ARC DOCUMENT SOLUTIONS, INC.
Form DEF 14A
March 26, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant x Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12

ARC DOCUMENT SOLUTIONS, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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ARC DOCUMENT SOLUTIONS, INC.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held April 30, 2015

To Our Stockholders:

We cordially invite you to attend the 2015 Annual Meeting of Stockholders of ARC Document Solutions, Inc. The annual meeting will take place at the Diablo County Club, at 1700 Clubhouse Road, Diablo, California 94528 on Thursday, April 30, 2015, at 9:00 a.m. PDT. We look forward to your attendance either in person or by proxy.

The purpose of the annual meeting is to:

1. Elect the seven directors named in the proxy statement for the 2015 annual meeting of stockholders, each for a term of one year or until their successors are elected and qualified;

2. Ratify the appointment of Deloitte & Touche LLP as ARC Document Solutions, Inc. s independent registered public accounting firm for fiscal year 2015;

3. Hold an advisory, non-binding vote on executive compensation; and

4. Transact any other business that may properly come before the annual meeting and any postponements or adjournments of the annual meeting.

The foregoing items of business are more fully described in the proxy statement accompanying this notice of annual meeting of stockholders. Only stockholders of record at the close of business on March 2, 2015 will receive notice of, and be eligible to vote at, the annual meeting or any postponements or adjournments of the annual meeting. A list of such stockholders will be available at the annual meeting and during ordinary business hours ten days prior to the annual meeting at the principal executive offices of ARC Document Solutions, Inc. at 1981 North Broadway, Suite 385, Walnut Creek, California 94596. If you would like to review the stockholder list, please contact our principal executive offices at (925) 949-5100 to schedule an appointment.

A copy of ARC Document Solutions, Inc. s Annual Report on Form 10-K for the fiscal year ended December 31, 2014, is included with this mailing. We are sending this proxy statement and related materials to stockholders on or about March 26, 2015.

By order of the Board of Directors,

D. Jeffery Grimes
Vice President, Senior Corporate Counsel and

Corporate Secretary

March 26, 2015

Important Notice Regarding the Availability of Proxy Materials

for the Annual Meeting of Stockholders to Be Held on April 30, 2015

This proxy statement and our 2014 Annual Report on Form 10-K are available at *www.proxyvote.com*.

YOUR VOTE IS VERY IMPORTANT

Please read the proxy statement and the voting instructions on the enclosed proxy card. Then, whether or not you plan to attend the annual meeting in person, and no matter how many shares you own, please complete, sign, date and promptly return the enclosed proxy card in the enclosed return envelope. This will ensure that your vote is counted even if you cannot attend the annual meeting in person. The enclosed return envelope requires no additional postage if mailed in either the United States or Canada.

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ARC DOCUMENT SOLUTIONS, INC.

2015 ANNUAL MEETING OF STOCKHOLDERS

PROXY STATEMENT

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ARC DOCUMENT SOLUTIONS, INC.

1981 North Broadway, Suite 385

Walnut Creek, California 94596

(925) 949-5100

March 26, 2015

PROXY STATEMENT

The board of directors of ARC Document Solutions, Inc. is furnishing you with this proxy statement in connection with the solicitation of proxies on its behalf for the 2015 annual meeting of stockholders. The meeting will take place at the Diablo County Club, at 1700 Clubhouse Road, Diablo, California 94528 on Thursday, April 30, 2015, at 9:00 a.m. PDT. In this proxy statement, we refer to ARC Document Solutions, Inc. as the Company , we , us , our or ARC.

By submitting your proxy (by signing and returning the enclosed proxy card), you authorize Kumarakulasingam Suriyakumar, the Chairman of the Board, President and Chief Executive Officer, and a director of ARC, and D. Jeffery Grimes, Vice President, Senior Corporate Counsel and Corporate Secretary of ARC, to represent you and vote your shares at the meeting in accordance with your instructions. They also may vote your shares to adjourn the meeting and will be authorized to vote your shares at any postponements or adjournments of the meeting.

We are first sending this proxy statement, form of proxy and accompanying materials to stockholders on or about March 26, 2015.

YOUR VOTE IS IMPORTANT. WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE PROMPTLY COMPLETE AND SUBMIT YOUR PROXY CARD INCLUDED IN THE ENCLOSED ENVELOPE.

ANNUAL MEETING AND VOTING INFORMATION

The board seeks your proxy for use in voting at the annual meeting or any postponements or adjournments of the meeting. The annual meeting will be held at the Diablo County Club, at 1700 Clubhouse Road, Diablo, California 94528 on Thursday, April 30, 2015, at 9:00 a.m. PDT. We intend to begin mailing this proxy statement, the attached notice of annual meeting, the accompanying proxy card and our Annual Report on Form 10-K for the fiscal year ended December 31, 2014, on or about March 26, 2015, to all holders of our common stock entitled to vote at the meeting. Our Annual Report on Form 10-K for the fiscal year ended December 31, 2014 does not constitute a part of the proxy solicitation materials and is not incorporated by reference into this proxy statement.

Purpose of the Annual Meeting

At the annual meeting, ARC stockholders will vote on the following items:

1. The election of the seven directors named in this proxy statement, each for a term of one year or until their successors are elected and qualified;

2. Ratification of the appointment of Deloitte & Touche LLP as the Company s independent registered public accounting firm for fiscal year 2015; and

3. An advisory, non-binding vote on executive compensation.

Stockholders also will transact any other business that may properly come before the meeting. Members of ARC s management team and representatives of Deloitte & Touche LLP, the Company s independent registered public accounting firm for fiscal year 2014, will be present at the meeting to respond to appropriate questions from stockholders. Representatives of Deloitte & Touche LLP will also make a statement if they so desire.

Admission to the Annual Meeting

All record or beneficial owners of ARC s common stock may attend the annual meeting in person. When you arrive at the annual meeting, please present photo identification, such as a valid driver s license. Beneficial

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owners must also provide evidence of stock holdings, such as a recent brokerage account or bank statement showing ownership of ARC common stock on the record date of March 2, 2015. ARC also has invited certain ARC employees and certain agents of the Company to attend the annual meeting.

Record Date

The record date for the annual meeting is March 2, 2015. Only stockholders of record at the close of business on that date are entitled to vote at the meeting. The only class of stock entitled to be voted at the meeting is ARC s common stock. Each outstanding share of common stock is entitled to one vote on each matter presented for a vote at the meeting. At the close of business on the record date, there were 46,836,307 shares of ARC common stock outstanding.

Quorum

A quorum must be present at the meeting for any business to be conducted. The presence at the meeting, in person or by proxy, of the holders of a majority of the shares of ARC common stock outstanding on the record date will constitute a quorum. Proxies received but marked as abstentions or treated as broker non-votes will be included in the calculation of the number of shares considered to be present at the meeting for quorum purposes. If a quorum is not present at the scheduled time of the meeting, the stockholders who are represented may adjourn the meeting until a quorum is present. The time and place of the adjourned meeting will be announced at the time the adjournment is taken, and no other notice will be given.

Required Vote

Proposal 1. The affirmative vote of a plurality of the votes cast at the meeting is required to elect the seven nominees for director named in Proposal 1. This means that the seven nominees for director receiving the highest number of votes cast will be elected. If you vote to abstain or withhold your vote with respect to one or more nominees, your shares will not be voted with respect to the person or persons indicated, although they will be counted for purposes of determining whether there is a quorum.

Proposals 2 and 3. Approval of Proposals 2 and 3 requires the affirmative vote of a majority of the shares present at the meeting in person or by proxy and entitled to vote assuming a quorum is present.

Routine and Non-Routine Matters

Proposal 2 (ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for 2015) is a routine matter under the New York Stock Exchange rules. A broker or other nominee may vote in its discretion on behalf of clients that have not provided voting instructions.

Proposal 1 (election of directors) and Proposal 3 (advisory vote on executive compensation) are non-routine matters under the New York Stock Exchange rules. This means that if your shares are held by your broker or other nominee in street name, and you do not provide your broker or other nominee with instructions on how to vote your shares, your broker or nominee will not be permitted to vote your shares on Proposals 1 and 3. This will result in broker non-votes.

Voting Shares Held in Street Name

If your shares are held by a broker or other nominee, you are considered the beneficial owner of shares held in street name. If your shares are held in street name, these proxy materials are being forwarded to you by your broker or nominee (the record holder), along with a voting instruction card. As the beneficial owner of shares held in street name, you have the right to instruct your broker or nominee how to vote your shares and your broker or nominee is required to vote your shares in accordance with your instructions. If you do not give instructions to your broker or nominee, your broker or nominee will nevertheless be entitled to vote your shares with respect to routine items, but will not be permitted to vote your shares with respect to non-routine items. See the item above entitled Routine and Non-Routine Matters for additional details on routine and non-routine matters.

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As the beneficial owner of shares, you are invited to attend the meeting. If you are a beneficial owner, however, you may not vote your shares in person at the meeting unless you obtain a proxy form from the record holder of your shares.

Treatment of Abstentions, Withhold Votes and Broker Non-Votes

Abstentions and Withhold Votes. You may vote to abstain or withhold your vote on any of the matters to be voted on at the annual meeting. Abstentions and withhold votes will be treated as shares present for determining whether a quorum is present at the annual meeting. Abstentions and withhold votes will have no effect on the vote to elect our directors (Proposal 1), who are elected by a plurality of votes, but will be counted as votes against the ratification of the appointment of our independent registered public accounting firm and the proposal regarding an advisory, non-binding vote on executive compensation (Proposals 2 and 3).

Broker Non-Votes. Broker non-votes occur when a broker or other nominee is unable to vote on a non-routine item because of a lack of instructions from the beneficial holder (or the holder in street name). Shares that are subject to broker non-votes will be treated as shares present for quorum purposes, but will not be counted for or against any particular proposal. If you do not provide your broker or nominee with instructions on how to vote your shares held in street name, your broker or nominee will not be permitted to vote your shares on non-routine items. Under the rules of the New York Stock Exchange, Proposals 1 and 3 are non-routine items and Proposal 2 is a routine item. Your broker or nominee is not entitled to vote your shares on Proposals 1 and 3 without specific instructions from you on how to vote. Your broker or nominee is entitled, however, to vote your shares on Proposal 2 without your instructions. **If you are the beneficial owner of ARC shares, we strongly encourage you to provide instructions to your broker regarding the voting of your shares.**

Voting Instructions

If you properly complete and sign the accompanying proxy card and return it in the enclosed envelope, it will be voted in accordance with your instructions. By doing so, you are authorizing the individuals listed on the proxy card to vote your shares in accordance with your instructions. The enclosed envelope requires no additional postage if mailed in either the United States or Canada.

If you are a record holder, and attend the meeting in person, you may deliver your completed proxy card in person at the meeting. Additionally, we will distribute written ballots to record holders who wish to vote in person at the meeting. If you attend the annual meeting, please bring the enclosed proxy card or proof of identification. If you are the beneficial holder of shares held in street name, and you wish to vote at the meeting, you will need to obtain a proxy, executed in your favor, from your broker or other nominee and bring it with you to the meeting.

If your shares are held in street name, you may be able to vote your shares electronically by telephone or on the internet. A large number of banks and brokerage firms participate in a program provided through Broadridge Financial Solutions, Inc. that offers telephone and internet voting options. If your shares are held in an account at a bank or brokerage firm that participates in such a program, you may vote those shares electronically by telephone or on the internet by following the instructions set forth on the voting form provided to you by your record holder.

Revoking your Proxy

If you are the record holder of your shares, you may revoke your proxy at any time before your shares are voted and change your vote:

- by signing another proxy with a later date and delivering it prior to the annual meeting in accordance with the instructions set forth in this proxy statement;
- by giving written notice of your revocation to the corporate secretary of ARC prior to or at the meeting or by voting in person at the meeting; or
- by attending the annual meeting and voting in person.

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Your attendance at the meeting itself will not revoke your proxy unless you give written notice of revocation to our corporate secretary before your proxy is voted or you vote in person at the meeting. Any written notice of revocation, or later dated proxy, should be delivered to:

ARC Document Solutions, Inc.

1981 North Broadway, Suite 385

Walnut Creek, California 94596

Attention: D. Jeffery Grimes, Secretary

If your shares are held by a broker or other nominee, you must contact them in order to find out how to change your vote.

Tabulating Votes

Broadridge Financial Solutions, Inc. will tabulate and certify the votes. In addition, Broadridge Financial Solutions, Inc. will provide an inspector of elections at the annual meeting.

Solicitation of Proxies

ARC is soliciting the proxies and will bear the entire cost of this solicitation, including the preparation, assembly, printing and mailing of this proxy statement and any additional materials furnished to our stockholders. Our directors, officers and employees may solicit votes and request proxies by telephone. Copies of solicitation materials will be furnished to banks, brokerage houses and other agents holding shares in their names that are beneficially owned by others so that they may forward the solicitation materials to the beneficial owners. In addition, if asked, we will reimburse these persons for their reasonable expenses in forwarding the solicitation materials to the beneficial owners. We have asked banks, brokerage houses and other custodians, nominees and fiduciaries to forward all solicitation materials to the beneficial owners of the shares they hold of record.

Other Business

We know of no other business that will be presented at the meeting. If any other matter properly comes before the Company s stockholders for a vote at the meeting, the proxy holders will vote your shares in accordance with their best judgment.

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PROPOSAL 1

ELECTION OF DIRECTORS

Nominees for Director

The board currently consists of seven directors, each of whom has been nominated to serve for a term of one year or until their successors are duly elected and qualified. Our board is not classified and thus all of our directors are elected annually.

Each of the nominees has consented to being named in this proxy statement and has agreed to serve as a member of the board if elected. The Company has no reason to believe that any nominee will be unable to serve. If a nominee is unable to stand for election, the board may either reduce the number of directors to be elected or select a substitute nominee. If a substitute nominee is selected, the proxy holders will vote your shares for the substitute nominee, unless you have withheld authority to vote.

The affirmative vote of a plurality of the votes cast at the meeting is required to elect the seven director nominees listed below. This means that the seven nominees receiving the highest number of affirmative votes of the shares entitled to be voted for them will be elected as directors.

The following table sets forth, with respect to each nominee, his name, the year in which he first became a director of ARC, and his age as of March 2, 2015.

Name	Year Elected	Age
Kumarakulasingam Suriyakumar	1998(1)	61
Thomas J. Formolo	2000(2)	50
Dewitt Kerry McCluggage	2006	60
James F. McNulty	2009	72
Mark W. Mealy	2005	57
Manuel Perez de la Mesa	2002(3)	58
Eriberto R. Scocimara	2006	79

(1) Served as an advisor of American Reprographics Holdings, L.L.C., a California limited liability company (Holdings), since 1998 and as a director of the Company since October 2004. We were previously organized as Holdings and immediately prior to our initial public offering on February 9, 2005, we reorganized as American Reprographics Company, a Delaware corporation, and subsequently changed our name to ARC Document Solutions, Inc.

(2) Served as an advisor of Holdings since 2000 and as a director of ARC since October 2004.

(3) Served as an advisor of Holdings since 2002 and as a director of ARC since October 2004.

The following is a brief description of the principal occupation and business experience of each of our directors and their other affiliations.

Kumarakulasingam (Suri) Suriyakumar has served as our President and Chief Executive Officer since June 1, 2007, and he served as our President and Chief Operating Officer from 1991 until his appointment as Chief Executive Officer. On July 24, 2008, Mr. Suriyakumar was appointed Chairman of our board of directors. Mr. Suriyakumar served as an advisor of Holdings from March 1998 until his appointment as a director of the Company in October 2004. Mr. Suriyakumar joined Micro Device, Inc. (our predecessor company) in 1989. He became the Vice President of Micro Device, Inc. in 1990. Prior to joining the Company, Mr. Suriyakumar was employed with Aitken Spence & Co. LTD, a highly diversified conglomerate and one of the five largest corporations in Sri Lanka. Mr. Suriyakumar currently serves as Chairman of the board of directors of Mobitor, L.L.C, a privately held company. ARC s Board believes that as a founder of the company with tremendous industry knowledge, a strong following within the company, and demonstrated leadership skills in a variety of economic and market-driven environments, Mr. Suriyakumar possesses unmatched experience in, and insight into, all aspects of our business, and his service on the Board is invaluable to ARC.

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Thomas J. Formolo served as an advisor of Holdings from April 2000 until his appointment as a director of the Company in October 2004. Since 1990, Mr. Formolo has been employed by CHS Capital LLC (formerly known as Code Hennessy & Simmons LLC), or CHS, and has been a partner since 1997. CHS is a private equity firm based in Chicago, Illinois, that specializes in leveraged buyout and recapitalizations of middle market companies in partnership with company management through its private equity funds. In 2013, Mr. Formolo also founded New Harbor Capital, LLC, a lower middle market private equity firm focused on growth buyout, investing into business services, health care and education companies. He has been employed by CHS s affiliates since 1990 and has been a member of the management committee since 2001. Mr. Formolo is currently a director of the following companies: Wash Multifamily Laundry Systems and PT Solutions Holdings LLC. The Board believes that Mr. Formolo s financial acumen, experience in leveraged buyout, his independent director status and the fact that our board of directors has determined that he is an audit committee financial expert under SEC guidelines, given his understanding of accounting and financial reporting, make his service to the Board valuable to ARC.

Dewitt Kerry McCluggage was appointed a director of the Company in February 2006 and lead independent director in 2007. Mr. McCluggage currently serves as the President of Craftsman Films, Inc., which produces motion pictures and television programs, a company he started in January 2002. An active investor in media-related companies, Mr. McCluggage currently serves as a director of Content Media Corporation, Ltd., a private UK-based, distributor of film and television products, which was publicly traded on the AIM market but went private in 2012. Mr. McCluggage is also an equity investor in Trifecta Entertainment, LLC, offering independent syndication sales and barter advertising in the U.S. Mr. McCluggage served as President, and then in 1993 Chairman, of Paramount Television Group, where he was responsible for overseeing all television operations from 1991 until his resignation in 2002. Prior to that, Mr. McCluggage served as President of Universal Television from 1987 to 1991. The Board believes Mr. McCluggage s principal executive officer experience, and his sales, marketing and operational experience has provided him with a deep understanding of business matters, and his status as an independent director renders his service on the Board valuable to ARC.

James F. McNulty was elected as a director of the Company in March 2009. Mr. McNulty served as Chairman and Chief Executive Officer of Parsons Company (Parsons), an international engineering, construction and management services firm based in Pasadena, California until May 2008 and as Chairman of the board of directors of Parsons until November 2008. Mr. McNulty currently serves as a director of American States Water Company (NYSE: AWR). The Board believes that Mr. McNulty s principal executive officer experience in the industry to which we target our primary products and services, as well as his service as a director of publicly-traded companies, have provided him with a deep understanding of business matters, and that this understanding, his broad operational acumen and his status as an independent director make his service on the Board valuable to ARC.

Mark W. Mealy was appointed as a director of the Company in March 2005. Mr. Mealy has served as Managing Partner of Colville Capital LLC, a private equity firm, since October 2005. Mr. Mealy also served as the Managing Director and Group Head of Mergers and Acquisitions of Wachovia Securities, Inc., an investment banking firm, from March 2000 until October 2004. Mr. Mealy served as the Managing Director, Mergers and Acquisitions, of First Union Securities, Inc., an investment banking firm, from April 1998 to March 2000, and as the Managing Director of Bowles Hollowell Conner & Co., an investment banking firm, from April 1989 to April 1998. Mr. Mealy is currently a director of the following companies: Motion & Flow Control Products, Inc, Kurz Industrial Solutions, Inc., and Stored Energy Holdings, Inc. The Board believes that Mr. Mealy s financial acumen, experience in mergers and acquisitions, his independent director status and the fact that our board of directors has determined that he is an audit committee financial expert under SEC guidelines, given his understanding of accounting and financial reporting, make his Board service valuable to ARC.

Manuel Perez de la Mesa served as an advisor of Holdings from July 2002 until his appointment as a director of the Company in October 2004. Mr. Perez de la Mesa has been Chief Executive Officer of Pool Corporation (NASDAQ: POOL), a wholesale distributor of swimming pool supplies and related equipment, since May 2001 and has also been the President of Pool Corporation since February 1999. Mr. Perez de la Mesa served as Chief Operating Officer of Pool Corporation from February 1999 to May 2001. Mr. Perez de la Mesa also serves as a director of Pool Corporation. The Board believes that Mr. Mesa s principal executive officer experience and his service as a director of another publicly-traded company, as well as his operations and management experience, have provided him with a deep understanding of business matters, and that this understanding, his independent director status and the fact that our board of directors has determined that he is an audit committee financial expert under SEC guidelines, given his understanding of accounting and financial reporting, make his Board service valuable to ARC.

Eriberto R. Scocimara was elected as a director of the Company in May 2006. Mr. Scocimara has served as the President and Chief Executive Officer of Hungarian-American Enterprise Fund, a privately managed investment company created by the President and Congress of the United States and funded by the U.S. Government, since 1994. Mr. Scocimara also has served as the President and Chief Executive Officer of Scocimara & Company, Inc. a financial consulting firm, since 1984. Mr. Scocimara has more than 40 years of experience in corporate management, acquisitions and operational restructuring. Mr. Scocimara currently serves as a director of Euronet Worldwide, Incorporated (NASDAQ: EEFT), Rockwood Holdings L.P. and Kane Manufacturing Co., Inc. and previously served as a director of Carlisle Companies Incorporated (NYSE: CSL), Roper Industries, Inc. (NYSE: ROP) and Quaker Fabric Corporation. The Board believes that Mr. Scocimara s international business and finance experience and his service as a director of many other publicly-traded companies, have provided him with a deep understanding of business matters, and his broad financial acumen and his status as an independent director and the fact that our board of directors has determined that he is an audit committee financial expert under SEC guidelines, given his understanding of accounting and financial reporting, makes his service on the Board valuable to ARC.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR

THE ELECTION OF EACH OF THE SEVEN DIRECTOR NOMINEES LISTED ABOVE

PROPOSAL 2

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Appointment of Auditors

Deloitte & Touche LLP (Deloitte) was appointed as our independent registered public accounting firm for the fiscal year ended December 31, 2014, and has audited our financial statements for the 2014 and 2013 fiscal years. The Audit Committee has appointed Deloitte to be our independent registered public accounting firm for the fiscal year ending December 31, 2015. ARC stockholders are asked to ratify this appointment at the 2015 annual meeting. Representatives of Deloitte will be present at the meeting to respond to appropriate questions and to make a statement if they so desire.

Auditor Fees

A summary of the services provided by Deloitte, our independent registered public accounting firm for the fiscal years ended December 31, 2014 and 2013, and fees billed for such services (in thousands), is as follows:

	2014	**2013**
Audit fees[(1)]	$ 1,190	$900
Audit related fees[(2)]		77
Tax fees		
All other fees	2	2
Total	**$ 1,192**	**$979**

(1) Consists of aggregate fees billed or expected to be billed for professional services rendered for the audit of our annual consolidated financial statements for the fiscal years ended December 31, 2014 and 2013, respectively, and reviews of our condensed consolidated financial statements in the Company s quarterly reports during the fiscal years ended December 31, 2014 and 2013, respectively.

(2) Consists of aggregate fees billed for assurance and related services reasonably related to the performance of the audit or review of the Company s financial statements for the fiscal year ended December 31, 2013, and are not included in the audit fees listed above.

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Pre-Approval of Audit and Non-Audit Services

The Audit Committee has adopted a pre-approval policy governing the engagement of the Company s independent registered public accounting firm for all audit and non-audit services. The Audit Committee s pre-approval policy provides that the Audit Committee must pre-approve all audit services and non-audit services to be performed for the Company by its independent registered public accounting firm prior to their engagement for such services. The Audit Committee pre-approval policy establishes pre-approved categories of certain non-audit services that may be performed by the Company s independent registered public accounting firm during the fiscal year, subject to dollar limitations that may be set by the Audit Committee. Pre-approved services include certain audit related services, tax services and various non-audit related services. The term of any pre-approval is 12 months from the date of pre-approval, unless the Audit Committee specifically provides for a different period. The Audit Committee may delegate pre-approval authority to one or more of its members. The member(s) to whom such authority is delegated must report any pre-approval decisions to the Audit Committee at its next meeting. One hundred percent of the services provided by Deloitte during 2014 and 2013 were approved by the Audit Committee in accordance with the pre-approval procedures described above.

Under Company policy and/or applicable rules and regulations, the independent registered public accounting firm is prohibited from providing the following types of services to the Company: (1) bookkeeping or other services related to the Company s accounting records or financial statements, (2) financial information systems design and implementation, (3) appraisal or valuation services, fairness opinions or contribution-in-kind reports, (4) actuarial services, (5) internal audit outsourcing services, (6) management functions, (7) human resources, (8) broker-dealer, investment advisor or investment banking services, and (9) legal services.

The Audit Committee has sole authority to appoint ARC s independent registered public accounting firm for fiscal year 2015 pursuant to the terms of the Audit Committee Charter. Accordingly, stockholder approval is not required to appoint Deloitte as ARC s independent registered public accounting firm for fiscal year 2015. The board believes, however, that submitting the appointment of Deloitte to the stockholders for ratification is a matter of good corporate governance. If the stockholders do not ratify the appointment of Deloitte, the Audit Committee will review its future selection of independent registered public accounting firm.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE

RATIFICATION OF DELOITTE & TOUCHE LLP AS ARC S

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL YEAR 2015

PROPOSAL 3

ADVISORY, NON-BINDING VOTE ON EXECUTIVE COMPENSATION

We received a majority vote for our compensation program at our 2014 annual meeting, with approximately 62% of our stockholders who voted at the meeting approving our compensation practices. Nevertheless, based on the feedback we received from stockholders last year during our proxy season on our non-binding proposal on executive compensation (aka Say-on-Pay), in May 2014, the Company entered into an amended and restated executive employment agreement (the Amended Employment Agreement) with the Company s Chief Executive Officer and President, Kumarakulasingam Suriyakumar. The Amended Employment Agreement aligns the terms under which Mr. Suriyakumar would be eligible to receive an annual incentive bonus with growth in adjusted EBITDA instead of earnings per share.

The Compensation Discussion and Analysis section, beginning on page 20 of this proxy statement, describes our executive compensation program in greater detail. In particular, stockholders should note the following goals of our executive compensation program:

- To establish pay levels based on competitive market studies provided by our compensation consultants that attract suitable candidates for executive positions as necessary, and provide incentives to our existing named executive officers (NEOs) that encourage performance that benefits our employees, customers, and stockholders;

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- To foster an ownership mentality and align the interests of our executive officers with those of our stockholders through long-term equity incentives;
- To recognize and reward superior individual performance;
- To balance base and incentive compensation to complement our short-term and long-term business objectives and encourage the fulfillment of those objectives through individual performance;
- To provide compensation opportunities based on the Company s performance;
- To protect and preserve the domain expertise and deep customer relationships embodied in our key executives.

The Compensation Committee has also taken note of management s success in transforming ARC to a digitally-enabled document solutions company serving the broader construction industry. In evaluating such success, the Compensation Committee took into consideration the particular economic and industry conditions that challenged the Company during the 2007-2009 recession and its aftermath, especially in regard to the lack of private non-residential construction activity and commercial credit, and the substantive changes we are currently experiencing due to the impact of technology on our primary end market.

In fiscal year 2014, the demonstration of our success in transforming the Company included:

- Annual revenue growth year-over-year of 4.1%;
- Annual adjusted diluted earnings per share (EPS) of $0.25 vs. $0.09 in 2013;
- Annual gross margin of 34.0% in 2014 vs. 33.0% in 2013;
- Annual adjusted EBITDA grew $4.0 million, or 5.9% year-over-year; and
- Annual adjusted cash flow from operations of $54.0 million vs. $47.3 million in 2013.

For a description of adjusted EPS, adjusted cash flow from operations, adjusted EBITDA and adjusted EBITDA margin, please refer to the Non-GAAP Financial Measures section starting on page 20 in Item 7 of our 2014 Annual Report on Form 10-K, and for a calculation of adjusted EPS, adjusted cash flow from operations, adjusted EBITDA and adjusted EBITDA margin please refer to pages 22-23 in Item 7 of our 2014 Annual Report on Form 10-K.

For the reasons stated, we are requesting approval, in a non-binding vote, of the following resolution:

RESOLVED, that the compensation paid to the Company s named executive officers, as disclosed pursuant to the compensation rules of the United States Securities and Exchange Commission, including in the Compensation Discussion and Analysis, the compensation tables and the related narrative discussion contained in the Company s 2015 Proxy Statement, is approved.

The stockholder vote on Proposal 3 is advisory in nature and, thus, is not binding on the Company. The Compensation Committee, however, values the views expressed by the Company s stockholders in their vote on this proposal and, as they did in 2014 following ARC s annual meeting, will consider the outcome of the vote when making future compensation decisions for the Company s executive officers.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR

THE APPROVAL OF THE COMPENSATION OF OUR EXECUTIVE OFFICERS

DISCLOSED IN THE COMPENSATION DISCUSSION AND ANALYSIS AND RELATED

DISCLOSURES IN THE 2015 PROXY STATEMENT

CORPORATE GOVERNANCE PROFILE

We are committed to good corporate governance practices. As such, we have adopted corporate governance guidelines to enhance the effectiveness of our corporate governance practices. A copy of our Corporate Governance Guidelines can be accessed on our investor relations website, *ir.e-arc.com*, and selecting Corporate Governance from the navigation menu. You can request a printed copy of our Corporate Governance Guidelines, at no charge, by contacting Investor Relations at (925) 949-5100 or by sending a request by mail to 1981 North Broadway, Suite 385, Walnut Creek, California 94596, Attention: David Stickney, Vice President Corporate Communications.

Our Corporate Governance Guidelines govern board member responsibilities, committees, compensation, access, education, management succession, and performance evaluation, among other things. The guidelines also set forth a non-exhaustive list of director qualification standards and the factors to be considered in making nominations to the board. While the selection of qualified directors is a complex, subjective process that requires consideration of many factors, our Corporate Governance Guidelines provide that the Nominating and Corporate Governance Committee will take into account the judgment, experience, skills and personal character of any candidate, as well as the overall needs of the board, in considering board candidates. Additional information on this process is set forth below in the section entitled Director Qualifications.

We have adopted a Code of Conduct applicable to all employees, officers and directors, including our President and Chief Executive Officer and our Chief Financial Officer, which meets the definition of a code of ethics set forth in Item 406 of Regulation S-K of the Securities and Exchange Act of 1934 (Exchange Act). A copy of our Code of Conduct can be accessed on our investor relations website, *ir.e-arc.com*, and selecting Corporate Governance from the navigation menu. We will post any amendments to the Code of Conduct, and any waivers that are required to be disclosed by the rules of either the United States Securities and Exchange Commission (SEC) or the New York Stock Exchange (NYSE), on our website.

Director Independence

Under our Corporate Governance Guidelines, independent directors must comprise a majority of our board. Our board has adopted independence requirements that reflect applicable NYSE rules and evaluates the independence of our directors annually, and at other appropriate times (e.g., in connection with a change in employment status) when a change in circumstances could potentially impact the independence of one or more directors.

In determining the independence of a director, the board considers whether a material relationship exists between the Company and each director, all relevant facts and circumstances, including:

- The nature of any relationships with the Company;
- The significance of the relationship to the Company, the other organization and the individual director;
- Whether or not the relationship is solely a business relationship in the ordinary course of the Company s and the other organization s businesses, and does not afford the director any special benefits;
- Any commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships and such other criteria as the board may determine from time to time;
- If a proposed director serves as an executive officer, director or trustee of a tax exempt organization, whether contributions from the Company, or any of its consolidated subsidiaries, to such tax exempt organization in any of the last three fiscal years are less than the greater of (i) $1 million or (ii) 2% of the consolidated gross revenues of such tax exempt organization for its last completed fiscal year.

Pursuant to our Corporate Governance Guidelines, all members of the Audit Committee must also meet the following requirements:

Audit Committee members may not receive, directly or indirectly, any consulting, advisory or other compensatory fees from the Company or any of its subsidiaries (other than director fees paid for service on the Audit Committee, the board, or any other committee of the board).

No member of the Audit Committee may be an affiliated person (as defined under applicable SEC rules) of the Company or any of its subsidiaries.

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After considering our Corporate Governance Guidelines and the NYSE independence standards, the board has determined that, in its judgment, all of our current directors are independent, except for Mr. Suriyakumar who is our President and Chief Executive Officer. The board also determined that all members of the Audit Committee, the Nominating and Corporate Governance Committee and the Compensation Committee are independent.

Director Qualifications

Our Nominating and Corporate Governance Committee is responsible for identifying qualified individuals who may become members of our board of directors and recommending to the board director nominees for our annual meetings of stockholders and nominees to fill any vacancies that may occur on the board. In the context of the selection process, the Nominating and Corporate Governance Committee takes into consideration those factors it considers appropriate to ensure an effective board of directors that is able to fulfill its oversight function for the Company and its stockholders. While the Nominating and Corporate Governance Committee has not established an exhaustive list of specific minimum qualifications for board members, desired personal qualifications and attributes of directors include mature, practical and sound judgment; independence necessary to make an unbiased evaluation of management s performance and effectively carry out oversight responsibility; experience as a business leader; the ability to comprehend and analyze complex matters; strong personal and professional ethics and integrity; and a spirit of cooperation and collegiality that will enable our directors to interact effectively.

The board believes that each nominee named in this proxy statement possesses the characteristics described above. Our directors possess extensive leadership experience from various industry sectors, as well as experience on other boards of directors, which, collectively, provide an understanding of different business processes, challenges and strategies. The diverse background and experiences of our directors (as described in the biographical information set forth under Proposal 1 Election of Directors) complement one another and provide a solid leadership framework required for the board to exercise its oversight function.

Board Diversity

The Company strives for diversity among its board members, management and employees. In keeping with this strategy, the primary goal of board composition is to achieve a diverse and complementary set of background and experiences that will benefit the strategic direction of the Company. In considering director nominees, the Nominating and Corporate Governance Committee takes into consideration those factors it considers appropriate to address the needs and situation of the Company at the time. While the Nominating and Corporate Governance Committee does not have a formal policy regarding diversity, in practice, the Committee carefully considers the nominees differences in background, education and overall skill set in order to ensure complementary perspectives and areas of expertise. This approach is demonstrated by the fact that our board is currently comprised of directors with diverse professional experiences, including individuals from the construction industry, financial and services sectors and the entertainment industry. The diverse backgrounds and experiences of our current directors are described in the biographical information included under Proposal 1 Election of Directors.

Board Leadership Structure and Risk Oversight

Board Leadership Structure

Our board is currently comprised of six independent directors and one employee director. Mr. Suriyakumar has served as our President and Chief Executive Officer since 2007 and the chairman of our board of directors since 2008. We believe that our current board leadership structure is appropriate for the Company because it allows for common, strong leadership, with one individual having primary responsibility for both board-level and operational matters. This structure eliminates the potential for confusion, promotes efficiency and provides clear leadership for the Company, which is appropriate for our company which has widespread domestic and international operations.

Our board has designated Mr. McCluggage, one of our independent directors, to serve as lead independent director. The lead independent director chairs regularly-scheduled executive sessions of the independent directors without management present; serves as the primary point of contact between members of management and the board, which facilitates communications and promotes efficiency; and performs such other functions as the independent directors may designate from time to time.

Risk Oversight

Senior management is responsible for assessing and managing the Company s exposure to risk on a day-to-day basis. Our board is responsible for general oversight of management in its assessment and management of day-to-day risks that affect the Company. The board fulfills its general risk oversight function periodically during board and board committee meetings. To supplement the board s general risk oversight function, the Audit Committee monitors the Company s financial statements and regularly reviews the Company s major financial risk exposures (and the steps management has taken to mitigate such exposures) and the Company s internal control over financial reporting. The Audit Committee also provides general oversight to the Company s internal audit and compliance functions. The Compensation Committee monitors the design and implementation of the Company s executive compensation program, as well as compensation matters relating to certain non-executive employees.

Director Attendance at Annual Meeting and Board and Committee Meetings

All of the members of the board of directors who are standing for re-election attended our 2014 annual meeting of stockholders.

In 2014, each board member attended or participated in 80% or more of the aggregate of (i) the total number of board meetings (held during the period for which such person has been a director) and (ii) the total number of meetings held by all board committees on which such person served (during the periods that such person served).

Board Meetings

Our board of directors held eight meetings in 2014.

Board Committees

Our board has the following committees: Audit Committee; Compensation Committee; and Nominating and Corporate Governance Committee. Committee memberships are as follows:

Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee
Eriberto R. Scocimara (Chairman)	James F. McNulty (Chairman)	Dewitt Kerry McCluggage (Chairman)
Thomas J. Formolo	Thomas J. Formolo	James F. McNulty
Mark W. Mealy	Dewitt Kerry McCluggage	Mark W. Mealy
Manuel Perez de la Mesa	Manuel Perez de la Mesa	Eriberto R. Scocimara

Each of our committees is governed by a charter. Copies of the charters for our committees may be found in the Corporate Governance section on our investor relations website, *ir.e-arc.com*, and is available, at no cost, to any stockholder who requests it by contacting Investor Relations at (925) 949-5100 or by sending a request by mail to 1981 North Broadway, Suite 385, Walnut Creek, California 94596, Attention: David Stickney, Vice President Corporate Communications.

Audit Committee

The functions of our Audit Committee are described in the Audit Committee Charter and include, among other things, the following: (i) reviewing the adequacy of our internal accounting controls; (ii) reviewing the results of the independent registered public accounting firm s annual audit, including any significant adjustments, management judgments and estimates, new accounting policies and disagreements with management; (iii) reviewing our audited financial statements and discussing the statements with management; (iv) reviewing disclosures by our independent registered public accounting firm concerning relationships with the Company and the performance of our independent registered public accounting firm and annually recommending the independent registered public accounting firm; and (v) preparing such reports or statements as may be required by securities laws. The Audit Committee Charter provides that the Audit Committee shall meet as often as it determines advisable but no less frequently than quarterly.

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The members of our Audit Committee are Eriberto R. Scocimara, Thomas J. Formolo, Mark W. Mealy and Manuel Perez de la Mesa. Our board of directors has determined that all members of our Audit Committee meet the applicable tests for independence and the requirements for financial literacy that are applicable to audit committee members under the rules and regulations of the SEC and NYSE. Our board of directors also has determined that Messrs. Scocimara, Mealy, Perez de la Mesa and Formolo are audit committee financial experts as defined by the applicable rules of the SEC and NYSE.

The Audit Committee held four meetings in 2014.

Compensation Committee

The functions of the Compensation Committee are described in the Compensation Committee Charter and include, among other things, evaluating and approving director and officer compensation, benefit and perquisite plans, and compensation policies and programs. The Committee may form and delegate authority to subcommittees when appropriate. Members of a subcommittee may include directors of the Company, employees of the Company, consultants or any other parties as determined by the Committee in its sole discretion.

The board has determined that all of the members of its Compensation Committee meet the definition of independent director as established by the NYSE for compensation committees.

The Compensation Committee held four meetings in 2014.

Nominating and Corporate Governance Committee

The functions of the Nominating and Corporate Governance Committee are described in the Nominating and Corporate Governance Committee Charter and include, among other things, identifying individuals qualified to become members of the board, selecting or recommending to the board the nominees to stand for election as directors, developing and recommending to the board a set of corporate governance principles and overseeing the evaluation of the board.

The board has determined that all of the members of its Nominating and Corporate Governance Committee meet the definition of independent director as established by the NYSE.

The Nominating and Corporate Governance Committee held three meetings in 2014.

All of the nominees listed under Proposal 1 Election of Directors are directors standing for re-election.

Stockholder Recommendations of Director Nominees

Our stockholders may recommend director nominees, and the Nominating and Corporate Governance Committee will consider nominees recommended by stockholders. We have not received any recommendations from our stockholders requesting that the board or any of its committees consider a nominee for inclusion in the board s slate of nominees presented in this proxy statement for our 2015 annual meeting. A stockholder wishing to submit a director nominee recommendation for future annual meetings of stockholders must comply with the applicable provisions of our Second Amended and Restated Bylaws, as described under the heading Stockholder Proposals for the 2015 Annual Meeting. Nominees recommended by stockholders will be evaluated in the same manner as nominees recommended by the board and the Nominating and Corporate Governance Committee will consider all relevant qualifications, as well as the needs of the Company, in order to comply with NYSE and SEC rules.

Stockholder Communications with Directors

Stockholders seeking to communicate with the board should send correspondence to the attention of our corporate secretary at ARC Document Solutions, Inc., 1981 North Broadway, Suite 385, Walnut Creek, California 94596. The corporate secretary will forward all such communications (excluding routine advertisements and business solicitations and other communications described below) to each member of the board, or if applicable, to the individual director(s) named in the correspondence.

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ARC reserves the right to screen materials sent to its directors for potential security risks and/or harassment purposes, and ARC also reserves the right to verify ownership status before forwarding stockholder communications to the board and/or individual directors.

The corporate secretary will determine the appropriate timing for forwarding stockholder communications to the directors. The corporate secretary will consider each communication to determine whether it should be forwarded promptly or compiled and sent with other communications and other board materials in advance of the next scheduled board meeting.

If a stockholder or other interested person seeks to communicate exclusively with the non-employee directors, such communication should be sent directly to the corporate secretary who will forward any such communication directly to the Chairman of the Nominating and Corporate Governance Committee. The corporate secretary will first consult with and receive the approval of the Chairman of the Nominating and Corporate Governance Committee before disclosing or otherwise discussing the communication with members of management or directors who are members of management.

DIRECTOR COMPENSATION

Cash Compensation

We pay an annual cash fee of $50,000 to each of our non-employee directors, payable quarterly. The board determined, based on a recommendation by the Compensation Committee, to increase the cash fee to our non-employee directors from $40,000 to $50,000 effective as of August 1, 2014. In addition, non-employee directors receive $5,000 cash per year for duties as chairman of any board committee. We also made changes to some of our committee chair assignments effective as of the 2014 annual meeting. Mr. McNulty was appointed as the Chairman of our Compensation Committee and Mr. McCluggage was appointed as Chairman of our Nominating and Corporate Governance Committee.

Equity Compensation

In addition to cash fees, effective as of our 2007 annual meeting of stockholders, we implemented a practice of granting each non-employee director a restricted stock award under our stock incentive plan for that number of shares of our common stock having an aggregate grant date value equal to $60,000, based on the closing price of our common stock on the NYSE on the date of grant. In light of the general economic downturn that began in 2008, the board determined to reduce, based on a recommendation by the Compensation Committee, the value of the equity compensation of our non-employee directors, effective as of our 2009 annual meeting; from $60,000 to $50,000 aggregate grant date value. The board determined, based on a recommendation by the Compensation Committee, to restore the value of the equity compensation for our non-employee directors to $60,000, effective as of the 2014 annual meeting. Grants of restricted stock to our non-employee directors are made automatically each year on the date of our annual meeting, without any further action of our board of directors, and compensates each non-employee director for his or her service since the later of (a) the last preceding annual meeting of stockholders, or (b) the date on which he or she was elected or appointed for the first time to be a director. Each restricted stock award granted to our non-employee directors during each fiscal year vests 100% on the one-year anniversary of the grant date.

Reimbursements

We reimburse our employee and non-employee directors for reasonable travel expenses relating to attendance at board meetings and participating in director continuing education.

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The following table summarizes compensation earned by our non-employee directors during fiscal year 2014. Mr. Suriyakumar, the Chairman of our board of directors, and our President and Chief Executive Officer, does not receive compensation for serving on our board of directors.

Director Compensation

For Fiscal Year Ended December 31, 2014

Name	Fees Earned or Paid in Cash ($)	Stock Awards(1)(2) ($)	Total(3) ($)
Thomas J. Formolo(4)	45,417	60,000	105,417
Dewitt Kerry McCluggage(5)	47,917(6)	60,000	107,917
Mark W. Mealy(7)	45,417	60,000	105,417
Manuel Perez de la Mesa(8)	44,167	60,000	104,167
Eriberto R. Scocimara(9)	49,167(10)	60,000	109,167
James F. McNulty(11)	47,917(12)	60,000	107,917

(1) Reflects restricted stock awards granted under our 2014 Stock Incentive Plan (2014 Plan). One hundred percent of the shares subject to restricted stock awards granted in 2014 vest on the one-year anniversary of the date of grant.

(2) The amounts shown in this column reflect the fair value at the time of grant in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 718, *Share-Based Payment*. For a description of the assumptions and methodologies used to calculate the amounts in the table, see Note 2 of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

(3) The amount of total compensation does not include amounts paid as reimbursement for reasonable travel expenses to attend board meetings and to participate in director continuing education.

(4) As of December 31, 2014, options to purchase 13,851 shares and 9,479 shares of restricted stock, awarded to Mr. Formolo were outstanding.

(5) As of December 31, 2014, options to purchase 3,997 shares and 9,479 shares of restricted stock, awarded to Mr. McCluggage were outstanding.

(6) Includes cash compensation of $5,000 for serving as Chairman of the Nominating and Corporate Governance Committee for 2014.

(7) As of December 31, 2014, options to purchase 13,851 shares and 9,479 shares of restricted stock, awarded to Mr. Mealy were outstanding.

(8)

As of December 31, 2014, options to purchase 13,851 shares and 9,479 shares of restricted stock, awarded to Mr. Perez de la Mesa were outstanding.

(9) As of December 31, 2014, options to purchase 3,997 shares and 9,479 shares of restricted stock, awarded to Mr. Scocimara were outstanding.

(10) Includes cash compensation of $5,000 for serving as Chairman of the Audit Committee in 2014.

(11) As of December 31, 2014, 9,479 shares of restricted stock awarded to Mr. McNulty were outstanding.

(12) Includes cash compensation of $5,000 for serving as Chairman of the Compensation Committee for 2014.

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EXECUTIVE OFFICERS

Our executive officers are appointed by our board of directors and serve at the discretion of our board of directors. The names, ages and positions of all of our executive officers as of March 2, 2015 are listed below:

Name	Age	Position
Kumarakulasingam Suriyakumar	61	Chairman, President and Chief Executive Officer
Dilantha Wijesuriya	53	Chief Operating Officer
Rahul Roy	55	Chief Technology Officer
Jorge Avalos	39	Chief Financial Officer

The following is a brief description of the business experience of each of our executive officers and their other affiliations. Biographical information for Mr. Suriyakumar is provided above under Proposal 1 Election of Directors.

Dilantha Wijesuriya joined Ford Graphics, a former division of the Company, in January 1991. He subsequently became president of that division in 2001, and became a Company regional operations head in 2004, which position he retained until his appointment as the Company s Senior Vice President National Operations in August 2008. Mr. Wijesuriya was appointed Chief Operating Officer of the Company on February 25, 2011. Prior to his employment with the Company, Mr. Wijesuriya was a divisional manager with Aitken Spence & Co. LTD, a highly diversified conglomerate and one of the five largest corporations in Sri Lanka.

Rahul Roy joined Holdings as its Chief Technology Officer in September 2000. Prior to joining the Company, Mr. Roy was the founder, President and Chief Executive Officer of MirrorPlus Technologies, Inc., which developed software for the reprographics industry, from August 1993 until it was acquired by the Company in 1999. Mr. Roy also served as the Chief Operating Officer of InPrint, a provider of printing, software, duplication, packaging, assembly and distribution services to technology companies, from 1993 until it was acquired by the Company in 1999.

Jorge Avalos was appointed Chief Financial Officer of ARC Document Solutions in January of 2015. From 2011 to his appointment as CFO, Mr. Avalos was Chief Accounting Officer and Vice President Finance of ARC. Mr. Avalos joined the Company in June 2006 as the Company s Director of Finance and became the Company s Corporate Controller in December 2006, and Vice President, Corporate Controller in December 2010. Prior to joining the Company Mr. Avalos was employed with Vendare Media Group, an online network and social media company, as its controller. From September 1998 through March 2005, Mr. Avalos was employed in a variety of audit and management roles with PricewaterhouseCoopers LLP.

AUDIT COMMITTEE REPORT

The following is the report of the Audit Committee with respect to the Company s audited financial statements for the year ended December 31, 2014. The information contained in this report shall not be deemed soliciting material or otherwise considered filed with the SEC, and such information shall not be incorporated by reference into any future filing under the Securities Act or the Exchange Act except to the extent that the Company specifically incorporates such information by reference in such filing.

All of the members of the Audit Committee are independent directors as required by the rules of the NYSE. The Audit Committee operates pursuant to a written charter adopted by the board.

The Audit Committee is responsible for overseeing the Company s financial reporting process on behalf of the board. Management of the Company has the primary responsibility for the Company s financial reporting process, including the system of internal controls over financial reporting. The Company s independent registered public accounting firm is responsible for performing an audit of the Company s consolidated financial statements and expressing an opinion as to the conformity of such financial statements with accounting principles generally accepted in the United States. The Audit Committee does not itself prepare financial statements or perform audits, and its members are not auditors or certifiers of the Company s financial statements.

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In performing its responsibilities, the Committee has reviewed and discussed with management and the independent auditors the audited consolidated financial statements in ARC s Annual Report on Form 10-K for the year ended December 31, 2014. The Committee has also discussed with the independent auditors matters required to be discussed by the Statement on Auditing Standards No. 61, as amended (Codification of Statements on Auditing Standards, AU 380), as adopted by the Public Company Accounting Oversight Board (PCAOB) in Rule 3200T.

The Committee received written disclosures and the letter from the independent auditors pursuant to the applicable requirements of the PCAOB regarding the independent auditors communications with the Committee concerning independence, and the Committee discussed with the auditors their independence.

Based on the review and discussions described above, the Audit Committee has recommended to the board that the Company s audited financial statements be included in its Annual Report on Form 10-K for the year ended December 31, 2014, for filing with the SEC.

Eriberto R. Scocimara, Chairman
Thomas J. Formolo
Mark W. Mealy
Manuel Perez de la Mesa

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BENEFICIAL OWNERSHIP OF VOTING SECURITIES

The following table sets forth information, as of March 2, 2015, regarding the beneficial ownership of our common stock by:

- each person who is known to us to own beneficially more than 5% of our common stock;
- all directors, nominees and executive officers as a group; and
- each of our directors, nominees and each of our executive officers named in the Summary Compensation Table.

The table includes all shares of common stock issuable within 60 days of March 2, 2015, upon the exercise of options or other rights beneficially owned by the indicated stockholders on that date. Beneficial ownership is determined in accordance with the rules of the SEC and includes voting and investment power with respect to shares. The applicable percentage of ownership for each stockholder is based on 46,836,307 shares of common stock outstanding as of March 2, 2015. Shares of common stock issuable upon exercise of options and other rights beneficially owned, to the extent exercisable within sixty days of March 2, 2015, were deemed outstanding for the purpose of computing the percentage ownership of the person holding these options and other rights, but are not deemed outstanding for computing the percentage ownership of any other person. The information on beneficial ownership in the table and footnotes below is based upon our records, the most recently-filed Schedules 13D or 13G and information supplied to us. To our knowledge, except under applicable community property laws or as otherwise indicated in the footnotes to this table, beneficial ownership is direct and the persons named in the table below have sole voting and sole investment control regarding all shares beneficially owned.

	Shares Beneficially Owned	
Name and Address* of Beneficial Owner	**Number**	**Percent**
Principal Stockholders:		
Sathiyamurthy Chandramohan[1]	3,000,000	6.4%
Capital World Investors[2] 333 South Hope Street Los Angeles, CA 90071	3,734,755	8.0%
BlackRock, Inc.[3] 40 East 52nd Street New York, NY 10022	2,658,947	5.7%
Directors and Executive Officers:		
Kumarakulasingam Suriyakumar[4][5][6]	4,483,102	9.6%
Thomas J. Formolo[7]	158,939	**
James F. McNulty[8]	51,902	**
Mark W. Mealy[9]	131,369	**
Manuel Perez de la Mesa[10]	115,369	**
Dewitt Kerry McCluggage[11]	13,476	**
Eriberto R. Scocimara[12]	61,515	**
Rahul Roy[13]	291,585	**
Dilantha Wijesuriya[14]	618,481	1.3%
John Toth[15]	144,662	**
Jorge Avalos[16]	106,415	**
All directors and executive officers as a group (eleven persons)	6,176,815	13.2%

* Except as otherwise noted, the address of each person listed in the table is c/o ARC Document Solutions, Inc., 1981 North Broadway, Suite 385, Walnut Creek, California 94596.

** Less than one percent of the outstanding shares of common stock.

(1) Reflects shares of common stock previously held by Micro Device, Inc.

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(2) This information is based solely on an amended Schedule 13G filed by Capital World Investors on February 13, 2015. Capital World Investors is an investment advisor and is deemed to have sole voting and sole dispositive power over 3,734,755 shares.

(3) This information is based solely on an amended Schedule 13G filed by BlackRock, Inc. (BlackRock) on February 2, 2015. BlackRock has sole voting power over 2,582,691 shares and sole dispositive power over 2,658,947 shares.

(4) (Suriyakumar) Includes 495,772 shares of common stock and 266,666 shares issuable upon exercise of outstanding stock options exercisable within 60 days of March 2, 2015.

(5) (Suriyakumar) Includes 2,720,664 shares held by the Suriyakumar Family Trust, which includes 2,501,330 shares of common stock previously held by Micro Device, Inc. Mr. Suriyakumar and his spouse, as trustees of the Suriyakumar Family Trust, share voting and investment power over these shares.

(6) (Suriyakumar) Includes 500,000 shares held by the Shiyulli Suriyakumar 2013 Irrevocable Trust, Shiyulli Suriyakumar, Trustee. Also includes 500,000 shares held by the Seiyonne Suriyakumar 2013 Irrevocable Trust, Seiyonne Suriyakumar Trustee. Mr. Suriyakumar and his spouse could be deemed to have beneficial ownership of these shares but they disclaim beneficial ownership except to the extent of their pecuniary interest therein.

(7) (Formolo) Includes 12,740 shares held by Danish-Italian Investors, L.P., Series A and 32,441 shares held by the Andersen-Formolo Family Foundation. Mr. Formolo could be deemed to have beneficial ownership of all of these shares but disclaims beneficial ownership except to the extent of his pecuniary interest therein. Also includes 99,907 shares of common stock, which includes 9,479 shares of unvested restricted stock and 13,851 shares issuable upon the exercise of outstanding stock options exercisable within 60 days of March 2, 2015.

(8) (McNulty) Includes 51,902 shares of common stock, which includes 9,479 shares of unvested restricted stock.

(9) (Mealy) Includes 87,518 shares of common stock, which includes 9,479 shares of unvested restricted stock and 30,000 shares held by Eastover Group LLC. Mr. Mealy has controlling voting and investment power over these shares. Also includes 13,851 shares issuable upon exercise of outstanding stock options exercisable within 60 days of March 2, 2015.

(10) (Perez) Includes 101,518 shares of common stock, which includes 9,479 shares of unvested restricted stock and 13,851 shares issuable upon exercise of outstanding stock options exercisable within 60 days of March 2, 2015.

(11) (McCluggage) Includes 9,479 shares of unvested restricted stock. Also includes 3,997 shares issuable upon exercise of outstanding stock options exercisable within 60 days of March 2, 2015.

(12) (Scocimara) Includes 57,518 shares of common stock, which includes 9,479 shares of unvested restricted stock. Also includes 3,997 shares issuable upon exercise of outstanding stock options exercisable within 60 days of March 2, 2015.

(13) (Roy) Includes 43,253 shares of common stock, which includes 248,332 shares issuable upon exercise of outstanding stock options exercisable within 60 days of March 2, 2015.

(14) (Wijesuriya) Includes 18,400 shares of common stock, which includes 290,031 shares issuable upon exercise of outstanding stock options exercisable within 60 days of March 2, 2015; and 310,050 shares held by the Wijesuriya Family Trust. Mr. Wijesuriya and his spouse, as trustees of the Wijesuriya Family Trust, share voting and investment power over the shares held by the trust.

(15) (Toth) Includes 32,500 shares of common stock. Also includes 8,500 shares of common stock held by the Toth Family Trust and 103,662 shares issuable upon exercise of outstanding stock options. Mr. Toth s employment with the Company ended on January 30, 2015, at which point all of his outstanding stock options and restricted stock grant were fully vested.

(16) (Avalos) Includes 41,000 shares of common stock, which includes 23,750 shares of unvested restricted stock. Also includes 65,415 shares issuable upon exercise of outstanding stock options exercisable within 60 days of March 2, 2015.

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EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth information as of December 31, 2014 regarding all compensation plans previously approved by our security holders and all compensation plans not previously approved by our security holders.

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	(b) Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity compensation plans approved by stockholders			
2005 Stock Plan	3,149,043(1)	$ 5.39	
2005 Employee Stock Purchase Plan		$	294,332
2014 Stock Plan(2)	531,662(3)	$ 6.16	2,911,464
Equity compensation plans not approved by stockholders		$	
Total	3,680,705		3,205,796

(1) Represents outstanding options to acquire shares of common stock granted under our 2005 Plan.

(2) Includes shares from the Company s Predecessor Plan subject to issuance in the 2014 Stock Plan, as described in Section 5 of the 2014 stock Incentive Plan.

(3) Represents outstanding options to acquire shares of common stock granted under our 2014 Plan.

COMPENSATION DISCUSSION AND ANALYSIS

OUR COMPENSATION GOVERNANCE PRACTICES

þ We reward outstanding performance that meets our stated performance objectives

þ We don t pay performance-based awards for unmet performance objectives

þ We don t guarantee minimum performance-based awards

þ Our incentive plans are clear and based on metrics that are transparent and formulas that are clearly disclosed and well understood þ We cap payouts under our incentive plans to discourage excessive risk taking by our NEOs and to reduce windfall benefits in volatile markets

þ Our compensation plans contain clawback provisions

þ We have double-trigger change in control provisions

þ We have policies against hedging or pledging of our stock

þ Our Compensation Committee has retained an independent compensation consultant

þ We work with a representative and relevant peer group

þ We hold an annual advisory vote on executive compensation

þ We solicit the feedback of our shareholders on our governance and compensation practices

This compensation discussion and analysis describes the material elements of the Company s executive compensation program for each of the executives who served as our named executive officers (NEOs) during fiscal year 2014. For fiscal year 2014, our NEOs included the following officers:

- Kumarakulasingam Suriyakumar, Chairman, President, Chief Executive Officer, Director
- Dilantha Wijesuriya, Chief Operating Officer
- Rahul Roy, Chief Technology Officer
- John Toth, Chief Financial Officer
- Jorge Avalos, Chief Accounting Officer and Vice President Finance

The Compensation Committee of the board of directors, which is comprised of independent directors, James F. McNulty (Chairman), Thomas J. Formolo, Dewitt Kerry McCluggage, and Manuel Perez de la Mesa, determined the compensation of the NEOs, as described below.

Executive Summary

Our Compensation Committee intends that our executive compensation program be appropriately aligned with the market, reflect our performance over time, and align the interests of our NEOs with those of our stockholders.

In 2014, ARC Document Solutions continued to demonstrate the power and sustainability of its new business lines. While the Company s executive team worked on transforming ARC during the years of the recession and subsequent downturn in construction, we felt the real impact of becoming a technology-driven document solutions company over the past year as we explored new opportunities to engage with our customers and dramatically expanded the size of our market.

Revenue grew from sales increases in our Onsite Services and Color service lines, and was assisted by continuing stabilization of our Traditional Reprographics sales throughout the year. Gross margin grew from leveraging our fixed costs and continuing alignment of our operating costs, and our adjusted EBITDA margin benefited accordingly. ARC s cash flows also delivered impressive gains from significant improvements in our capital structure and from the Company s performance.

We offer a diversified portfolio of products and services, and our revenue model is now driven by the contractual, recurring and predictable needs of businesses we serve all over the world. Construction project work remains important to our business, but the services we offer in addition to the printing of construction documents deliver greater and more enduring value to our customers who work in the field.

Our executive team, led by our President and CEO, Kumarakulasingam Suri Suriyakumar, has demonstrated its agility, work ethic, and creativity throughout the recent downturn and the Company is now reaping the benefit of their efforts as evidenced by:

- Six consecutive quarters of year-over-year revenue growth
- Adjusted diluted earnings per share (EPS) growth of $0.29 over the past two years
- Gross margin growth of 360 basis points over the past two years

- Adjusted EBITDA growth of nearly $12 million over the past two years

- A 40% improvement in adjusted cash flow from operations since December 2012

- Reduction of our senior debt by 14% and the restructuring of our 6.25% Term B debt facility to an approximately 2.75% Term A facility

For a description of adjusted EPS, adjusted cash flow from operations, adjusted EBITDA and adjusted EBITDA margin, please refer to the "Non-GAAP Financial Measures" section starting on page 20 in Item 7 of our 2014 Annual Report on From 10-K, and for a calculation of adjusted EPS, adjusted cash flow from operations, adjusted EBITDA and adjusted EBITDA margin please refer to pages 22-23 in Item 7 of our 2014 Annual Report on Form 10-K.

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2014 Response to Say-on-Pay Vote: We received thoughtful commentary from investors during our 2014 proxy season with regard to our advisory, non-binding proposal on executive compensation (aka Say-on-Pay) that consisted primarily of their desire to better align the CEO s incentive compensation to growth in adjusted EBITDA rather than to EPS growth.

In response to these comments, the Compensation Committee recast the CEO s compensation structure immediately following the Company s annual meeting in May 2014 to reflect those interests. (For more details on ARC s CEO incentive bonus structure, please see Consideration of 2014 Say-on-Pay Results and Annual Awards below. The SEC filing regarding this change was made on May 19, 2014.)

2014 Non-CEO NEO Changes: As noted in our 2014 proxy, the Compensation Committee also determined that it would discontinue the use of three-year employment agreements for all non-CEO NEOs in the future and would, instead, institute at-will employment agreements to align with current best practices in executive compensation. In addition, the Committee decided that all non-CEO NEOs would earn annual incentive compensation based on performance against pre-determined corporate goals.

The award criteria for fiscal year 2014 includes Company performance in revenue generation, gross margin, and adjusted earnings per share. A fourth opportunity for incentive bonus exists for each non-CEO executive in the achievement of individually determined performance objectives.

As a result of our strong performance in 2014, each of our executive officers met the threshold required to be eligible to receive incentive bonuses. (See Annual Awards below.)

For our President and CEO, the Compensation Committee awarded Mr. Suriyakumar an annual bonus of $1,208,100 in accordance with his 2014 amended and restated employment agreement. We paid the bonus award in 30% cash and 70% in restricted stock that vests over a four year period. The Compensation Committee elected to pay the bonus award with 30% cash and 70% restricted stock, consistent with Mr. Surlyakumar s award last year, in the belief that long-term equity ownership incentives align his interests with those of our other stockholders. (See Annual Awards below.)

The following sections of this proxy statement discuss and analyze the compensation awarded to, earned by, or paid to the executive officers set forth in the Fiscal 2014 Summary Compensation Table of this proxy statement. It also discusses the principles underlying our policies and decisions.

Compensation Committee and the Compensation Decision-Making Process

ARC s Compensation Committee periodically reviews a market analysis of executive compensation plans provided by an independent compensation consultant. In 2013, the compensation consultant selected and hired by the Compensation Committee was Lyons, Benenson & Company, Inc. (L&B). Their assignment was to provide a cross section of publicly-traded companies (including business services and engineering companies) considered comparable to the Company in terms of revenue, market capitalization and business alignment. This peer group was compiled in late 2013 for the Compensation Committee s use in establishing compensation metrics used in our NEO employment contracts. Company management and the Compensation Committee engaged with our compensation consultants in reviewing the list of criteria and the Compensation Committee deemed the following list of publicly traded companies appropriate and consistent with its compensation philosophy and practices:

The Advisory Board Company	Ennis, Inc.	Multi-Color Corporation
Barrett Business Services, Inc.	The E.W. Scripps Company	Performant Financial Corporation
Consolidated Graphics, Inc.	Harte-Hanks, Inc.	Reachlocal, Inc.
Courier Corporation	InnerWorkings, Inc.	Resources Connection, Inc.
Deluxe Corporation	MAXIMUS, Inc.	Schawk, Inc.
Digital Generation, Inc.		TRC Companies

Based on the 2014 compensation program design, actual 2014 total NEO compensation was 101% of the peer group median compensation received by the Compensation Committee from L&B at the end of 2013.

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Specifically, our CEO s total compensation, and the other NEOs total compensation, were also 101% of the peer group median as shown in the table below.

Executive or Group	Peer Group Median Compensation	ARC Median Compensation	Percentage of Peer Group Median
All NEOs	$ 5,888,442	$ 5,949,143	101%
Non-CEO NEOs (2nd thru 5th highest paid)	$ 3,721,024	$ 3,767,141	101%
CEO	$ 2,167,418	$ 2,182,002	101%

Based on the market analysis and a performance review of the CEO, the Compensation Committee makes a recommendation to the Board of Directors on the CEO s base salary and annual cash incentive. The CEO makes a recommendation to the Committee for the base salaries and annual cash incentive targets for the other NEOs based on the needs and operating targets of the Company. The Committee and Board, in executive session, determine the CEO s total compensation program and ratifies the design and programs of the other NEOs.

At various meetings held during 2014, usually conducted in executive session, the board reviewed the progress against each of the executive officers annual incentive targets, and in February 2015 the Board of Directors, reviewed and approved the final annual incentive bonus for all of the NEOs.

Consideration of 2014 Say-on-Pay Results

Approximately 62% of our stockholders who voted at our 2014 annual meeting approved the compensation of our executive officers in 2013 (as described in our 2014 proxy statement).

Noting the vote percentage and having received thoughtful commentary on executive compensation from investors during our proxy season in 2014, our CEO and the Compensation Committee recast the CEO s compensation structure after the Company s annual shareholders meeting in May 2014 to reflect the feedback of the Company s shareholders. While nearly all of the shareholders of the Company expressed appreciation for management s actions in taking salary reductions throughout the difficult years of the recession and its aftermath, they also expressed a strong desire to better align the CEO s incentive compensation to growth in adjusted EBITDA (rather than to EPS growth), a metric they felt has become more representative of the value of the Company as it has transformed.

The new bonus structure is based on year-over-year adjusted EBITDA growth: the greater the year-over-year adjusted EBITDA growth, the greater the CEO s participation in that growth. For example, at modest growth levels (*e.g.*, 3%), the CEO receives a modest percentage share (*e.g.*, 20%) of the difference between the previous year s adjusted EBITDA and the current year s adjusted EBITDA. As growth in adjusted EBITDA increases, the CEO receives a greater percentage of the adjusted EBITDA dollars incremental to the previous year s adjusted EBITDA. Further, the plan does not provide any reward for adjusted EBITDA growth less than 2.5%, and caps the bonus at $4.0 million. (For more details on ARC s CEO incentive bonus structure, please see Annual Awards below. The SEC filing regarding this change was made on May 19, 2014.)

No comments from shareholders were received regarding the compensation of our other NEOs and, as the financial metrics used in their management objectives include performance goals that contribute to the overall value of the Company, we believe they are consistent with our compensation philosophy.

Executive Compensation Philosophy

Our executive compensation program is designed to attract suitable candidates for executive positions as necessary, and provide incentives to our existing NEOs that encourage performance that benefits our employees, customers, and stockholders. We believe it is in the best interests of our stockholders and our executive officers that our compensation program reflect and be tied to company-wide and individual performance.

Our intention is to maintain the transparency and responsiveness of our compensation program. With this in mind, our program provides our executive officers with incentives to increase our revenues, improve our margins, and increase adjusted EBITDA and our earnings per share, while at the same time providing a clear framework for

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measuring and rewarding their performance. It also means that our Compensation Committee will monitor and review best practices, and make changes to our program when warranted.

We believe the alignment between stockholder interest and executive interest is best achieved by maintaining an appropriate balance in our overall compensation among base salaries, at risk incentive awards, and targeted grants of stock-based awards to foster a company ownership mentality in our executives. This means that a material portion of executive compensation is variable and tied to the Company s and individual performance, as shown below in the accompanying graphs.

A significant portion of our annual incentive compensation is designed in such a way that no annual incentive bonus can be earned without achieving measurable growth in the Company s revenue, gross margin and adjusted earnings per share.

Our approach to attracting and retaining executives also takes into account the significant shift that our business is undergoing due to the adoption of technology by our customers. Whereas our business has historically focused on supporting the analog, print-based needs of construction project workers, today our offerings have shifted dramatically to facilitate digital document workflows for any role in the business of design, engineering or construction, including executives, administrators, managers, etc.

Having transformed the Company into a technology-enabled document solutions enterprise, we not only contend with the highly competitive talent market in San Francisco and the Silicon Valley, but we also compete with large, well-funded printing and imaging equipment manufacturers and highly attractive technology companies to acquire and retain executive talent.

As we consider this changing environment for recruiting and retaining key executives in the future, our intention is to increase the appeal of ARC as a top tier employer, offer advancement and growth opportunities commensurate with the talent we attract, and assert the advantages of Company ownership in the form of stock-based compensation and awards. Such offerings will continue to align our executives actions with stockholders interests, and are consistent in principle with our compensation practices of the past.

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Elements of Executive Compensation

The table below summarizes the key fiscal 2014 compensation program elements for our named executive officers:

Element	Form of Compensation	Purpose
Base Salary	Cash	Provides competitive, fixed compensation to attract and retain exceptional executive talent
Annual Bonus	Cash / Cash & Restricted Stock	Provides a variable financial incentive to achieve short-term corporate and individual operating goals and rewards short-term improvements in Company financial measurements
Equity Grants	Non-Qualified Stock Options	Encourages NEOs to build and maintain a long-term equity ownership position in ARC to align their interests with our stockholders
Change of Control and Severance Agreements	Employment Agreement	Provides reasonable employment security and certainty in the event of a termination due to a change of company control
Optional Participation in our Employee Stock Purchase Plan	Eligibility to participate and purchase at a discounted purchase price	Provides broad-based employee benefit available to all ARC employees
Health, Retirement and Other Benefits	Eligibility to participate in benefit plans generally available to all our employees, including health, life insurance, and disability plans, and certain perquisites	Benefit plans are part of a broad-based employee benefits program; perquisites provide competitive benefits to our NEOs

We believe that each element of our compensation program plays a substantial role in maximizing long-term value for our stockholders and employees because of the significant emphasis on pay-for-performance principles. In general, more than 50% of our NEOs total available compensation is based on ARC s results and the attainment of individual goals. As a result, the Compensation Committee intends for ARC s performance to have a significant effect on the amount of compensation realized by the executive officers.

Each of these elements of pay is described and analyzed in more detail below.

Compensation Objectives

The objectives of our executive compensation program are (i) to link executive compensation to continuous improvements in overall Company and individual performance and an increase in stockholder value and (ii) to attract and retain key talent. Our executive compensation program goals include the following:

- To establish pay levels based on competitive market studies provided by our compensation consultants that attract suitable candidates for executive positions as necessary, and provide incentives to our existing NEOs that encourage performance that benefits our employees, customers, and stockholders;

- To foster an ownership mentality and align the interests of our executive officers with those of our stockholders through long-term equity incentives;

To recognize and reward superior individual performance;

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To balance base and incentive compensation to complement our short-term and long-term business objectives and encourage the fulfillment of those objectives through individual performance;

To provide compensation opportunities based on the Company s performance;

To protect and preserve the domain expertise and deep customer relationships embodied in our key executives; and,

Ultimately, the objective of our compensation program is to both attract and retain senior executives capable of delivering long-term value to our stockholders and employees, otherwise expressed as pay for performance. Our compensation policies must also be flexible and scalable enough to offer appropriate base compensation and incentive awards to executives tasked to address value creation in the midst of an architectural, engineering and construction (AEC) industry that has been fundamentally transformed from a document management perspective.

How Pay Was tied to the Company s Performance in Fiscal Year 2014

During fiscal year 2014 we demonstrated the pay-for-performance basis of our compensation policy.

Consistent with the Company s pay-for-performance philosophy and defined objective standards of performance, the threshold for eligibility of the CEO s annual incentive bonus was met. Adjusted EBITDA grew 5.9% year-over-year, exceeding the 2.5% growth threshold by 3.4%. No part of the CEO s bonus criteria was affected by, or was the result of, the Company s refinancing of its senior debt in November 2014, or other financial reconfiguration of any kind. As such Mr. Suriyakumar was eligible for an annual incentive bonus of $1,208,100 under the terms of his annual bonus program.

The Compensation Committee chose to award the CEO s annual incentive bonus in 30% cash and 70% in the Company s restricted common stock that vests over four years.

The Company s annual revenue, gross margin and adjusted annual earnings per share performance exceeded the threshold amount for non-CEO NEOs to become eligible for annual incentive bonus awards, and thus the Compensation Committee awarded cash bonuses to each executive based on the performance of each executive against his shared and individual management bonus objectives (MBOs), subject to maximums allowed under the executives employment agreements.

Also at the discretion of the Company s Compensation Committee, grants for stock options in the aggregate amount of 221,292 shares were awarded to our NEOs in 2014, consistent with our philosophy of providing long-term incentives that encourage an owner s mentality and alignment with our stockholders interests.

Base Salary

Base salaries for our executive officers are generally established based on the scope of their respective responsibilities, taking into account competitive market compensation paid by similarly-sized companies (as represented by the peer group compiled by the compensation consultant hired by the Compensation Committee) for similar positions in the San Francisco Bay Area and Silicon Valley, as well as for any circumstances unique to the Company.

The Compensation Committee reviews the CEO s salary every three years and reviews the non-CEO named executive officers salaries annually as part of its overall competitive market assessment and may make adjustments based on talent, experience, performance, contribution levels, individual role, and positioning relative to market.

Base salaries provide executive officers with a reasonable and secure standard of living based on the executive officer s position within the organization and geographical location. The CEO s salary was set in accordance with his three-year amended employment agreement effective in 2014.

As noted in our 2014 proxy, the Compensation Committee determined that it would prospectively discontinue the use of three-year employment agreements for all non-CEO NEOs and would, instead, institute at-will employment agreements to align with current best practices in executive compensation. Thus the non-CEO NEO base salaries for 2014 are subject to the annual review of salaries set most recently in April 2014.

In setting the base salaries for our non-CEO NEOs, the Compensation Committee also considers the recommendations of the CEO based upon his annual review of their performance. Although the Compensation Committee takes into account the factors and information described above during its review and determination of the base salary for each executive officer, it uses its judgment taking into account all available information, including the competitive market assessment. The salaries of our NEOs relative to our peer group (described above) fell within the range of competitive practice at the time they were set.

President and Chief Executive Officer

Under Mr. Suriyakumar s February 2014 amended and restated three-year employment agreement, his base salary was maintained at $950,000 per year. In maintaining his annual base salary, the Compensation Committee deemed his salary as appropriate to his position and took under consideration that (i) Mr. Suriyakumar s base salary had been subject to temporary reductions previously, as described in greater detail below under Temporary Executive Compensation Program Changes, (ii) his leadership and stewardship of the Company has been exemplary, and (iii) the Compensation Committee needed to properly incentivize him to remain in his position.

Chief Technology Officer

In April 2014, the Compensation Committee set Mr. Roy s annual base salary at $575,000, maintaining his salary from the previous year as the Committee deemed his salary as competitive and appropriately recognizes his contributions to the Company in developing our proprietary software applications. Previously, Mr. Roy has accepted certain temporary reductions in his base salary, as described in greater detail below under Temporary Executive Compensation Program Changes.

Chief Operating Officer

In April 2014, the Compensation Committee set Mr. Wijesuriya s annual base salary at $370,000, which represents a 5.7% increase in his salary from the prior year, and from the salary set in his previous three-year employment agreement. The Committee deemed his salary as competitive and appropriately recognizes his contributions to the Company. Previously, Mr. Wijesuriya has accepted certain temporary reductions in his base salary, as described in greater detail below under Temporary Executive Compensation Program Changes.

Chief Financial Officer

In April 2014, the Compensation Committee set Mr. Toth s annual base salary at $325,000, which represented an 8.3% increase in his salary from the prior year, and from the salary set in his previous three-year employment agreement. The Committee deemed his salary as competitive and appropriately recognized his contributions to the Company. Previously, Mr. Toth has accepted certain temporary reductions in his base salary, as described in greater detail below under Temporary Executive Compensation Program Changes. Mr. Toth s employment with the Company ended on January 30, 2015.

Chief Accounting Officer, Vice President Finance

In April 2014, the Compensation Committee set Mr. Avalos s annual base salary at $280,000, which represents a 7.7% increase in his salary from the prior year, and from the salary set in his previous three-year employment agreement. The Committee deemed his salary as competitive and appropriately recognizes his contributions to the Company. Previously, Mr. Avalos has accepted certain temporary reductions in his base salary, as described in greater detail below under Temporary Executive Compensation Program Changes.

Annual Awards

We utilize annual incentive bonuses to focus management behavior on improved short-term financial performance and the achievement of specific annual objectives. Our annual incentive bonuses, as opposed to our stock option and restricted stock grants described below, are designed to reward our executive officers for their collective and individual performance during the most recent fiscal year. We believe that the immediacy of these

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annual bonuses, in contrast to equity grants vesting over a longer time period, provides a more direct incentive to our executive officers to drive the Company s near-term financial performance and meet their respective individual objectives. We intend for our annual incentive bonuses to be an important motivating factor for our executive officers, and we thus apportion a substantial percentage of their total annual compensation to these bonuses.

At the first board meeting of each new calendar year typically held in late February or early March the Compensation Committee reviews the Company s performance for the previous fiscal year and compares it to the associated performance targets set by the Compensation Committee the year before.

President and Chief Executive Officer

Prior to May 2014 when Mr. Suriyakumar s employment agreement was most recently amended, the structure of the annual incentive bonuses for our President and Chief Executive Officer was based solely on the year-over-year growth of our pre-tax adjusted EPS. It was our belief that a substantial portion of our President and Chief Executive Officer s anticipated annual compensation should be directly tied to driving earnings an important measure of the Company s performance for equity holders and that aligning the interests of Mr. Suriyakumar with the interests of our stockholders in this manner was appropriate, especially since Mr. Suriyakumar is one of our founders and remains among the Company s largest stockholders.

We received thoughtful commentary from our investors during the 2014 proxy season with regard to our advisory, non-binding proposal on executive compensation, specifically related to the CEO s annual incentive program. While nearly all of the shareholders we spoke to expressed their appreciation for management s actions in waiving bonuses and taking salary reductions throughout the difficult years of the recession and its aftermath, they expressed a strong desire to align the CEO s incentive compensation to growth in adjusted EBITDA (rather than to earnings growth), a metric they felt was more representative of the value of the Company as it has transformed.

Thus, the Compensation Committee recast the CEO s incentive compensation structure in response to shareholder comments shortly after the conclusion of our 2014 Annual General Meeting. The new bonus structure is based on year-over-year adjusted EBITDA growth: the greater the year-over-year adjusted EBITDA growth, the greater the CEO s participation in that growth. The SEC filing regarding this change was made on May 19, 2014.

Under his 2014 amended and restated employment agreement, Mr. Suriyakumar is eligible to receive an incentive bonus in an amount equal to the dollar value resulting from the product of (a) the year-over-year dollar increase in adjusted EBITDA, and (b) the applicable Participation Percentage as determined per the table below:

Year-over-Year Increase in Adjusted EBITDA (%) **(Percentage Increase)**	**Participation Percentage (% of Adjusted EBITDA Increase)**
Less than 2.5%	0%
2.5 4.9%	20.0%
5.0 7.4%	30.0%
7.5% 9.9%	40.0%
10.0% or greater	50.0%

No incentive bonus will be awarded if the percentage increase is less than 2.5%, and no annual incentive bonus will be awarded in excess of $4 million. Mr. Suriyakumar s employment agreement stipulates that the bonus is payable in cash and/or in shares of restricted stock. Any such shares associated with the annual incentive grant will vest at the rate of 25% each year on the first four anniversaries of the date of grant.

Since the year-over-year adjusted EBITDA growth percentage was 5.9% in 2014, Mr. Suriyakumar was eligible for $1,208,100 under the terms of his employment agreement since adjusted EBITDA increased. Mr. Suriyakumar accepted the bonus award in 30% cash and 70% restricted stock.

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Other Executive Officers

In March 2014, the Compensation Committee determined the NEOs (other than the President and Chief Executive Officer) would be eligible for annual incentive compensation based upon pre-determined corporate goals, and it set the goals for their 2014 annual incentive compensation.

Under the 2014 incentive program, non-CEO NEOs have specific award opportunities related to four performance metrics, three of which are based on company performance, and one of which is based on individual performance. The following table presents each named executive officer s maximum bonus opportunity (on both a dollar and percentage of base salary basis) for fiscal 2014:

Executive	FY14 Target % of Base Salary	FY14 Target in Dollars
Rahul Roy	80%	$ 460,000
Dilantha Wijesuriya	100%	$ 370,000
John Toth	80%	$ 260,000
Jorge Avalos	80%	$ 224,000

In fiscal year 2014, the award opportunities for each of our non-CEO NEO s include Company performance in revenue generation, gross margin, and adjusted earnings per share. A fourth opportunity exists for each NEO in the achievement of individually determined performance objectives. The portions of each bonus assigned to each target are set forth in the table below.

Executive	Annual Revenue	Annual Gross Margin	Annual Adjusted EPS	Individual Objective
Rahul Roy	25%	0%	25%	50%
Dilantha Wijesuriya	25%	25%	25%	25%
John Toth	25%	25%	25%	25%
Jorge Avalos	25%	25%	25%	25%

We chose the aforementioned performance metrics because:

- Revenue, gross margin, and adjusted EPS measures correlate strongly to stockholder value creation for ARC;
- Revenue, gross margin, and adjusted EPS measures are transparent to investors and are included in our quarterly earnings releases;
- Revenue, gross margin, and adjusted EPS measures balance growth, efficiency, and profitability;
- Individual performance goals align with our operational and strategic objectives, and provide opportunities for personal achievement within the scope of our executives scope of duties; and
- Revenue and adjusted EPS performance targets are established based on a range of inputs, including external market economic conditions, growth outlooks for our product and service portfolio, the competitive environment, our internal budgets, and market expectations.

For the revenue performance portion of the program, no bonus is awarded if fiscal year 2014 revenue is at or below $415 million. Payouts in increments of 10% of the target bonus amount are achieved for every $500,000 of revenue above $415 million, and reach 100% of the target bonus amount if the fiscal year 2014 revenue reaches $420 million. Payouts in increments of 2.5% of the target bonus amount are achieved for every $500,000 above $420 million and are capped at 150% of the target bonus amount, or $430 million in annual revenue. A similar logic and identical increments are applied to each of the other Company performance goals, substituting the gross margin percentage or adjusted EPS figure as appropriate. For the individual performance metric, the payout ranges from 0% to 100%. While the payout for each individual performance goal can exceed 100% of its

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target thus allowing for excellent performance in one area to partially offset poor performance in another the aggregate amount for all four targets cannot exceed the maximum bonus payout stipulated in our executive employment agreements.

The following table summarizes the foregoing description of low, target and maximum performance levels and the relative payout at each level for each of the Company s performance objectives:

	Low	Target	Max
% of Base Target Bonus Amount	0%	100%	150%
Annual Revenue	$ 415mm	$ 420mm	$ 430mm
Annual Gross Margin	33.2%	33.5%	34.0%
Adjusted EPS	$ 0.19	$ 0.22	$ 0.26

Individual incentive performance goals are proposed to the Compensation Committee annually by our President and Chief Executive Officer, and the Compensation Committee reviews and refines the objectives. The Compensation Committee also evaluates actual performance of these executive officers with the President and Chief Executive Officer periodically throughout the year. After fiscal year end, the Compensation Committee conducts a final review with our President and Chief Executive Officer of the performance of each of these executive officers and approves annual incentive bonuses payable to them.

Separate and apart from incentive compensation, the Compensation Committee may grant a discretionary bonus related to an objective or otherwise based on an individual s exceptional performance, taking into account the recommendations made by the CEO. There were no such discretionary bonuses granted in 2014.

Achievement of Fiscal Year 2014 Performance Metrics

In determining the degree of achievement in each of our performance metrics for fiscal 2014, the Compensation Committee took into account the relative success in meeting the quantitative performance measures, as well as the quantifiable and subjective elements assigned to each executive s individual objectives.

For fiscal 2014, our revenue target was $420 million, our gross margin target was 33.5%, and our adjusted EPS target was $0.22. The Compensation Committee determined that we achieved 100.9% of the revenue target, 101.5% of the gross margin target, and 113.6% of the adjusted EPS target. This performance resulted in a 117.5% achievement payout potential for the revenue target, 150% achievement payout potential for the gross margin target, and a 137.5% achievement payout potential of the adjusted EPS target.

The individual performance achievement payout potential for Messrs. Roy, Wijesiuriya, Toth and Avalos reflected technology platform advances, product launch and licensing, capital management, revenue and gross margin expansion, successful accounting systems implementation, and improvement of efficiency of financial reporting, as set forth in the table below. Their leadership, initiative, and drive were noted and contributed to the Company s success throughout 2014. In rating individual executive performance, the Compensation Committee gives weight to the recommendations of our CEO, but final decisions about the compensation of our named executive officers are made solely by the Compensation Committee.

Executive	Individual Performance Objective
Rahul Roy	Technology platform advances and successful product launch
Dilantha Wijesuriya	Successful product launches and an international software licensing transaction
John Toth	Effective capital management, and implementation of systems to support new product launches to grow revenue and gross margins
Jorge Avalos	Successful accounting systems implementation and improvement of efficiency of financial reporting

In the table below we provide our fiscal 2014 aggregate annual MBO bonus achievement and actual bonus paid to each of the Company s NEOs, highlighting the maximum eligible bonus, the aggregate bonus achieved vs. the bonus paid as a result of the bonus cap set forth in each executive s employment agreement:

2014 Achievement vs. Employment Agreement Compensation	Salary ($)	Maximum Bonus under Employment Agreement ($)	Aggregate MBO Achievement ($)	Actual Bonus Paid ($)
Kumarakulasingam Suriyakumar	$ 950,000	$ 4,000,000	$ 1,208,100	$ 1,208,100
Rahul K. Roy	$ 575,000	$ 460,000	$ 523,250	$ 460,000
Dilantha Wijesuriya	$ 370,000	$ 370,000	$ 467,125	$ 370,000
John E.D. Toth	$ 325,000	$ 260,000	$ 328,250	$ 260,000
Jorge Avalos	$ 280,000	$ 224,000	$ 282,800	$ 224,000

Equity Grants

We believe that equity grants provide our executive officers, non-executive officers and other management-level employees with a strong link to our long-term performance, create an ownership culture and closely align the interests of these employees with the interests of our stockholders. The purpose of equity grants is to encourage a long-term view of the Company s success and to reward achievements with respect to the Company s strategic goals and financial performance priorities, as well as individual performance. Grants are made at the Compensation Committee s discretion and are generally made once per year at fair market value at a Compensation Committee meeting during the first half of the fiscal year. The Compensation Committee retains the right to make grants at other meetings *e.g.*, for newly hired executives. In accordance with our Insider Trading Compliance Program, we do not decide when to grant equity awards based on our plans for release of material information to the public and we do not time the release of material information to the public based on when we make equity grants. Further, we do not necessarily make such grants every year.

Stock Options

Our executive officers are eligible to receive stock options pursuant to our 2014 Stock Plan. In 2014, the Compensation Committee used its discretion to make the following non-qualified stock option grants to our executive officers:

In 2014, Mr. Roy, our Chief Technology Officer, was granted an option to purchase 100,000 shares of the Company s common stock.

In 2014, Mr. Wijesuriya, our Chief Operating Officer, was granted options to purchase 72,630 shares of the Company s common stock.

In 2014, Mr. Toth, our former Chief Financial Officer, was granted options to purchase 33,662 shares of the Company s common stock.

In 2014, Mr. Avalos, our Chief Accounting Officer, was granted an option to purchase 15,000 shares of the Company s common stock.

Named Executive Officer	Value of 2014 Options Granted[1]
Rahul K. Roy	$ 363,763
Dilantha Wijesuriya[2]	$ 290,941
John E.D. Toth[3]	$ 122,753
Jorge Avalos	$ 54,565

(1) The amounts shown in this column reflect the grant date fair value in accordance with FASB ASC 718 to the executive officer. For a discussion of the assumptions used in these calculations, see Note 2 of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

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(2) Stock options listed for Mr. Wijesuriya, our Chief Operating Officer, include an annual long-term equity incentive award as a part of his 2014 employment agreement. This award is payable in the form of an annual stock option grant valued at $200,000 (based on the Black-Scholes valuation model) at an exercise price equal to the closing price of our common stock on the NYSE on the date of grant. The options vest at the rate of 25% each year on the first four anniversaries of the date of grant.

(3) Stock options listed for Mr. Toth, our former Chief Financial Officer, include an annual long-term equity incentive award as a part of his 2014 employment agreement. This award is payable in the form of an annual stock option grant valued at $50,000 (based on the Black-Scholes valuation model) at an exercise price equal to the closing price of our common stock on the NYSE on the date of grant. The options vest at the rate of 25% each year on the first four anniversaries of the date of grant.

Details regarding these stock option grants are included in the Summary Compensation Table in this proxy statement.

Restricted Stock Awards

We use restricted stock awards on a targeted basis as a component of our executive compensation program. We believe that grants of restricted stock rewards exceptional performance by providing to our executive officers an opportunity for immediate ownership of our common stock, while also providing retention value through the imposition of vesting conditions. Restricted stock awards foster an ownership culture and help motivate our executive officers to perform at peak levels across economic and business cycles because the value of these awards is linked to the Company s long-term performance. The Company determines the performance-based conditions for an award of restricted stock, and the conditions for vesting of restricted shares, as appropriate from time to time.

In 2014, we did not grant any shares of restricted stock to our executive officers, other than the shares granted to our President and Chief Executive Officer, Mr. Suriyakumar, in connection with his incentive bonus.

The Compensation Committee has reviewed and considered other forms of long-term equity compensation in addition to stock options and restricted stock. Considering the impact of alignment with stockholder interests, accounting costs, perceived value, and cash cost to the Company, the Compensation Committee believes that granting long-term equity incentives primarily in the form of stock options and restricted stock, is the best approach for the Company.

Change of Control and Severance Arrangements

We have implemented change of control and severance arrangements for each of our executive officers, including salary and health benefits continuation through specific post-termination periods and accelerated vesting of restricted stock and stock options. The Company believes that implementing these types of arrangements for our executive officers is an important retention element by providing security against arbitrary termination and that they are appropriate elements of competitive market compensation. Currently, Messrs. Suriyakumar, Roy, Wijesuriya and Avalos have change of control and severance arrangements, which are described in the Potential Payments Upon Termination or Change-in-Control section of this proxy statement.

Employee Stock Purchase Plan

We offer all of our employees, including our executive officers, the opportunity to purchase our common stock through a tax-qualified employee stock purchase plan (ESPP). In 2014, Mr. Toth was the only NEO who participated in the plan. Under our ESPP, as amended, employees may elect to purchase annually, at a 15% discount (from the closing price of our common stock on the NYSE on the applicable date of purchase), up to the lesser of (a) 2,500 shares of our common stock, or (b) that number of shares of our common stock having an aggregate fair market value of $25,000.

Other Compensation

Our executive officers are eligible to participate in our health, life and disability insurance plans, and our 401(k) plan to the same extent that our other employees are entitled to participate in such plans. In 2009 in response to the prevailing economic conditions, our 401(k) plan was amended to eliminate the Company s mandatory matching contribution and to provide for discretionary matching contributions by the Company. No discretionary matching contributions were made to the 401(k) plan for several years. In July of 2013 the Company s mandatory matching contribution was reinstated. This change applied to all 401(k) plan participants, including our executive officers.

Tax Considerations

Section 162(m) of the Internal Revenue Code limits the tax deductibility of compensation paid to our CEO, and the three other most highly compensated named executive officers employed at the end of the year (other than our CFO) to $1 million per year, unless such amounts are determined to be performance-based compensation. Our policy with respect to Section 162(m) seeks to balance the interests of the Company in maintaining flexible incentive plans against the possible loss of a tax deduction when taxable compensation for any of the executive officers subject to Section 162(m) exceeds $1 million per year. While we consider the deductibility of compensation in determining our executive compensation program, we look at other factors in making our executive compensation decisions and retain the discretion to grant awards or pay compensation that we determine to be consistent with the goals of our executive compensation program, even if the awards or compensation are not tax deductible.

Temporary Executive Compensation Program Changes

ARC has taken pains to keep our executive compensation program nimble in order to reflect the conditions of our business, our industry and the economy as a whole, especially with regard to the recent financial crisis and subsequent downturn of the construction industry. As such, our named executive officers have accepted temporary adjustments to their compensation over the past several years to take into account prevailing economic and business conditions. Those changes, occurring between the years 2009 to 2013, are summarized below.

2009 Fiscal Year. In light of prevailing economic conditions in 2009, and in connection with the Company s overall cost reduction initiative, the employment agreements with our executive officers were amended in March 2009 to reflect temporary reductions of their respective base salaries from the effective date of the reduction through January 31, 2010 (or, in the case of Mr. Suriyakumar, until December 31, 2009). Under their respective employment agreement amendments, Mr. Suriyakumar s base salary was reduced by 50% and each of Messrs. Mather, Roy and Wijesuriya were reduced by 10%. In addition, under the employment agreement amendments, each of Messrs. Suriyakumar, Mather, Roy and Wijesuriya were not entitled to a bonus opportunity for the Company s fiscal year 2009.

2010 Fiscal Year. Due to continued economic weakness in 2010, particularly in the AEC industry (the Company s primary market), the employment agreements with each of our executive officers were amended in early 2010 to provide for temporary 10% base salary reductions through the remainder of fiscal year 2010, with additional 5% base salary reductions effective from July through December 2010.

2011 Fiscal Year. In light of then-projected continuing challenges in the AEC industry, Mr. Suriyakumar s base salary was temporarily reduced by 25%, Mr. Wijesuriya s base salary was temporarily reduced by 15% and Mr. Roy s base salary was temporarily reduced by 10% from the date of amendment of their employment agreements in early 2011 through the remainder of fiscal year 2011.

2012 Fiscal Year. In light of then-projected continuing challenges in the AEC industry in 2012, Mr. Suriyakumar s base salary was reduced by 10%, and each of Messrs. Wijesuriya and Roy base salary was temporarily reduced by 5% for fiscal year 2012. Later in the year, in view of continuing weakness in our markets, Messrs. Suriyakumar, Roy, and Wijesuriya accepted an additional 10% base salary reduction from November and December 2012. Mr. Toth accepted a 10% base salary reduction for November and December 2012, and Mr. Avalos accepted a 5% base salary reduction during the same time period.

2013 Fiscal Year. Due to the ongoing challenges in the AEC industry in 2013, Mr. Suriyakumar accepted a continuing 10% temporary base salary reduction in addition to the original 2012 reduction for a total of 20% temporary base salary reduction through December 31, 2013. Each of Messrs. Wijesuriya and Roy also accepted a continuing 5% temporary base salary reduction in addition to the original 2012 reduction for a total of 10%

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temporary base salary reduction through December 31, 2013. Mr. Toth accepted a continuing 10% temporary base salary reduction through December 31, 2013, and Mr. Avalos accepted a continuing 5% temporary base salary reduction through December 31, 2013. Mr. Suriyakumar received an annual incentive bonus for the first time in five years, but in recognition of the improvement in the Company s performance relative to a year in which any positive growth would result in an outsized award, he accepted 37.9% of the amount he was eligible for as part of his annual incentive plan, with a reverse in the distribution of the award as configured under his restated and amended 2011 employment agreement, accepting 30% in cash and 70% in restricted stock with vesting in 25% increments per year over four years.

Recent Key Compensation Program and Other Related Changes

2015 Compensation Plan: The Compensation Committee approved an annual incentive compensation plan for the non-CEO NEOs for fiscal year 2015 that was similar to the incentive compensation plan approved in fiscal year 2014. As in fiscal year 2014, the incentive compensation plan is based on performance against pre-determined corporate goals for revenue, gross margin, adjusted earnings per share, and for individually determined performance objectives. The individual performance objectives for 2015 include team management, technology platform advances, product enhancements, cash management, revenue and gross margin expansion, and improvement of efficiency of financial reporting. The portions of the incentive compensation assigned to each target are set forth in the table below.

	Portion of Bonus Assigned to Target			
NEO (non-CEO)	**Annual Revenue**	**Annual Gross Margin**	**Annual Adjusted EPS**	**Individual Objectives**
Dilantha Wijesuriya	25%	25%	25%	25%
Rahul K. Roy	25%	0%	25%	50%
Jorge Avalos	25%	25%	25%	25%

In early 2015, the Compensation Committee requested updated information on ARC s peer group compensation levels. In setting targets for total compensation for each of ARC s four* highest paid executives, the Compensation Committee determined that the aggregate compensation amount was approximately 103% of the median aggregate amount of the four highest paid executives in ARC s peer group.

New Stock Ownership Guidelines: In March 2015, ARC s Nominating and Governance Committee recommended instituting minimum stock ownership requirements for the Board s independent directors and all Company NEOs, which included a window in which such ownership should be acquired. ARC s Board unanimously approved the recommendation for implementation prior to December 31, 2015.

* *The employment of our former CFO, John Toth, ended on January 30, 2015. He will receive the payments as fully described under Potential Payments Upon Termination or Change-in-Control below. As of the date of this filing, ARC does not intend to separately fill the role of Chief Accounting Officer vacated by Jorge Avalos when he was promoted to CFO after Mr. Toth s departure.*

Summary

After its review of all existing programs, consideration of current market and competitive conditions and alignment with our overall compensation objectives and philosophy, the Compensation Committee believes that the total proposed compensation program for our executive officers is focused on increasing value for stockholders and enhancing the Company s performance. The Compensation Committee believes that under the amended and restated employment agreement with our CEO and the new employment agreements for our other NEOs a significant portion of compensation of executive officers is properly tied to stock appreciation or stockholder value through stock options, restricted stock awards and/or annual incentive bonus measures. The Compensation Committee believes that our executive compensation levels are competitive with compensation programs offered by other companies with which we compete for executive talent.

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COMPENSATION COMMITTEE REPORT

The Compensation Committee of the board of directors has reviewed and discussed the Compensation Discussion and Analysis section of this proxy statement with management. Based on this review and discussion, the Compensation Committee has recommended to the board of directors that the Compensation Discussion and Analysis section be included in this proxy statement.

James F. McNulty, Chairman

Thomas J. Formolo

Dewitt Kerry McCluggage

Manuel Perez de la Mesa

EXECUTIVE COMPENSATION