Company and the operation of its business, by the Company or any agent thereof, or of these additional procedures.
 5. The Board of Directors shall determine, or designate the appropriate committee of the Board to determine, appropriate actions to be taken in the event of violations of the Principles of Ethical Business Conduct or of these additional procedures by the CEO and the Company’s Senior Financial Officers. Such actions shall be reasonably designed to deter wrongdoing and to promote accountability for adherence to the Principles of Ethical Business Conduct and to these additional procedures, and shall include actions up to and including termination of the individual’s employment. In determining what action is appropriate in a particular case, the Board of Directors or such committee shall take into account all relevant information, including the nature and severity of the violation, whether the violation was a single occurrence or repeated occurrences, whether the violation appears to have been intentional or inadvertent, whether the individual in question had been advised prior to the violation as to the proper course of action and whether or not the individual in question had committed other violations in the past.
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6. The waiver of the application of the Principles of Ethical Business Conduct or these additional procedures granted to the CEO or any Senior Financial Officer of the Company shall be solely within the authority of the Board of Directors or the committee designated in paragraph 5 above, and shall be reported as required by law or regulation.

Entity Name	Entity Type	Domestic Jurisdiction	Formation Date
Al Ghurair Donnelley LLC [Less than 50% owned]	Corporation	United Arab Emirates	01/17/2007
Bowne International Ltd. [UK]	Limited Liability Company	England and Wales	12/04/1997
Bowne International, L.L.C.	Limited Liability Company	Delaware	01/28/1998
DFS International Holdings, Inc.	Corporation	Delaware	08/18/2016
Donnelley Financial Data Solutions Deutschland GmbH	Limited Liability Company	Frankfurt/Main	10/19/1995
Donnelley Financial Solutions Australia Pty Limited	Limited Liability Company	Victoria	04/01/2014
Donnelley Financial Solutions Belgium BVBA	Private Limited Liability Company	Belgium	12/20/2012
Donnelley Financial Solutions Canada Corporation	Corporation	Nova Scotia	05/24/2016
Donnelley Financial Solutions Canada Holdings ULC	Unlimited Company	Nova Scotia	05/24/2016
Donnelley Financial Solutions do Brasil Ltda.	Limited Liability Company	Brazil	12/13/2004
Donnelley Financial Solutions France Sarl	Limited Liability Company	France	01/17/1995
Donnelley Financial Solutions Group UK Limited	Public Limited Company	England and Wales	08/19/2016
Donnelley Financial Solutions Holdings UK Limited	Limited Liability Company	England	04/01/2016
Donnelley Financial Solutions Hong Kong Limited	Limited Liability Company	Hong Kong	11/24/1987
Donnelley Financial Solutions Ireland Limited	Limited Liability Company	Ireland	12/17/2008
Donnelley Financial Solutions Japan Inc	Corporation	Tokyo	04/14/1999
Donnelley Financial Solutions LLC [Russia]	Limited Liability Company	Republic of Tatarstan	11/23/2011
Donnelley Financial Solutions Luxembourg SARL	Limited Liability Company	Luxembourg	03/01/2002
Donnelley Financial Solutions Netherlands, B.V.	Limited Liability Company	Netherlands	05/10/2016
Donnelley Financial Solutions Poland sp. z o.o.	Limited Liability Company	Poland	03/27/2015
Donnelley Financial Solutions Russia LLC	Limited Liability Company	Moscow	01/01/1000
Donnelley Financial Solutions Singapore Pte. Ltd.	Limited Liability Company	Singapore	06/21/2011
Donnelley Financial Solutions Spain S.L.	Limited Liability Company	Spain	05/03/2016
Donnelley Financial Solutions UK Limited	Limited Liability Company	England and Wales	12/09/1991
Donnelley Financial Solutions, Inc.	Corporation	Delaware	02/22/2016
Donnelley Financial, LLC	Limited Liability Company	Delaware	06/19/1998
Donnelley Translation Services (Shanghai) Co., Ltd.	Limited Liability Company	China	01/01/1000
LATFIN Holdings, LLC	Limited Liability Company	Delaware	05/05/2016
Roman Financial Press (Holdings) Limited	Limited Liability Company	British Virgin Islands	02/12/2003
RR Donnelley International de Mexico, S.A. de C.V.	Corporation	Mexico	10/12/1994

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-213915 on Form S-8 of our report dated February 28, 2017, relating to the consolidated and combined financial statements of Donnelley Financial Solutions, Inc. and subsidiaries, appearing in this Annual Report on Form 10-K of Donnelley Financial Solutions, Inc. for the year ended December 31, 2016.

/s/ DELOITTE & TOUCHE LLP

Chicago, Illinois
February 28, 2017

POWER OF ATTORNEY

KNOW ALL BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints David A. Gardella, Jennifer B. Reiners and Kami S. Turner, or any of them, his or her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, in any and all capacities, to sign the Annual Report on Form 10-K of Donnelley Financial Solutions, Inc. for its fiscal year ended December 31, 2016 and any and all amendments thereto, and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or her substitute, may lawfully do or cause to be done by virtue hereof. This Power of Attorney shall be effective from the date on which it is signed until June 30, 2017.

Dated: February 14, 2017

/s/ Luis A. Aguilar

Luis A. Aguilar

/s/ Nanci E. Caldwell

Nanci E. Caldwell

/s/ Richard L. Crandall

Richard L. Crandall

/s/ Charles D. Drucker

Charles D. Drucker

/s/ Gary G. Greenfield

Gary G. Greenfield

/s/ Lois M. Martin

Lois M. Martin

/s/ Oliver R. Sockwell

Oliver R. Sockwell

**Certification Pursuant to Rule 13a-14(a) and Rule 15d-14(a)
of the Securities Exchange Act of 1934**

I, Daniel N. Leib, certify that:

1. I have reviewed this Annual Report on Form 10-K of Donnelley Financial Solutions, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) not applicable;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2017

/s/ DANIEL N. LEIB

Daniel N. Leib
President and Chief Executive Officer

**Certification Pursuant to Rule 13a-14(a) and Rule 15d-14(a)
of the Securities Exchange Act of 1934**

I, David A. Gardella, certify that:

1. I have reviewed this Annual Report on Form 10-K of Donnelley Financial Solutions, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) not applicable;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2017

/s/ DAVID A. GARDELLA

David A. Gardella
Executive Vice President and Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
CERTIFICATION PURSUANT TO RULE 13a-14(b) OR RULE 15d-14(b)
AND SECTION 1350 OF CHAPTER 63 OF TITLE 18
OF THE UNITED STATES CODE (18 U.S.C. 1350),
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Donnelley Financial Solutions, Inc. (the “Company”) on Form 10-K for the period ending December 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Daniel N. Lieb, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

February 28, 2017

/s/ DANIEL N. L EIB

Daniel N. Leib
President and Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER
CERTIFICATION PURSUANT TO RULE 13a-14(b) OR RULE 15d-14(b)
AND SECTION 1350 OF CHAPTER 63 OF TITLE 18
OF THE UNITED STATES CODE (18 U.S.C. 1350),
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Donnelley Financial Solutions, Inc. (the “Company”) on Form 10-K for the period ending December 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, David A. Gardella, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

February 28, 2017

/s/ D AVID A. G ARDELLA

David A. Gardella
Executive Vice President and Chief Financial Officer