

OPTI INC
Form PRER14A
February 22, 2012

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No. 1)

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

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-11(c) or §240.14a-12

OPTi Inc.

(Name of Registrant as Specified In Its Charter)

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

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No fee required.

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1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

OPTi Inc.

One First Street, Suite 14

Los Altos, CA 94022

CONSENT SOLICITATION STATEMENT

The Board of Directors (the **Board**) of OPTi Inc. (the **Company**) is providing this Consent Solicitation Statement to the Company's shareholders in connection with the solicitation of written consent pursuant to California General Corporation Law (**CGCL**) Section 603 and Section 2.10 of the Company's Bylaws. As discussed in more detail in this Consent Solicitation Statement, the Board has unanimously approved the voluntary winding up and dissolution of the Company pursuant to a Plan of Liquidation (the **Proposal**), subject to the approval of the Company's shareholders.

The Board is soliciting shareholder approval of the Proposal by written consent in lieu of a meeting of shareholders as the Board believes that it is in the best interests of the Company and its shareholders to solicit such approval in the most timely and cost effective manner. A form of written consent is enclosed for your use.

The Board intends to mail this Consent Solicitation Statement and accompanying form of written consent on or about February __, 2012. The Board has fixed a record date of January 26, 2012 (the **Record Date**) for determination of those shareholders entitled to give written consent.

Your consent is important. Although the Board has approved the Proposal, a vote of shareholders holding shares representing 50% or more of the voting power is required to approve the Company's voluntary dissolution under California law.

The Board unanimously recommends that you consent to the Proposal. Voluntary proceedings for winding up the Company will commence upon the receipt of the written consent of shareholders holding shares representing 50% or more of the voting power of the Company.

CONSENT PROCEDURE

General

As discussed in more detail in this Consent Solicitation Statement, the Board is asking the Company's shareholders to consent to the Proposal.

Voting; Record Date

Only holders of record of Company stock as of the Record Date are entitled to consent to the Proposal. There were 11,645,903 shares of Company common stock outstanding as of the Record Date. Each share of common stock is entitled to one vote on the Proposal.

Vote Required

The Proposal will be deemed approved if the written consents of shareholders representing at least fifty percent (50%) of the voting power of the outstanding common stock are received by the Company.

Revocation of Consent

Any shareholder giving written consent to the Proposal may revoke such consent in a writing received by the Company prior to the time that a sufficient number of written consents to approve the Proposal have been received by the Company.

Notice of Availability of Materials

This Consent Solicitation Statement and the written consent form to be completed by shareholders in connection herewith may be obtained by contacting Michael Mazzoni via email at mmazzoni@opti.com or by telephone at (650) 213-8550. Shareholders are encouraged to review the Company's Annual Report filed with the Securities and Exchange Commission on June 29, 2011 and its most recent Quarterly Report filed on February 16, 2012, which reports and financial statements are incorporated by reference in this Statement. Copies of these reports may be obtained online at www.sec.gov or by contacting Mr. Mazzoni as noted above.

NO APPRAISAL RIGHTS

Neither California law nor the Company's Articles of Incorporation or Bylaws provide the Company's shareholders with dissenters' rights with respect to the Proposal.

PROPOSAL

Voluntary Dissolution of Company Pursuant to Plan of Liquidation

The Company's shareholders are being asked to consent to wind up and dissolve the Company pursuant to the Plan of Liquidation (the Proposal). If approved, the Company will be liquidated pursuant to the Plan of Liquidation described below. The Board has unanimously approved the voluntary winding up and dissolution of the Company, the Plan of Liquidation, and the submission of the Proposal to the Company's shareholders for approval.

If the Company's shareholders do not consent to the Proposal, then the Company will not liquidate. The Board would then reconsider alternatives available for the Company, if any.

Background and Reason for Dissolution

The Company's recent business strategy has been to pursue licensing opportunities to resolve potential infringement of the Company's proprietary intellectual property. However, the Company has already entered into license agreements with most of the major developers of core logic chipsets and believes that it has exhausted the litigation opportunities that may be worth pursuing. The Company currently has only one legal action pending, and after a thorough review of other companies using similar technology, has not found any other potential infringers. The Board also considered the fact that the Company's patents which form the basis of the Company's licensing and litigation efforts will expire in July 2015 and February 2016. The Board concluded that even in the unlikely event that the Company was able to find another viable defendant and was successful in an infringement action against such defendant, by the time of settlement or other resolution of any such action, the value of any payments would be adversely affected by the limited remaining life of the patents.

Ongoing attempts by the Board to pursue new business opportunities, including partnerships with other entities, have been unsuccessful. In the course of pursuing these opportunities, the Company retained the assistance of an independent expert to help it evaluate alternatives. Beginning in November 2010 the Company explored an opportunity which would have enabled the Company to license rights to a third party's intellectual property and pursue licensing opportunities and litigation to resolve potential infringement of such intellectual property. However, the third party decided against this partnership in light of the Company's status as a public company with its resulting disclosure obligations. The Company considered terminating its reporting obligations, but determined that the potential negative consequences to shareholders of doing so outweighed the potential benefits to the Company of pursuing this potential partnership.

In 2011, the Company also explored the possibility of operating as a non-practicing entity, in which the Company would raise capital to acquire intellectual property rights with the intent of pursuing licensing opportunities and litigation to resolve potential infringement of such intellectual property. However, the Company's efforts to do so were unsuccessful given the uncertainty that the acquisition of new intellectual property could result in successful litigation. In addition, the Company determined that it would need to raise considerable capital in order to compete against larger, more established non-practicing entities to acquire a valuable and diversified intellectual property portfolio and to hire an experienced staff to maximize the value of such portfolio. The Company determined that it is not in a position to raise the necessary capital and therefore taking such a course of action would not be in the best interests of the Company and its shareholders.

After considering the foregoing alternatives for more than a year and in light of the absence of other viable alternatives, the Board determined in its business judgment that the shareholders would obtain the greatest return by an orderly winding up and dissolution of the Company, pursuant to which proceeds from the resolution of any remaining litigation and any other assets less payment of applicable liabilities and obligations would be distributed to its shareholders. The Board reached this conclusion independently without input from any of the major shareholders of the Company.

Summary of the Plan of Liquidation

The winding up of the Company's business and the Company's liquidation will proceed pursuant to the Plan of Liquidation (the "Plan"). The Plan is attached hereto as Exhibit A, and this summary of the Plan is qualified in its entirety by reference to Exhibit A.

Effective Date of the Plan; Liquidation Period.

The Plan will become effective upon its approval by the Company's shareholders holding shares representing at least fifty percent (50%) of the voting power. Pursuant to the Plan, the Company shall take all actions to complete the liquidation and dissolution within the liquidation period, which shall end by the last day of the third year ending after the close of the taxable year during which the first liquidating distribution is made (the "Liquidation Period"), which shall be March 31, 2016. The duration of the Liquidation Period was determined in light of the Company's ongoing litigation, as the Board was concerned with the Company having sufficient time to prosecute currently pending litigation and any potential appeals. A shorter liquidation period may not allow the Company adequate time to achieve these goals, possibly resulting in the shareholders of the Company not receiving the full value from such litigation. See "Winding Up of Company Business; Ongoing Litigation" below.

Liabilities; Liquidating Distributions.

During the Liquidation Period, the Company shall pay or discharge all of the Company's liabilities and obligations. The Company's only significant assets consist of cash and patent infringement claims which it intends to reduce to cash; the Company shall distribute to its shareholders cash available for distribution in such manner as may be determined by the Company's Board of Directors in its sole discretion. Such distributions to the shareholders will be reduced by payment of the Company's liabilities and obligations, including the expenses of the Company in connection with the resolution of pending litigation and the winding up process.

Contingent upon the approval of the Proposal by the Company's shareholders, the first liquidating distribution to the shareholders in the amount of \$1.10 will be made within sixty days after approval of the Proposal. Aside from a \$7,200 Shareholder Return Bonus currently due, none of the Company's managers will be entitled to any portion of such distribution except in their capacities as shareholders of the Company. No additional Shareholder Return Bonus beyond such \$7,200 will be paid unless and until the Company's pending litigation is successfully resolved. Please see "Officer Bonus Arrangements" below.

The amount and timing of future distributions will be determined at the sole discretion of the Board. As soon as it is reasonable and practicable during the Liquidation Period, the Company will make further liquidating distributions to its shareholders. However, the dates and amounts of such subsequent distributions are unpredictable and are dependent on the outcome and timing of the Company's currently pending litigation. No distribution will be made of any business or properties of the Company other than the proceeds of litigation.

Tax Considerations.

The following discussion summarizes certain U.S. federal income tax consequences of the Plan that may be relevant to the shareholders of Company stock. This summary is based on the Internal Revenue Code of 1986, as amended (the "Code"), U.S. Treasury regulations issued under the Code, law, judicial decisions, and administrative pronouncements, all of which are subject to different interpretation or change. Any change may be applied retroactively and may adversely affect the federal income tax consequences described herein. This discussion only applies to shareholders who hold their shares of Company stock as capital assets and only addresses distributions of cash proceeds as part of the Plan. This discussion does not address all of the tax consequences that may be relevant to particular shareholders in light of their particular circumstances (such as shareholders subject to the alternative minimum tax, the Medicare contribution tax or back-up withholding or shareholders owning multiple blocks of Company stock) or that are subject to special treatment under U.S. federal income tax laws (including, without limitation, financial institutions, partnerships, disregarded entities or

other flow-through entities, mutual funds, tax-exempt organizations, trusts, estates, retirement plans, regulated investment companies, shareholders whose functional currency for U.S. federal income tax purposes is not the U.S. dollar, grantor trusts, insurance companies, traders or dealers in securities or foreign currencies, persons (including traders in securities) using a mark-to-market method of accounting, persons holding the Company stock as part of a hedge, straddle, constructive sale, conversion or other integrated transaction, any person who is not a United States person within the meaning of the Code, former U.S. citizens or long-term residents subject to taxation as expatriates under Section 877 of the Code, or persons who acquire Company stock in connection with employment or other performance of services). This summary does not discuss the effect of other U.S. federal tax laws (such as estate and gift tax laws), and does not discuss any state, local, or foreign tax laws or tax treaties.

We have not sought and will not seek a ruling from the U.S. Internal Revenue Service (the IRS) with respect to any matters discussed in this section, and we cannot assure you that the IRS will not take a different position concerning the tax consequences of the Plan, or that any such position would not be sustained.

Company shareholders should consult their own tax advisors with regard to the application of the tax consequences discussed herein and the application of any other U.S. federal, state, local and foreign tax laws and tax treaties including gift and estate tax laws.

The transactions completed pursuant to the Plan are to result in the complete liquidation of the Company within the meaning of Sections 331 and 336 of the Code and the Treasury regulations promulgated thereunder. In general, as part of a complete liquidation, shareholders compute gain or loss by subtracting their adjusted basis of the stock from the amount realized (i.e., the net proceeds received in the liquidation) and report any difference as capital gain or loss. Such capital gain or loss will generally be long-term capital gain or loss if a Company shareholder's holding period in respect of the stock is more than one year. Net long-term capital gains, recognized by a Company shareholder who is an individual, are currently subject to a fifteen percent (15%) rate. As of the date hereof, such reduced rates for long term capital gain are scheduled to increase for tax years beginning after December 31, 2012. The long-term capital gains of Company shareholders that are corporations and the short-term capital gains of both corporate and non-corporate Company shareholders are taxed at the same rates as their ordinary income. The deductibility of capital losses of corporate and non-corporate Company shareholders are subject to limitations. As described above, the Company may make several liquidating distributions (of differing amounts and dates) to shareholders pursuant to the Plan. Generally, in a complete liquidation, a shareholder recognizes gain after all basis is recovered but any resulting loss may not be recognized until the shareholder receives the final liquidating distribution.

The Company will, within thirty (30) days after the effective date of the Plan, file a United States Internal Revenue Service Form 966 pursuant to Section 6043 of the Code and such additional forms and reports with the Internal Revenue Service as may be necessary or appropriate in connection with the Plan and the carrying out thereof. Further, the Company will provide any shareholder receiving property pursuant to the Plan in excess of \$600 or more in a calendar year an IRS Form 1099-DIV.

Each shareholder of Company stock should consult with their own tax advisor to determine whether the shareholder needs to include a statement described in Treasury regulation Section 1.331-1(d)(2) with its federal income tax return for years ending prior to the completion of the complete liquidation.

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, COMPANY SHAREHOLDERS ARE HEREBY NOTIFIED THAT: (1) ANY DISCUSSION OF UNITED STATES FEDERAL TAX ISSUES CONTAINED OR REFERRED TO IN THIS CONSENT SOLICITATION STATEMENT OR ANY ATTACHED EXHIBIT IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY SHAREHOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED UNDER U.S. FEDERAL TAX LAW; (2) SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE PLAN; AND (3) COMPANY SHAREHOLDERS SHOULD SEEK ADVICE FROM AN INDEPENDENT TAX ADVISOR.

Winding Up of Company Business; Ongoing Litigation

Upon the receipt by the Company of sufficient shareholder consents for the Proposal, the Company shall cease to carry on business except to the extent necessary for the beneficial winding up thereof and except as to preserve the Company's goodwill or going-concern value.

The Company intends to continue to conduct its ongoing litigation against VIA Technologies, Inc. and Silicon Integrated Systems Corp. during the Liquidation Period. A trial date has been set for November 2012, however, this date may be postponed.

In addition, although such litigation seems unlikely based on information currently available to the Board, the Company may initiate new litigation to maximize the assets of the Company as necessary or appropriate for its beneficial winding up.

Governance of the Company During Liquidation Period

Pursuant to CGCL Sections 1903(b) and 2001, the Board and the officers of the Company shall continue to manage and govern the affairs of the Company during the winding up period, through the date of the Company's dissolution. The Board shall have full powers to wind up and settle the affairs of the Company. During the Liquidation Period, the Board and the officers of the Company will seek to maximize shareholder value in order to maximize the liquidating distributions to each shareholder.

The Company anticipates conducting annual elections for its directors during the Liquidation Period. The Company does not anticipate making changes to the composition of the Board absent the resignation of directors, as the Board will be focused on the orderly winding up of the Company.

The Board and officers of the Company shall continue to be indemnified to the fullest extent permitted by applicable law. It is anticipated that management compensation will remain at current levels until the Company's litigation has been finally resolved.

Continued Trading of Company Stock

The Company intends to allow for the continued trading of the Company's stock on the Over the Counter Bulletin Board during the winding up of the Company, until the date of the Company's final dissolution. While the Company has verified with the OTC Bulletin Board that its stock will continue to trade during the Liquidation Period, there can be no assurance that there will be sufficient activity to permit the stock to do so.

Continued Securities Reporting

The Company also intends to continue to file required reports with the Securities and Exchange Commission until the date of the Company's final dissolution.

Uncertainty over Winding Up and Dissolution of the Company

The Company's shareholders are being asked to consent to the Proposal, but may not approve the Proposal. This may result in the Company incurring substantial expense in developing other alternatives which may not be viable. Even if the Company's shareholders approve the Proposal, certain shareholders may attempt to challenge the implementation or the advisability of the Plan of Liquidation. For example, on February 9, 2012 a class action was filed in Federal District Court for the Northern District of California alleging that the directors of the Company breached their fiduciary duties in approving the Proposal and violated Section 14(a) of the Securities Exchange Act of 1934 and Rule 14a-9 in allegedly issuing a Consent Solicitation Statement with the intention of obtaining shareholder approval. The complaint also alleges that the Company aided and abetted the directors' breach of fiduciary duty. The Company believes that this action is without merit and will defend it vigorously.

In addition, shareholders may petition the California Superior Court to take jurisdiction over the dissolution of the Company, resulting in uncertainty as to the method and timing of the Company's dissolution.

There can be no assurance that the liquidation will proceed smoothly or on time as a result of pending litigation and/or future litigation or other events.

Board Approval and Board Recommendation

The Board has unanimously approved the Proposal and recommends that the Company's shareholders consent to the Proposal. The Board reached this decision independently; no shareholder (other than members of the Board) had any role in the decision.

Questions

Any questions regarding the Proposal should be directed to Bernard Marren at bernie@opti.com. However, management's comments will be limited to the contents of this Consent Solicitation Statement.

DISCLOSURE OF INTERESTED PARTIES
Security Ownership of Certain Beneficial Owners and Management

As of the Record date, there were 11,645,903 shares of Company common stock outstanding. The following table sets forth as of February 17, 2012 information regarding the ownership of Company common stock with respect to Company officers and directors and all persons which own more than 5% of the Company's stock.

Name of Beneficial Owner	Shares Owned	Percentage Owned
Officers and Directors		
Bernard Marren	15,788	*
Kapil Nanda	4,000	*
William Welling	21,333	*
Michael Mazzoni		*
Stephen Diamond**		*
5% Owners		
S. Muoio & Co., LLC	4,097,088	35.2
Raffles Associates LP	716,834	6.1
Weiss Asset Management LP	682,927	5.9
Dimension Fund Advisors Inc.	581,210	5.0

* Represents beneficial ownership of less than 1% of the Company's outstanding common stock.

** Resigned from Board on November 15, 2011.

Officer Bonus Arrangements

The Company has a shareholder return bonus program (the "Bonus") under which Bernard Marren and Michael Mazzoni receive between 1% to 5% collectively of all third party payments ("TPP") received by the Company as a result of the Company's intellectual property strategy. The Bonus is payable upon the earlier of (1) such time as the Company distributes TPP to its shareholders or (2) six months and one day after the Company receives the TPP at issue.

On June 13, 2011, the Company paid Messrs. Marren and Mazzoni a Bonus as disclosed in the Company's 10-K filed June 29, 2011. One TPP has been received by the Company since the TPP triggering the June 13, 2011 Bonus, for which Messrs. Marren and Mazzoni will receive an aggregate Bonus of \$7,200 upon distribution to shareholders. Such \$7,200 will be divided between them. In the event the Company receives additional TPP during the Liquidation Period, Messrs. Marren and Mazzoni would be eligible for a Bonus upon the distribution of such TPP to shareholders.

Compensation

Since the Company's managers will oversee the Company's orderly winding up and dissolution pursuant to the Plan of Liquidation while still directing the Company's pending litigation, the Board does not anticipate altering the base compensation to the Company's managers.

Director Opposition

No director of the Company has stated his opposition to the Company's winding up and dissolution or to the Plan of Liquidation.

SHAREHOLDER PROPOSALS

No shareholder proposals are included in this Consent Solicitation Statement.

HOUSEHOLDING OF SOLICITATION

The Securities and Exchange Commission permits the Company to satisfy delivery requirements by delivering one consent solicitation statement with respect to two or more shareholders sharing the same address. This process, known as householding, potentially provides conveniences for shareholders and savings for the Company.

Only one Consent Solicitation Statement is being mailed to each address in the Company's records representing a shareholder of record. If additional copies are required, please contact Michael Mazzoni by telephone at (650) 213-8550, by mail at One First Street, Suite 14, Los Altos, CA 94022 or by email at mmazzoni@opti.com.

Exhibit A

Plan of Liquidation

PLAN OF COMPLETE LIQUIDATION AND

DISSOLUTION OF OPTi INC.

The following shall constitute the Plan of Complete Liquidation and Dissolution (the Plan) of OPTi Inc., a California corporation (the Company), pursuant to Section 1900 and other applicable provisions of the California General Corporation Law (the California Law) and the applicable provisions of the Internal Revenue Code, as amended (the Code):

1. Adoption of Plan and Effective Date.

The Effective Date of the Plan (the Effective Date) shall be the date of its approval by the Company's shareholders holding shares representing at least fifty percent (50%) of the voting power.

2. Authorization to Implement Plan.

The Company shall have the authority to engage in such transactions as may be appropriate to consummate the liquidation and dissolution of the Company. Such transactions shall be completed upon such terms and conditions as shall be determined by the officers of the Company (each, an Authorized Officer), with no further approvals by shareholders except as required by law.

3. Liquidation Period.

The Company shall take all actions to complete the liquidation and dissolution by the last day of the third year ending after the close of the taxable year during which the first liquidating distribution is made (the Liquidation Period).

4. Provisions for Liabilities.

Within the Liquidation Period, the Company shall pay or discharge, or otherwise provide for the payment or discharge of, the Company's liabilities and obligations, including contingent liabilities and obligations, in such manner as may be determined by any Authorized Officer, which manner may include the assumption of any such liabilities or obligations by one or more shareholders as any Authorized Officer and such assuming shareholder or shareholders may agree.

5. Distribution to Shareholders.

Subject to any alternative contractual arrangement between shareholders of the Company and the Company, after provision for liabilities as provided in Paragraph 4, but in any event within the Liquidation Period, the Company shall transfer, convey and deliver to its shareholders all of the assets (including cash), properties, business and liabilities of the Company in such manner as may be determined by any Authorized Officer, and distributions during the Liquidation Period (whether or not in exchange for shares) shall be treated as being made pursuant to this Plan.

6. Amendment or Abandonment of Plan.

The Board of Directors (the Board) may modify or amend the Plan (other than Paragraphs 6 or 7 hereof) at any time without shareholder approval if in the judgment of the Board such action would be in the best interests of the Company or its shareholders. If any amendment or modification appears necessary and in the judgment of the Board will adversely affect the interests of the shareholders, such an amendment or modification will be submitted to the shareholders for approval.

7. Dissolution.

Upon the taking of all acts required to be taken under the California Law, any Authorized Officer shall file a Certificate of Dissolution of the Company in accordance with Section 1905 and other applicable provisions of the California Law, thereby effecting the dissolution of the Company.

8. Income Tax Treatment.

The Company intends that the transactions contemplated by this Plan (including all distributions to its shareholders) shall be made as part of (and in furtherance of) a complete liquidation of the Company as described in Sections 331 and 336 of the Code and the comparable provision of applicable state or local tax law. In furtherance of the foregoing, the Board and each Authorized Officer shall take all actions prescribed by Section 6043(a) of the Code (and the corresponding provision of applicable state and local tax law), including filing an IRS Form 966 (and comparable state or local tax forms) within thirty (30) days of the adoption of this Plan (and of any amendments thereto).

9. Additional Authorization.

The Board or any Authorized Officer are additionally authorized to approve such changes to the terms of any of the transactions referred to herein, to interpret any of the provisions of the Plan, and to make, execute and deliver such other agreements, conveyances, assignments, transfers, certificates and other documents and to take such other actions as the Board or any Authorized Officer deem necessary or appropriate in order to insure that the provisions of the Plan are carried out and to effect the complete liquidation and dissolution of the Company in accordance with Section 1900 and other applicable provisions of the California Law and the Code.

Exhibit B

Written Consent Form

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WRITTEN CONSENT OF THE SHAREHOLDERS

TO VOLUNTARILY WIND UP AND DISSOLVE OPTi INC.

This consent accompanies and is part of the OPTi Inc. Consent Solicitation Statement dated February __, 2012.

PLEASE INITIAL, DATE, SIGN, AND RETURN THIS CONSENT BY EMAIL (IN PDF) OR FACSIMILE TO:

OPTi Inc,

Attn: Michael Mazzoni

Email: mmazzoni@opti.com

Fax: (650) 213-8551

INSTRUCTIONS: PLEASE ACKNOWLEDGE YOUR CONSENT FOR THE MATTER LISTED BELOW BY PLACING YOUR INITIALS IN THE SPACE PROVIDED AND SIGNING BELOW. Capitalized terms not defined herein shall have the meanings set forth in the Consent Solicitation Statement delivered herewith.

Consent to Voluntary Wind Up and Dissolve and Adoption of Plan of Liquidation

(Initial) I hereby consent to the Company's election to voluntarily wind up and dissolve pursuant to the Plan of Liquidation and authorize the Company and its directors and officers to execute, deliver and file any and all documents or certificates and to take whatever action is deemed necessary or advisable in order to carry out and perform the foregoing.

I HEREBY AGREE TO BE BOUND BY THE WRITTEN CONSENTS SPECIFIED ABOVE WITH RESPECT TO ALL OF MY SHARES OF COMMON STOCK OF THE COMPANY.

Signature

Print Name:

Number of Shares Held*: _____

Date:

*If your shares are held in street name, please state the name, address and telephone number of the holder of record:

Name:

Address:

Telephone Number:

\$
(2.93
)

\$
(0.61
)

\$
(0.33
)

Weighted average common shares outstanding:

Basic

45,856

45,668

45,401

45,213

45,123

Diluted

45,856

45,668

45,401

45,213

45,123

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	Fiscal Year Ended December 31,				
	2013	2012	2011	2010	2009
	(In thousands)				
Other Financial Data:					
Depreciation and amortization	\$34,745	\$39,522	\$47,876	\$45,649	\$49,543
Capital expenditures	\$18,191	\$20,348	\$15,553	\$8,634	\$7,506
Interest expense, net	\$23,737	\$28,165	\$31,104	\$24,091	\$25,781
As of December 31,					
	2013	2012	2011	2010	2009
	(In thousands)				
Balance Sheet Data:					
Cash and cash equivalents	\$27,362	\$28,021	\$25,437	\$26,293	\$29,377
Total assets	\$409,922	\$415,839	\$441,357	\$569,085	\$620,954
Long term obligations	\$233,058	\$241,429	\$240,900	\$221,088	\$228,711
Total ARC stockholders' equity	\$91,690	\$103,896	\$130,677	\$256,506	\$276,007
Working capital	\$28,705	\$40,650	\$40,405	\$22,387	\$(3,739)

(1) Represents services provided at our customers' sites, which includes both Managed Print Services (MPS) and Facilities Management (FM).

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the other sections of this Annual Report on Form 10-K, including Part 1, "Item 1 — Business"; Part I, "Item 1A — Risk Factors"; Part II, "Item 6 — Selected Financial Data"; and Part III, "Item 8 — Financial Statements and Supplementary Data."

Business Summary

ARC Document Solutions, Inc. ("ARC Document Solutions," "ARC," "we," "us," or "our") is a leading document solutions company serving businesses of all types, with an emphasis on the non-residential segment of the architecture, engineering and construction ("AEC") industry.

We help our customers reduce their costs and improve productivity of their documents, improve their access and control over documents, and offer a wide variety of ways to print, produce, distribute, collaborate on, and store documents.

We have categorized our service and product offerings to report distinct sales recognized from our Onsite Services, Color Services, Digital Services, Traditional Reprographics Services, and Equipment and Supplies Sales.

Onsite Services consists of placement, management, and optimization of print and imaging equipment in our customer's facilities, relieving them of the burden of owning and managing print devices and print networks, and shifting their costs to a "per-use" basis. Onsite Services sales are driven by the ongoing print needs of our customers, and are less exposed to the episodic large-format printing needs associated with construction projects. This category was renamed in 2013 from "Facilities Management," but the service offerings reported in this category remain unchanged.

Color Services consists of specialized color printing and finishing services to marketing departments, regional and national retailers, and our traditional AEC customer base. This includes services provided under our Riot Creative Imaging brand.

Digital Services consists of digital document management services of all kinds, including archiving and information management ("AIM"), "digital shipping" and managed file transfer, software licensing, and technology consulting services.

Traditional Reprographics consists of the management, distribution, and print-on-demand of black and white construction drawings (frequently referred to as "blueprints") and specification books. It derives a majority of its revenue from large-format black and white printing.

Equipment and Supplies consists of reselling printing, imaging, and related equipment to customers primarily in the AEC industry.

We are expanding our business beyond the services we have traditionally provided to the AEC industry and are currently focused on growing managed print services, technology-based document management services, and digital color imaging, as we believe the mix of services demanded by the AEC industry continues to shift toward document management at customer locations (represented primarily by our Onsite Services revenue line), and away from its historical emphasis on printing of large-format black and white construction drawings "offsite" in our service centers (represented primarily by our Traditional Reprographics revenue line). This belief is supported by the fact that our Onsite Services in 2013 are 30% of our total sales as compared to 29% for Traditional Reprographics. Onsite Services is now our largest service offering and continues to grow at a rate of more than 10% on a year-over-year basis. In comparison, our revenue mix in 2012 consisted of 31% of our sales coming from Traditional Reprographics, and 27% of our sales coming from Onsite Services.

We deliver our services through a nationwide network of service centers, regionally-based technical specialists, locally-based sales executives, and a national/regional sales force known as Global Solutions.

Acquisition activity during the last three years has been minimal and did not materially affect our overall business. We believe we offer a distinct portfolio of services within the AEC industry that include our legacy reprographics business as well as our newer offerings in Onsite Services, Color Services, and Digital Services. Our customer base for these services, however, is still distinctly related to the AEC industry. Based on our analysis of our operating results, we estimate that sales to the AEC industry accounted for approximately 76% of our net sales for the year ended December 31, 2013, with the remaining 24% consisting of sales to non-AEC industries.

We identify operating segments based on the various business activities that earn revenue and incur expense. Since operating segments have similar products and services, classes of customers, production processes and economic characteristics, we are deemed to operate as a single reportable segment. See Note 2 “Summary of Significant Accounting Policies” for further information.

Costs and Expenses.

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Our cost of sales consists primarily of materials (paper, toner and other consumables), labor, and “indirect costs” which consist primarily of expenses for service center ('offsite') facilities and equipment. Facilities and equipment expenses include maintenance, repairs, rents, insurance, and depreciation. Paper is the largest component of our material cost. However, paper pricing typically does not significantly affect our operating margins due, in part, to our efforts to pass increased costs on to our customers. We closely monitor material cost as a percentage of net sales to measure volume and waste. We also track labor utilization, or net sales per employee, to measure productivity and determine staffing levels.

We maintain low levels of inventory. Historically, our capital expenditure requirements have varied due to the cost and availability of capital lease lines of credit. During 2012 and through most of 2013, we were more frequently electing to purchase equipment for our facilities and onsite service installations rather than lease equipment due to the availability of cash to fund capital expenditures and the interest savings thereby. As we continue to foster our relationships with credit providers and obtain attractive lease rates, we may increasingly choose to lease rather than purchase equipment in the future.

Research and development costs consist mainly of the salaries, leased building space, and computer equipment that comprises our data storage and development centers in Fremont, California and Kolkata, India. Such costs are primarily recorded to cost of sales.

We believe customers are increasingly (1) adopting technology and digital document management practices, and (2) changing their workflow patterns and thereby their document and printing needs. While there were some indications that the non-residential construction market strengthened in 2012, we believe that there was a growing body of evidence by the third quarter of 2012 that demonstrated Traditional Reprographics sales would not likely recover at the same pace due to these factors. To ensure that the Company's costs and resources were in line with demand for our current portfolio of services and products, management initiated a restructuring plan in October of 2012. The restructuring plan included the closure or downsizing of 33 of the Company's service centers in 2012, which represented more than 10% of our total number of service center locations, and an additional 23 service centers in 2013. In addition, as part of the restructuring plan, we reduced headcount and middle management associated with our service center locations, streamlined the senior operational management team, and allocated more resources into growing sales categories such as Onsite Services and Digital Services. The reduction in headcount totaled approximately 300 full-time employees, which represented approximately 10% of our total workforce.

In the twelve months of 2013, our gross margins improved by 260 basis points compared to the same period in 2012, which we attribute primarily to our restructuring efforts initiated in October 2012. We believe our restructuring actions suggest continuing year-over-year margin expansion in future periods.

Non-GAAP Financial Measures.

EBIT, EBITDA and related ratios presented in this report are supplemental measures of our performance that are not required by or presented in accordance with accounting principles generally accepted in the United States of America (“GAAP”). These measures are not measurements of our financial performance under GAAP and should not be considered as alternatives to net income, income from operations, or any other performance measures derived in accordance with GAAP or as an alternative to cash flows from operating, investing or financing activities as a measure of our liquidity.

EBIT represents net income before interest and taxes. EBITDA represents net income before interest, taxes, depreciation and amortization. EBIT margin is a non-GAAP measure calculated by dividing EBIT by net sales. EBITDA margin is a non-GAAP measure calculated by dividing EBITDA by net sales.

We present EBIT, EBITDA and related ratios because we consider them important supplemental measures of our performance and liquidity. We believe investors may also find these measures meaningful, given how our management makes use of them. The following is a discussion of our use of these measures.

We use EBIT and EBITDA to measure and compare the performance of our operating segments. Our operating segments' financial performance includes all of the operating activities except debt and taxation which are managed at the corporate level for U.S. operating segments. As a result, we believe EBIT is the best measure of operating segment profitability and the most useful metric by which to measure and compare the performance of our operating segments. We also use EBIT to measure performance for determining operating segment-level compensation and we use

EBITDA to measure performance for determining consolidated-level compensation. In addition, we use EBIT and EBITDA to evaluate potential acquisitions and potential capital expenditures. EBIT, EBITDA and related ratios have limitations as analytical tools, and should not be considered in isolation, or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are as follows:

- They do not reflect our cash expenditures, or future requirements for capital expenditures and contractual commitments;

They do not reflect changes in, or cash requirements for, our working capital needs;

They do not reflect the significant interest expense, or the cash requirements necessary, to service interest or principal payments on our debt;

Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA does not reflect any cash requirements for such replacements; and

Other companies, including companies in our industry, may calculate these measures differently than we do, limiting their usefulness as comparative measures.

Because of these limitations, EBIT, EBITDA, and related ratios should not be considered as measures of discretionary cash available to us to invest in business growth or to reduce our indebtedness. We compensate for these limitations by relying primarily on our GAAP results and using EBIT, EBITDA and related ratios only as supplements.

Our presentation of adjusted net income and adjusted EBITDA over certain periods is an attempt to provide meaningful comparisons to our historical performance for our existing and future investors. The unprecedented changes in our end markets over the past several years have required us to take measures that are unique in our history and specific to individual circumstances. Comparisons inclusive of these actions make normal financial and other performance patterns difficult to discern under a strict GAAP presentation. Each non-GAAP presentation, however, is explained in detail in the reconciliation tables below.

Specifically, we have presented adjusted net income (loss) attributable to ARC and adjusted earnings (loss) per share attributable to ARC shareholders for the years ended December 31, 2013, 2012 and 2011 to reflect the exclusion of amortization impact related specifically to the change in useful lives of trade names, loss on extinguishment of debt, goodwill impairment, restructuring expense, interest rate swap related costs, and changes in the valuation allowances related to certain deferred tax assets and other discrete tax items. This presentation facilitates a meaningful comparison of our operating results for the years ended December 31, 2013, 2012 and 2011. We believe these charges were the result of the current macroeconomic environment, our capital restructuring, or other items which are not indicative of our actual operating performance.

We presented adjusted EBITDA in years ended December 31, 2013, 2012 and 2011 to exclude stock-based compensation expense, restructuring expense, goodwill impairment and loss on extinguishment of debt. The adjustment of EBITDA for non-cash adjustments is consistent with the definition of adjusted EBITDA in our credit agreement; therefore, we believe this information is useful to investors in assessing our financial performance.

The following is a reconciliation of cash flows provided by operating activities to EBIT, EBITDA, and net loss attributable to ARC Document Solutions, Inc. shareholders:

(In thousands)	Year Ended December 31,		
	2013	2012	2011
Cash flows provided by operating activities	\$46,798	\$37,552	\$49,168
Changes in operating assets and liabilities, net of effect of business acquisitions	(2,388	) (463	) 10,152
Non-cash expenses, including depreciation, amortization and restructuring	(58,985	) (68,554	) (192,428
Income tax provision	2,986	2,784	50,931
Interest expense, net	23,737	28,165	31,104
(Income) loss attributable to the noncontrolling interest	(748	) (503	) 21
EBIT	11,400	(1,019	) (51,052
Depreciation and amortization	34,745	39,522	47,876
EBITDA	46,145	38,503	(3,176
Interest expense, net	(23,737	) (28,165	) (31,104
Income tax provision	(2,986	) (2,784	) (50,931
Depreciation and amortization	(34,745	) (39,522	) (47,876
Net loss attributable to ARC Document Solutions, Inc. shareholders	\$(15,323	) \$(31,968	) \$(133,087

The following is a reconciliation of net loss attributable to ARC Document Solutions, Inc. to EBIT, EBITDA and adjusted EBITDA:

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(In thousands)	Year Ended December 31,		
	2013	2012	2011
Net loss attributable to ARC Document Solutions, Inc. shareholders	\$(15,323)	\$(31,968)	\$(133,087)
Interest expense, net	23,737	28,165	31,104
Income tax provision	2,986	2,784	50,931
EBIT	11,400	(1,019)	(51,052)
Depreciation and amortization	34,745	39,522	47,876
EBITDA	46,145	38,503	(3,176)
Loss on extinguishment of debt	16,339	—	—
Goodwill impairment	—	16,707	65,444
Restructuring expense	2,544	3,320	—
Stock-based compensation	3,207	1,999	4,271
Adjusted EBITDA	\$68,235	\$60,529	\$66,539

The following is a reconciliation of net loss margin attributable to ARC to EBIT margin, EBITDA margin and adjusted EBITDA margin:

	Year Ended December 31,		
	2013 (1)	2012 (1)	2011 (1)
Net loss margin attributable to ARC	(3.8)%	(7.9)%	(31.5)%
Interest expense, net	5.8	6.9	7.4
Income tax provision	0.7	0.7	12.0
EBIT margin	2.8	(0.3)	(12.1)
Depreciation and amortization	8.5	9.7	11.3
EBITDA margin	11.3	9.5	(0.8)
Loss on extinguishment of debt	4.0	—	—
Goodwill impairment	—	4.1	15.5
Restructuring expense	0.6	0.8	—
Stock-based compensation	0.8	0.5	1.0
Adjusted EBITDA margin	16.8 %	14.9 %	15.7 %

(1)Column does not foot due to rounding.

The following is a reconciliation of net loss attributable to ARC Document Solutions, Inc. to unaudited adjusted net income (loss) attributable to ARC Document Solutions, Inc.:

(In thousands, except per share amounts)	Year Ended December 31,		
	2013	2012	2011
Net loss attributable to ARC Document Solutions, Inc.	\$(15,323)	\$(31,968)	\$(133,087)
Loss on extinguishment of debt	16,339	—	—
Goodwill impairment	—	16,707	65,444
Restructuring expense	2,544	3,320	—
Change in trade name impact to amortization	—	3,158	9,475
Interest rate swap related costs	—	3,440	5,691
Income tax benefit related to above items	(7,667)	(7,676)	(16,053)
Deferred tax valuation allowance and other discrete tax items	8,245	11,311	67,556
Unaudited adjusted net income (loss) attributable to ARC Document Solutions, Inc.	\$4,138	\$(1,708)	\$(974)
Actual:			
Loss per share attributable to ARC Document Solutions, Inc. shareholders:			
Basic	\$(0.33)	\$(0.70)	\$(2.93)
Diluted	\$(0.33)	\$(0.70)	\$(2.93)
Weighted average common shares outstanding:			
Basic	45,856	45,668	45,401
Diluted	45,856	45,668	45,401
Adjusted:			
Earnings (loss) per share attributable to ARC Document Solutions, Inc. shareholders:			
Basic	\$0.09	\$(0.04)	\$(0.02)
Diluted	\$0.09	\$(0.04)	\$(0.02)
Weighted average common shares outstanding:			
Basic	45,856	45,668	45,401
Diluted	46,157	45,668	45,401

Free Cash Flows

Free Cash Flows (“FCF”) is defined as cash flows from operating activities less capital expenditures. FCF is a useful measure in determining our ability to generate excess cash flows for reinvestment in the business in a variety of ways including acquisition opportunities, the potential return of value to shareholders through stock repurchases or the purchase of our own debt instruments. As such, we believe this measure provides relevant and useful information to our current and potential investors.

The following is reconciliation of cash flows provided by operating activities to FCF:

(In thousands)	Year Ended December 31,		
	2013	2012	2011
Cash flows provided by operating activities ⁽¹⁾	\$46,798	\$37,552	\$49,168
Capital expenditures	(18,191)	(20,348)	(15,553)
Free Cash Flows	\$28,607	\$17,204	\$33,615

⁽¹⁾ Cash flows provided by operating activities for 2013 and 2012 includes cash payments related to restructuring of \$4.3 million and \$0.9 million, respectively.

Results of Operations

(In millions, except percentages)	Year Ended December 31,			2013 Versus 2012		2012 Versus 2011		
	2013 (1)	2012(1)	2011(1)	Increase (decrease)		Increase (decrease)		
	\$	\$	\$	\$(1)	%	\$(1)	%	%
Traditional Reprographics	\$116.7	\$126.8	\$145.4	\$(10.1)	(8.0)%	\$(18.6)	(12.8)%	
Color	83.6	79.1	84.1	4.5	5.7%	(5.0)	(5.9)%	
Digital	33.5	35.6	38.0	(2.1)	(5.9)%	(2.4)	(6.3)%	
Subtotal	\$233.8	\$241.4	\$267.5	\$(7.6)	(3.1)%	\$(26.1)	(9.8)%	
Onsite Services (2)	121.6	108.8	100.7	12.8	11.8%	8.1	8.0%	
Equipment and Supplies Sales	51.8	55.9	54.5	(4.1)	(7.3)%	1.4	2.6%	
Total net sales	\$407.2	\$406.1	\$422.7	\$1.1	0.3%	\$(16.5)	(3.9)%	
Gross profit	\$134.3	\$123.5	\$134.3	\$10.8	8.7%	\$(10.8)	(8.0)%	
Selling, general and administrative expenses	\$96.8	\$93.1	\$101.3	\$3.7	4.0%	\$(8.2)	(8.1)%	
Amortization of intangibles	\$6.6	\$11.0	\$18.7	\$(4.4)	(40.0)%	\$(7.7)	(41.2)%	
Goodwill impairment	\$—	\$16.7	\$65.4	\$(16.7)	(100.0)%	\$(48.7)	(74.5)%	
Restructuring expense	\$2.5	\$3.3	\$—	\$(0.8)	(24.2)%	\$3.3	100.0%	
Loss on extinguishment of debt	\$16.3	\$—	\$—	\$16.3	100.0%	\$—	—%	
Interest expense, net	\$23.7	\$28.2	\$31.1	\$(4.5)	(16.0)%	\$(2.9)	(9.3)%	
Income tax provision	\$3.0	\$2.8	\$50.9	\$0.2	7.1%	\$(48.1)	(94.5)%	
Net loss attributable to ARC	\$(15.3)	\$(32.0)	\$(133.1)	\$16.7	(52.2)%	\$101.1	(76.0)%	
Adjusted net income (loss) attributable to ARC	\$4.1	\$(1.7)	\$(1.0)	\$5.8	(341.2)%	\$(0.7)	70.0%	
EBITDA	\$46.1	\$38.5	\$(3.2)	\$7.6	19.7%	\$41.7	(1,303.1)%	
Adjusted EBITDA	\$68.2	\$60.5	\$66.5	\$7.7	12.7%	\$(6.0)	(9.0)%	

(1) Column does not foot due to rounding.

(2) Represents services provided at our customers' sites, which includes both Managed Print Services (MPS) and Facilities Management (FM).

The following table provides information on the percentages of certain items of selected financial data as a percentage of net sales for the periods indicated:

	As Percentage of Net Sales					
	Year Ended December 31,					
	2013(1)		2012(1)		2011(1)	
Net Sales	100.0	%	100.0	%	100.0	%
Cost of sales	67.0		69.6		68.2	
Gross profit	33.0		30.4		31.8	
Selling, general and administrative expenses	23.8		22.9		24.0	
Amortization of intangibles	1.6		2.7		4.4	
Goodwill impairment	—		4.1		15.5	
Restructuring expense	0.6		0.8		—	
Income (loss) from operations	7.0		(0.2)	)	(12.1))
Other income	—		—		—	
Loss on extinguishment of debt	4.0		—		—	
Interest expense, net	5.8		6.9		7.4	
Loss before income tax provision	(2.8)	)	(7.1)	)	(19.4))
Income tax provision	0.7		0.7		12.0	
Net loss	(3.6)	)	(7.7)	)	(31.5))
Income attributable to the noncontrolling interest	(0.2)	)%	(0.1))%	—	%
Net loss attributable to ARC	(3.8)	)%	(7.9)	)%	(31.5))%
EBITDA	11.3	%	9.5	%	(0.8))%
Adjusted EBITDA	16.8	%	14.9	%	15.7	%

(1)Column does not foot due to rounding.

Fiscal Year Ended December 31, 2013 Compared to Fiscal Year Ended December 31, 2012

Net Sales

Net sales in 2013 increased 0.3%. The increase in net sales was primarily due to the higher sales activity for Onsite and Color Services, which were partially offset by lower sales activity in Traditional Reprographics Services and Equipment and Supplies Sales. In the second half of 2013, Onsite Services was our largest offering as a percentage of total net sales, and for the full year, had the highest percentage change from 2012 (11.8% growth). Declines in Traditional Reprographics sales remain influenced by the continuing trend of a greater use of digital processes for document workflow and less reliance on print.

Onsite Services. Onsite Services sales increased \$12.8 million or 11.8%, in 2013, and represented approximately 30% of total net sales for 2013, as compared to approximately 27% during 2012. Sales from Onsite Services are derived from two sources: 1) an engagement with the customer to place primarily large-format equipment, that we own or lease, in our customers' offices, typically referred to as a facilities management engagement or "traditional FM," and 2) an arrangement by which our customers outsource their printing network to us, including all office printing, copying, and reprographics printing, typically referred to as Managed Print Services, or "MPS." In both cases, we establish long-term contracted revenue streams for which we are paid a single cost per unit of material used, often referred to as a "click charge."

The number of Onsite Services locations has grown to approximately 7,700 as of December 31, 2013, an increase of approximately 700 locations compared to December 31, 2012, due primarily to growth in new MPS placements. We believe Onsite Services is a high growth area for us as demonstrated by the adoption of our MPS services by large, multi-national firms in the AEC space over the past several years. We intend to continue the expansion of our Onsite Service offering through our regional sales force and through Global Solutions, our national accounts group. Our Global Solutions sales force has established long-term contract relationships with 19 of the largest 50 AEC firms. As our Onsite Services, and more specifically MPS services, become a larger percentage of our sales, our overall sales

will be less exposed to the seasonality associated with construction projects. MPS services are driven by non-construction project-related work such as office printing and copying.

Traditional Reprographics. Traditional Reprographics sales decreased \$10.1 million or 8.0% in 2013, and represented approximately 29% of total net sales for 2013, as compared to approximately 31% during 2012.

Overall Traditional Reprographics Services sales nationwide were negatively affected by the lower volume of construction drawings produced through large-format black and white printing driven by the effect of technology adoption referenced above, as well as increased production of documents on customer sites as opposed to documents being produced at our service centers.

Color Services. Color Services sales increased \$4.5 million or 5.7%, and comprised approximately 21% of our total net sales in 2013. We attribute this increase to our continued focus on the expansion and enhancement of our Color Services offerings through our Riot Creative Imaging brand and to our AEC industry customer base.

Digital. Digital Services sales decreased \$2.1 million or 5.9% in 2013. Sales of Digital Services decreased slightly to approximately 8% of total net sales for 2013, as compared to approximately 9% for 2012. We attribute this decrease in Digital Services to a decline in those services related to project-based work performed at our service centers, offset in part by sales of our AIM services which were formally introduced into the market in 2013. Currently, the revenue generating activities included in Digital Services consist of both construction project and non-construction project related services. New digital service offerings such as AIM experienced growth in 2013, but not at a rate sufficient to offset the decline in digital service sales related to the lower volume of construction project work.

Equipment and Supplies Sales. Equipment and Supplies Sales decreased by \$4.1 million or 7.3% in 2013. We experienced declines in both our operations in the United States and in China. Equipment and Supplies Sales represented approximately 13% of total net sales in 2013, compared to approximately 14% in 2012. The decrease in Equipment and Supplies Sales in the United States was driven primarily by the lack of vendor promotions in 2013 that had been offered to our customers in 2012, as well as a large non-recurring equipment order in 2012. Equipment and Supplies Sales derived from our Chinese operations were \$19.9 million in 2013, as compared to \$21.5 million in 2012. The decrease in Equipment and Supplies Sales from UNIS Document Solutions Co. Ltd (“UDS”), our Chinese business venture, was due to several large non-recurring equipment orders in 2012. To date, the Chinese market has shown a preference for owning print and imaging related equipment as opposed to using equipment through an Onsite Services arrangement.

Gross Profit

Gross profit and gross margin increased to \$134.3 million, and 33.0%, in 2013, compared to \$123.5 million, and 30.4%, in 2012, on a sales increase of \$1.1 million.

We were able to achieve expansion of our gross margins of 260 basis points in 2013 due primarily to a combination of: (1) the closure or merging of underperforming service centers and the reduction in labor and facility costs resulting from our restructuring plan initiated in the fourth quarter of 2012, and (2) ongoing margin expansion initiatives in 2013. Overall, direct labor and overhead costs as a percentage of sales decreased 130 and 60 basis points, respectively, in 2013 due primarily to savings from facilities closures and related cost reductions in response to the declining sales in our Traditional Reprographics Services that are performed from our service centers. We believe the savings from the restructuring plan are sustainable, and we believe the effect of these measures should result in continued margin expansion in 2014, though at an abated level from 2013.

A shift in our business mix also contributed to the year-over-year increase in gross margins in 2013. Due to a decline in lower-margin Equipment and Supplies Sales and 2013 margin expansion initiatives, material costs as a percentage of consolidated sales were 70 points lower in 2013 compared to 2012.

Selling, General and Administrative Expenses

The increase of \$3.7 million in selling, marketing, general and administrative expenses in 2013 was primarily due to an increase in sales and marketing expenses, partially offset by a decrease in general and administrative expenses.

Year-over-year sales and marketing expenses increased \$4.4 million in 2013, driven by our continued investment in sales which included: (1) the hiring of new sales and sales administrative personnel, (2) expanded trainings of new and existing sales personnel to implement specific sales initiatives, such as color sales, and our Onsite offering, and (3) expanded incentive programs geared towards organic sales growth.

General and administrative expenses decreased \$0.7 million in 2013 primarily due to decreases in headcount related to our restructuring plan initiated in the fourth quarter of 2012, which were partially offset by an increase in incentive

bonuses due to the improvement in our financial performance in 2013.
Amortization of Intangibles

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Amortization of intangibles of \$6.6 million in 2013, decreased by \$4.4 million or 40.0% compared to 2012, primarily due to phasing out the use of local trade names in April 2012.

During the fourth quarter of 2010, the Company decided to phase out the use of local trade names over the following 18 months and revised the remaining estimated useful lives of our trade name intangible assets accordingly. Effective January 1, 2011, all divisions began using the ARC name, though some use of the original brand names remain in circulation to ensure business recognition and the retention of existing customers. Once the "legacy" trade names were fully transitioned to the ARC name and removed from the marketplace, they quickly lost their value. This change in estimate was accounted for on a prospective basis, resulting in increased amortization expense over the revised useful lives for each trade name.

Goodwill Impairment

We assess goodwill at least annually for impairment as of September 30, or more frequently if events and circumstances indicate that goodwill might be impaired. Goodwill impairment testing is performed at the reporting unit level. At September 30, 2013, we assessed goodwill for impairment and determined that goodwill was not impaired.

At September 30, 2012, our annual goodwill impairment analysis indicated that seven of our 27 reporting units, six in the United States and one in Canada, had goodwill impairments as of September 30, 2012. Accordingly, we recorded a pretax, non-cash charge for the three months ended September 30, 2012 to reduce the carrying value of goodwill by \$16.7 million.

See "Critical Accounting Policies" section for further information related to our goodwill impairment test.

Restructuring Expense

Restructuring expenses totaled \$2.5 million in 2013, and primarily consisted of estimated lease termination and obligation costs.

For further information, please see Note 3 "Restructuring Expenses" to our Consolidated Financial Statements.

Loss on extinguishment of debt

In December 2013, we commenced a cash tender offer and consent solicitation for all of our outstanding 10.5% senior unsecured notes due December 15, 2016 (the "Notes") and entered into a \$200.0 million Term Loan Credit Agreement. The proceeds of the Term Loan Credit Agreement were used to repurchase all of the outstanding Notes that were validly tendered, and also applied to redeem all of the Notes which remained outstanding following the tender offer. The weighted average purchase price to purchase and redeem the Notes was in this transaction was 105.8% of par. This transaction, when combined with other repurchases of Notes done during 2013 resulted in a loss on extinguishment of debt of \$16.3 million for 2013. The new Term Loan Credit Agreement bears interest at either a LIBOR rate (subject to a 1% floor) or a base rate, plus an applicable margin of 5.25% with respect to LIBOR loans and 4.25% with respect to base rate loans. As of December 31, 2013, all loans under the Term Loan Credit Agreement were accruing interest at the LIBOR rate, for a total interest rate of 6.25% or 425 basis points lower than the extinguished Notes. For additional information regarding the impact of the note repurchases to interest expense, please see "Interest Expense, Net" discussion below.

Interest Expense, Net

Net interest expense totaled \$23.7 million in 2013, compared to \$28.2 million in 2012. The decrease was driven by a reduction in interest expense reclassified from accumulated other comprehensive income into earnings as a result of the previously terminated interest rate swap agreement on December 1, 2010. The amortization period for the interest rate swap expense ended in December of 2012, and therefore had no impact in 2013 compared to \$3.4 million in additional interest expense in 2012. Also contributing to the decrease in interest expense was (1) the repurchases of our outstanding 10.5% senior notes during the third and fourth quarters of 2013, and (2) a reduction in interest rates incurred on new capital leases. The interest savings related to the repurchases of the 10.5% senior notes was approximately \$0.5 million in 2013, and the forecasted savings for 2014 is approximately \$7.0 million.

Income Taxes

We recorded an income tax provision of \$3.0 million in relation to pretax loss of \$11.6 million for 2013, which was primarily due to the impact of amortization of tax basis goodwill in a deferred tax liability position. Our income tax provision includes a \$7.3 million valuation allowance against certain of our deferred tax assets. Had we not recorded

this valuation allowance, our tax benefit would have been 4.3 million. This yields an effective income tax rate benefit of 37.0%.

Noncontrolling Interest

Net income attributable to noncontrolling interest represents 35% of the income of UDS and its subsidiaries, which together comprise our Chinese operations.

Net Loss Attributable to ARC

Net loss attributable to ARC was \$15.3 million in 2013, as compared to net loss attributable to ARC of \$32.0 million in 2012. The decrease in net loss attributable to ARC in 2013 is primarily due to the goodwill impairment charge in 2012, an increase in gross margins and a reduction in amortization and interest expense in 2013. This decrease was partially offset by the loss on extinguishment of debt and the increase in selling, general and administrative expenses in 2013, as noted above.

EBITDA

EBITDA margin increased to 11.3% in 2013, as compared to 9.5% in 2012. Excluding the effect of stock-based compensation, restructuring expense, goodwill impairment charge in 2012 and loss on extinguishment of debt, adjusted EBITDA margin increased to 16.8% in 2013, as compared to 14.9% in 2012. The increases in EBITDA and adjusted EBITDA were due primarily to the increase in gross profit as a result of the restructuring plan initiated in the fourth quarter of 2012 as well as ongoing 2013 margin expansion initiatives.

Fiscal Year Ended December 31, 2012 Compared to Fiscal Year Ended December 31, 2011

Net Sales

Net sales in 2012 decreased by 3.9%. The decrease in net sales was primarily due to lower sales activity in our Traditional Reprographics Services offering, which were partially offset by higher sales activity in our Onsite Services. Declines in Traditional Reprographics sales were influenced by low levels of private non-residential construction activity, as well as a continuing trend of shifting document workflow away from a reliance on print toward more digital processes.

Onsite Services. Onsite sales in 2012 compared to 2011, increased by 8.0%.

The number of Onsite Services accounts grew to approximately 7,000 as of December 31, 2012, an increase of more than 900 locations compared to December 31, 2011, due to growth in new MPS placements.

Traditional Reprographics. Traditional Reprographics sales decreased \$18.6 million, or 12.8% in 2012 compared to 2011.

Overall Traditional Reprographics Services sales nationwide were negatively affected by the lower volume of construction drawings produced through large-format black and white printing, which was driven by the effect of technology adoption referenced above. Large-format black and white printing revenues represented approximately 21% of services sales in 2012, as compared to approximately 24% in 2011, and decreased by 14.6% year-over-year. Color Services. Color Services comprised approximately 23% of our services sales for 2012 and 2011. Net sales of Color Services decreased 5.9% in 2012, compared to 2011. We attribute this decrease to the loss of a large customer, an overall decline in Color Services in the AEC industry, and temporary disruptions as we expanded and enhanced our Color Services operations and sales force.

Digital. Digital Service revenue decreased by 6.3%, compared to 2011 due to a decline in Digital Services related to project-based work performed at our service centers, which was offset, in part, by an increase in our cloud-based service offerings. As a percentage of services sales, Digital Service sales remained steady at approximately 10% of services sales in 2012 and 2011.

Equipment and Supplies Sales. Equipment and Supplies Sales increased by 2.6% in 2012 compared to 2011. The increase in Equipment and Supplies Sales was driven by increased sales from UDS. The Chinese market has shown a preference for owning equipment as opposed to using equipment through an Onsite Services or FM arrangement. Chinese operations had sales of equipment and supplies of \$21.5 million in 2012, as compared to \$17.7 million in 2011.

Gross Profit

During the twelve months ended December 31, 2012, gross profit and gross profit margin decreased to \$123.5 million, and 30.4%, compared to \$134.3 million, and 31.8%, during the same period in 2011, on a sales decline of \$16.5 million.

The primary reason for the decrease in gross margins was a decline in sales in service offerings delivered at our service center locations, most notably Traditional Reprographics, which typically have a lower cost of materials than our other service and product offerings. With the decline in Traditional Reprographics sales, our business mix shifted and Equipment and Supplies Sales in

China comprised a greater portion of consolidated sales. As a result, material costs as a percentage of consolidated sales in 2012 were 120 basis points higher as compared to 2011.

Labor and overhead costs as a percentage of sales remained consistent with prior year, as we aggressively reduced labor and overhead costs, including savings from our restructuring plan, in response to the declining sales.

Selling, General and Administrative Expenses

The decrease of \$8.2 million in selling, general and administrative expenses were primarily due to cost reduction programs in 2012, partially offset by an increase in sales and marketing expenses.

General and administrative expenses for 2012 decreased \$11.4 million, or 17.0% compared to the same period in 2011. This decrease was primarily driven by the decrease in our headcount in response to the decline in overall sales, as noted above, and a decrease in stock-based compensation.

Sales and marketing expenses increased \$3.2 million driven primarily by the hiring of additional sales personnel to implement specific sales initiatives, such as Riot Creative Imaging, and our MPS offering.

Amortization of Intangibles

In 2012, amortization of intangibles decreased by \$7.7 million due to the completion of the phasing out of local trade names in April 2012.

Goodwill Impairment

At September 30, 2012, we performed our annual goodwill impairment analysis, which indicated that seven of our 27 reporting units, six in the United States and one in Canada, had goodwill impairments as of September 30, 2012. Accordingly, we recorded a pretax, non-cash charge for the three months ended September 30, 2012 to reduce the carrying value of goodwill by \$16.7 million.

See “Critical Accounting Policies” section for further information related to our goodwill impairment test.

Impairment of Long-Lived Assets

Our operating segments are being negatively affected by the drop in commercial and residential construction resulting from the current economic downturn. Before assessing our goodwill for impairment, we evaluated the long-lived assets of our operating segments. Based on this assessment there was no impairment in 2012. For further information, please see Note 2 “Summary of Significant Accounting Policies” to our Consolidated Financial Statements for further information.

Restructuring Expense

Restructuring expenses in 2012 includes employee termination costs of \$0.8 million, estimated lease termination and obligation costs of \$2.2 million, and other restructuring expenses of \$0.4 million.

For further information, please see Note 3 “Restructuring Expenses” to our Consolidated Financial Statements.

Interest Expense, Net

Net interest expense was \$28.2 million in 2012, compared to \$31.1 million in 2011. The decrease was driven by a reduction in interest expense reclassified from accumulated other comprehensive income into earnings as a result of the previously terminated interest rate swap agreement on December 1, 2010, which totaled \$3.4 million in 2012 compared to \$5.7 million in 2011 and a reduction in the average debt balance by \$8.5 million from 2011 to 2012.

Income Taxes

We recorded an income tax provision of \$2.8 million in relation to our pretax loss of \$28.7 million for 2012. Our income tax provision includes a \$9.8 million valuation allowance against certain of our deferred tax assets. Had we not recognized this valuation allowance, our tax benefit would have been \$7.0 million. This yields an effective income tax rate benefit of 24.4% which was primarily affected by the impairment of stock-based goodwill considered nondeductible until the stock is fully disposed of. Our gross deferred tax assets remain available to us for use in future years until they fully expire.

Noncontrolling Interest

Net loss attributable to noncontrolling interest represents 35% of the loss of UDS and its subsidiaries, which together comprise our Chinese operations, which commenced operations on August 1, 2008.

Net Loss Attributable to ARC

Net loss attributable to ARC was \$32.0 million in 2012, as compared to net loss attributable to ARC of \$133.1 million in 2011. The net loss attributable to ARC in 2012 is primarily due to the decrease in sales and gross margins, the goodwill impairment charge recognized in the third quarter of 2012, and the restructuring expenses in the fourth quarter of 2012, partially offset by the decrease in selling, general and administrative expenses, as noted above. The net loss attributable to ARC in 2011 is primarily due to the establishment of a valuation allowance and the goodwill impairment charges, as described above.

EBITDA

EBITDA margin increased to 9.5% in 2012, as compared to (0.8)% in 2011 due to higher goodwill impairment charges in 2011. Excluding the effect of stock-based compensation, the goodwill impairment, and the restructuring expense, our adjusted EBITDA margin was 14.9% in 2012, as compared to 15.7% in 2011. The decrease in adjusted EBITDA was due to the decrease in gross profit noted above.

Quarterly Results of Operations

The following table sets forth certain quarterly financial data for the eight quarters ended December 31, 2013. This quarterly information has been prepared on the same basis as the annual financial statements and, in our opinion, reflects all adjustments necessary for a fair presentation of the information for periods presented. Operating results for any quarter are not necessarily indicative of results for any future period.

	Quarter Ended (In thousands, except percentages)								
	Mar. 31, 2013	June 30,	Sept. 30,	Dec. 31,	Mar. 31, 2012	June 30,	Sept. 30,	Dec. 31,	
Traditional Reprographics	\$29,558	\$30,516	\$28,907	\$27,693	\$33,323	\$34,284	\$30,820	\$28,357	
Color	20,905	21,846	20,638	20,212	20,003	20,501	19,335	19,241	
Digital	8,361	8,690	8,295	8,187	9,690	9,508	8,565	7,816	
Subtotal	58,824	61,052	57,840	56,092	63,016	64,293	58,720	55,414	
Onsite Services	28,976	30,576	30,990	31,008	26,656	27,490	27,116	27,555	
Equipment and Supplies Sales	12,236	12,994	12,422	14,185	13,901	14,445	13,590	13,922	
Total net sales	\$100,036	\$104,622	\$101,252	\$101,285	\$103,573	\$106,228	\$99,426	\$96,891	
Quarterly sales as a % of annual sales	24.6	% 25.7	% 24.9	% 24.9	% 25.5	% 26.2	% 24.5	% 23.9	%
Gross profit	\$32,379	\$35,611	\$32,880	\$33,467	\$31,878	\$33,753	\$29,248	\$28,640	
Gross margin	32.4	% 34.0	% 32.5	% 33.0	% 30.8	% 31.8	% 29.4	% 29.6	%
Income (loss) from operations	\$6,387	\$8,385	\$6,594	\$7,015	\$3,828	\$6,975	\$(13,221)	\$1,802	
EBITDA	\$14,847	\$16,984	\$14,904	\$(590)	\$15,496	\$16,687	\$(4,225)	\$10,545	
Net income (loss) attributable to ARC	\$415	\$722	\$(450)	\$(16,010)	\$(4,907)	\$(1,053)	\$(20,112)	\$(5,896)	
Income (loss) per share									

attributable to
ARC
shareholders:

Basic	\$0.01	\$0.02	\$(0.01)	\$(0.35)	\$(0.11)	\$(0.02)	\$(0.44)	\$(0.13)
Diluted	\$0.01	\$0.02	\$(0.01)	\$(0.35)	\$(0.11)	\$(0.02)	\$(0.44)	\$(0.13)

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The following is a reconciliation of EBITDA to net loss for each respective quarter.

	Quarter Ended (In thousands)							
	Mar. 31, 2013	June 30,	Sept. 30,	Dec. 31,	Mar. 31, 2012	June 30,	Sept. 30,	Dec. 31,
EBITDA	\$14,847	\$16,984	\$14,904	\$(590)	\$15,496	\$16,687	\$(4,225)	\$10,545
Interest expense, net	(6,041)	(6,076)	(5,895)	(5,725)	(7,438)	(7,255)	(6,982)	(6,490)
Income tax (provision) benefit	311	(1,467)	(790)	(1,040)	(1,310)	(619)	84	(939)
Depreciation and amortization	(8,702)	(8,719)	(8,669)	(8,655)	(11,655)	(9,866)	(8,989)	(9,012)
Net income (loss) attributable to ARC	\$415	\$722	\$(450)	\$(16,010)	\$(4,907)	\$(1,053)	\$(20,112)	\$(5,896)

We believe that quarterly revenues and operating results may vary significantly in the future and that quarter-to-quarter comparisons of our results of operations are not necessarily meaningful and should not be relied upon as indications of future performance. In addition, our quarterly operating results, particularly those of our Traditional Reprographics offerings, are typically affected by seasonal factors, primarily the number of working days in a quarter and the holiday season in the fourth quarter. Therefore, historically, our fourth quarter has been the slowest and the least profitable. While our Traditional Reprographics business is still influenced by the nature of building cycles, our remaining offerings are less so. Onsite Services, our largest revenue line, are driven by the production of office documents and our customer's desire to improve business processes and reduce print management costs. The change in our product mix and continued efforts in growing business lines that are not derived from building cycles resulted in 2013 fourth quarter sales and profitability being higher than the first and third quarter of 2013. We recorded losses on extinguishment of debt in the amount of \$16.1 million and \$0.3 million during the quarters ended December 31, 2013 and September 30, 2013, respectively. We recorded a goodwill impairment in the amount of \$16.7 million during the quarter ended September 30, 2012. We recorded valuation allowances against certain deferred tax assets of \$7.2 million, \$0.4 million, and \$0.2 million during the quarters ended December 31, 2013, September 30, 2013 and June 30, 2013, respectively. We recorded valuation allowances against certain deferred tax assets of \$3.0 million, \$3.9 million, \$0.9 million, and \$2.0 million during the quarters ended December 31, 2012, September 30, 2012, June 30, 2012 and March 31, 2012, respectively.

We believe inflation has not had a significant effect on our operations. Price increases for raw materials, such as paper and fuel charges, typically have been, and we expect will continue to be, passed on to customers in the ordinary course of business.

Liquidity and Capital Resources

Our principal sources of cash have been operations and borrowings under our debt and lease agreements. Our recent historical uses of cash have been for ongoing operations, payment of principal and interest on outstanding debt obligations, and capital expenditures. During the third and fourth quarters of 2013, we repurchased \$12.3 million in aggregate principal amount of our 10.5% senior unsecured notes due December 15, 2016 in the open market using available cash. In December 2013, we entered into a \$200.0 million Term Loan Credit Agreement, and the related proceeds were used to repurchase and redeem all of our remaining outstanding 10.5% senior unsecured notes. Total cash and cash equivalents as of December 31, 2013 was \$27.4 million. Of this amount, \$16.2 million was held in foreign countries, with \$15.1 million held in China. Cash and cash equivalents remained stable year-over-year despite significant cash payments made in 2013, including \$12.3 million related to open market repurchases of our 10.5% senior unsecured notes, \$4.3 million related to our restructuring plan, and \$4.9 million related to the refinancing of our long-term debt.

Supplemental information pertaining to our historical sources and uses of cash is presented as follows and should be read in conjunction with our Consolidated Statements of Cash Flows and notes thereto included elsewhere in this report.

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(In thousands)	Year Ended December 31,		
	2013	2012	2011
Net cash provided by operating activities	\$46,798	\$37,552	\$49,168
Net cash used in investing activities	\$(17,450)	\$(20,025)	\$(25,182)
Net cash used in financing activities	\$(30,284)	\$(15,067)	\$(25,107)

Operating Activities

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Cash flows from operations are primarily driven by sales and net profit generated from these sales, excluding non-cash charges.

The overall increase in cash flows from operations in 2013 was primarily due the increase in our net income driven by our expansion of EBITDA of approximately \$7.0 million as described above, as well as an income tax refund of \$3.8 million received in 2013 related to our 2009 consolidated federal income tax return, and the timing of accounts payable and accrued expenses. These increases were offset, in part, by an increase in accounts receivable and cash payments related to our restructuring plan of \$4.3 million in 2013, compared to \$0.9 million in 2012. Days sales outstanding (“DSO”) increased to 50 days as of December 31, 2013 from 48 days as of December 31, 2012.

The overall decrease in cash flows from operations in 2012 compared to 2011 was primarily due to an income tax refund of \$12.1 million received in the 2011 related to carryback of 2010 tax losses to 2008, as well as \$0.9 million of cash payments related to our restructuring plan in 2012.

Investing Activities

Net cash used in investing activities was primarily related to capital expenditures. We incurred capital expenditures totaling \$18.2 million, \$20.3 million, and \$15.6 million in 2013, 2012 and 2011, respectively. The decrease in capital expenditures from 2012 to 2013 is primarily due to our increased reliance on leasing rather than purchasing equipment. As we continue to foster our relationships with credit providers and obtain attractive lease rates, we may increasingly choose to lease rather than purchase equipment in the future. The increase in capital expenditures from 2011 to 2012 was primarily driven by growth in our Onsite Services, and due to the fact that we more often elected to purchase rather than lease new equipment due to the availability of cash and the interest savings thereby.

Financing Activities

Net cash of \$30.3 million used in financing activities in 2013 primarily relates to proceeds and payments on our debt agreements and capital leases. During the third and fourth quarters of 2013, we repurchased \$12.3 million in aggregate principal amount of our 10.5% senior unsecured notes due December 15, 2016, in the open market using available cash. In December 2013, we entered into a \$200.0 million Term Loan Credit Agreement, and the related proceeds were used to repurchase and redeem all of our remaining outstanding 10.5% senior unsecured notes. Payments of costs related to the early extinguishment of these notes and deferred financing fees related to the \$200.0 million Term Loan Credit Agreement totaled \$11.3 million and \$2.2 million, respectively.

Our cash position, working capital, and debt obligations as of December 31, 2013, 2012 and 2011 are shown below and should be read in conjunction with our Consolidated Balance Sheets and notes thereto contained elsewhere in this report.

(In thousands)	December 31,		
	2013	2012	2011
Cash and cash equivalents	\$27,362	\$28,021	\$25,437
Working capital	\$28,705	\$40,650	\$40,405
Borrowings from senior secured credit facility, term loan facility and Notes (1)	\$196,000	\$196,852	\$196,241
Other debt obligations	23,728	25,673	30,023
Total debt obligations	\$219,728	\$222,525	\$226,264

(1)Net of original issue discount of \$4,000, \$3,148 and \$3,759 at December 31, 2013, 2012 and 2011, respectively. The decrease of \$11.9 million in working capital in 2013 was primarily due to the refinancing of our 10.5% senior unsecured notes to a term loan credit facility in December 2013, and an increase accrued payroll and payroll-related expenses of \$4.7 million. These variances were partially offset by an increase in accounts receivable of \$4.5 million and a decrease in accrued expenses of \$1.0 million. The Term Loan Credit Agreement requires us to make mandatory repayments of principal of \$2.5 million per fiscal quarter resulting in a \$10.0 million increase in the short-term portion of our outstanding debt. The increase in accrued payroll and payroll-related expenses was due to the timing of payments and accrued incentive bonuses in 2013. Cash and cash equivalents remained stable year-over-year despite significant cash payments made in 2013, including \$12.3 million related to open market repurchases of our 10.5%

senior unsecured notes, \$4.3 million related to our restructuring plan, and \$4.9 million related to the refinancing of our long-term debt. The increase in accounts receivable was driven by higher revenue in the fourth quarter of 2013 as compared to the fourth quarter of 2012. To manage our working capital, we chiefly focus on our number of days sales outstanding and monitor the aging of our accounts receivable, as receivables are the most significant element of our working capital.

We believe that our current cash and cash equivalents balance of \$27.4 million, availability under our revolving credit facility, availability under our equipment lease lines, and additional cash flows provided by operations should be adequate to cover the next twelve months of working capital needs, debt service requirements consisting of scheduled principal and interest payments, and planned capital expenditures, to the extent such items are known or are reasonably determinable based on current business and market conditions. In addition, we may elect to finance certain of our capital expenditure requirements through borrowings under our revolving credit facility, which had no debt outstanding as of December 31, 2013, other than contingent reimbursement obligations for undrawn standby letters of credit described below that were issued under this facility. See “Debt Obligations” section for further information related to our revolving credit facility.

We generate the majority of our revenue from sales of services and products to the AEC industry. As a result, our operating results and financial condition can be significantly affected by economic factors that influence the AEC industry, such as non-residential and residential construction spending. Additionally, a general economic downturn may adversely affect the ability of our customers and suppliers to obtain financing for significant operations and purchases, and to perform their obligations under their agreements with us. We believe that credit constraints in the financial markets could result in a decrease in, or cancellation of, existing business, could limit new business, and could negatively affect our ability to collect our accounts receivable on a timely basis.

While we have not been actively seeking growth through acquisition during the last three years, the executive team continues to selectively evaluate potential acquisitions.

Debt Obligations

10.5% Senior Notes

On December 1, 2010, we completed a private placement of 10.5% senior unsecured notes due 2016 (the “Notes”). During the third and fourth quarters of 2013, we repurchased \$12.3 million in aggregate principal amount of the Notes in the open market using available cash. In December 2013 we commenced a cash tender offer and consent solicitation for all of the remaining outstanding Notes and accepted for payment all Notes that were validly tendered, followed by a redemption of all Notes which remained outstanding following the tender offer. In addition, we discharged all of our obligations under the indenture governing the Notes by causing to be delivered a notice of redemption to holders of the remaining outstanding Notes and we deposited funds sufficient to pay and discharge all remaining indebtedness on the Notes, including accrued and unpaid interest. The purchase and redemption of the Notes resulted in a loss on early extinguishment of debt of \$16.3 million in 2013.

Term Loan Credit Agreement

On December 20, 2013, we entered into a Term Loan Credit Agreement (the “Term Loan Credit Agreement”) among ARC, as borrower, JPMorgan Chase Bank, N.A, as administrative agent and as collateral agent, and the lenders party thereto.

The credit facility provided under the Term Loan Credit Agreement consists of an initial term loan facility of \$200.0 million, the entirety of which was disbursed in order to pay for the purchase of the Notes that were accepted under a cash tender offer and the subsequent redemption of the remaining outstanding Notes and to pay associated fees and expenses in connection with the cash tender offer and redemption. We have the right to request increases to the aggregate amount of term loans by an amount not to exceed \$50.0 million in the aggregate.

By refinancing the Notes with this Term Loan Credit Agreement, we were able to reduce the effective interest rate on our long-term debt from 10.5% (or \$21.0 million of interest per year on \$200.0 million of principal) to 6.25% (or \$12.5 million of interest per year on \$200.0 million of principal). In addition, it moved the principal portion of our long-term debt into a structure that is efficiently pre-payable without a premium. This allows us to use the our cash flow to efficiently deliver value to the Company.

The Term Loan Credit Agreement maturity date, with respect to the initial \$200.0 million term loan, is December 2018. Under the Term Loan Credit Agreement, we are required to make regularly scheduled principal payments of

\$2.5 million each quarter, with all remaining unpaid principal due at maturity.

The term loan extended under the Term Loan Credit Agreement can be maintained in different tranches consisting of Eurodollar loans or as base rate loans. It is expected that the term loan will be maintained in Eurodollars and therefore will bear interest, for any interest period, at a rate per annum equal to (i) the higher of (A) the LIBOR rate for U.S. dollar deposits for a period equal to the applicable interest period as determined by the administrative agent in accordance with the Term Loan Credit Agreement and (B) with respect to initial term loans only, 1.00%, plus (ii) an applicable margin of 5.25%.

We will pay certain recurring fees with respect to the credit facility, including administration fees to the administrative agent.

In accordance with the term loan facility agreement, we are required to maintain an Interest Expense Coverage Ratio (as defined in the Term Loan Credit Agreement) greater than or equal to 2.00:1.00 as of the end of each fiscal quarter. In addition, we are required to maintain a Total Leverage Ratio less than or equal to (i) 4.50:1.00 for any fiscal quarter ending through December 31, 2014; (ii) 4.25:1.00 for any fiscal quarter ending between March 31, 2015 and December 31, 2015; (iii) 4.00:1.00 for any fiscal quarter ending between March 31, 2016 and December 31, 2016; (iv) 3.75:1.00 for any fiscal quarter ending between March 31, 2017 and December 31, 2017; and (v) 3.50:1.00 for any fiscal quarter ending March 31, 2018 and thereafter. As of December 31, 2013, our Interest Expense Coverage Ratio was 2.98, and our Total Leverage Ratio was 3.22. We were in compliance with the Term Loan Credit Agreement covenants as of December 31, 2013.

Subject to certain exceptions, the term loan extended under the Term Loan Credit Agreement is subject to customary mandatory prepayments provisions with respect to: the net cash proceeds from certain asset sales; the net cash proceeds from certain issuances or incurrences of debt (other than debt permitted to be incurred under the terms of the Term Loan Credit Agreement); a portion (with stepdowns based upon the achievement of a financial covenant linked to the total leverage ratio) of annual excess cash flow of the Company and certain of its subsidiaries, and with such required prepayment amount to be reduced dollar-for-dollar by the amount of voluntary prepayments of term loans made with internally generated funds; and, the net cash proceeds in excess of a certain amount from insurance recovery (other than business interruption insurance) and condemnation events of the Company and certain of its subsidiaries, subject to certain reinvestment rights.

The Term Loan Credit Agreement contains customary representations and warranties, subject to limitations and exceptions, and customary covenants restricting our ability (subject to various exceptions) and certain of our subsidiaries' ability to: incur additional indebtedness (including guarantee obligations); incur liens; engage in mergers or other fundamental changes; sell certain property or assets; pay dividends or other distributions; consummate acquisitions; make investments, loans and advances; prepay certain indebtedness; change the nature of their business; engage in certain transactions with affiliates; and, incur restrictions on the ability of our subsidiaries to make distributions, advances and asset transfers. In addition, under the Term Loan Credit Agreement we will be required to comply with a specific leverage ratio and a minimum interest coverage ratio.

The Term Loan Credit Agreement contains customary events of default, including with respect to: nonpayment of principal, interest, fees or other amounts; material inaccuracy of a representation or warranty when made; failure to perform or observe covenants; cross-default to other material indebtedness; bankruptcy and insolvency events; inability to pay debts; monetary judgment defaults; actual or asserted invalidity or impairment of any definitive loan documentation; and a change of control.

Our obligations under the Term Loan Credit Agreement are guaranteed by each of our United States domestic subsidiaries. The Term Loan Credit Agreement and any interest rate protection and other hedging arrangements provided by any lender party to the Senior Secured Credit Facilities or any affiliate of such a lender are secured on a first priority basis by a perfected security interest in substantially all of our and each of our guarantor's assets (subject to certain exceptions), except that such lien is second priority in the case of inventory, receivables and related assets that are subject to a first priority security interest under the 2012 Credit Agreement (as defined below).

2012 Credit Agreement

On January 27, 2012, we entered into a Credit Agreement (the "2012 Credit Agreement"). The 2012 Credit Agreement was amended on December 20, 2013 in connection with our entry into the Term Loan Credit Agreement for the principal purpose of making the 2012 Credit Agreement consistent with the Term Loan Credit Agreement. The 2012 Credit Agreement, as amended, provides revolving loans in an aggregate principal amount not to exceed \$40.0 million, with a Canadian sublimit of \$5.0 million, based on inventory and accounts receivable of our subsidiaries organized in the US ("United States Domestic Subsidiaries") and Canada ("Canadian Domestic Subsidiaries") that meet

certain eligibility criteria. The 2012 Credit Agreement has a maturity date of January 27, 2017.

Amounts borrowed in US dollars under the 2012 Credit Agreement bear interest, in the case of LIBOR loans, at a per annum rate equal to LIBOR plus the LIBOR Rate Margin (as defined in the 2012 Credit Agreement), which may range from 1.75% to 2.25%, based on Average Daily Net Availability (as defined in the 2012 Credit Agreement). All other amounts borrowed in US dollars that are not LIBOR loans bear interest at a per annum rate equal to (i) the greatest of (A) the Federal Funds rate plus 0.5%, (B) the LIBOR rate (calculated based upon an interest period of three months and determined on a daily basis), plus 1.0% per annum, and (C) the rate of interest announced, from time to time, within Wells Fargo Bank, National Association at its principal office in San Francisco as its "prime rate," plus (ii) the Base Rate Margin (as defined in the 2012 Credit Agreement), which may range from 0.75% to 1.25% percent, based on Average Daily Net Availability (as defined in the 2012 Credit Agreement). Amounts borrowed in Canadian dollars bear interest at a per annum rate equal to the Canadian Base Rate (as defined in the 2012 Credit Agreement) plus the LIBOR Rate Margin, which may range from 1.75% to 2.25%, based on Average Daily Net Availability.

The 2012 Credit Agreement contains various loan covenants that restrict our ability to take certain actions, including restrictions on incurrence of indebtedness, creation of liens, mergers or consolidations, dispositions of assets, repurchase or redemption of capital stock, making certain investments, entering into certain transactions with affiliates or changing the nature of our business. In addition, at any time when Excess Availability (as defined in the 2012 Credit Agreement) is less than \$8.0 million we are required to maintain a Fixed Charge Coverage Ratio (as defined in the 2012 Credit Agreement) of at least 1.0. Our obligations under the 2012 Credit Agreement are secured by substantially all of the Company's and its United States Domestic Subsidiaries' assets. Our United States Domestic Subsidiaries have also guaranteed all of the Company's obligations under the 2012 Credit Agreement. The obligations of the Company's Canadian Domestic Subsidiaries which are borrowers under the 2012 Credit Agreement are secured by substantially all of the assets the Company's Canadian Domestic Subsidiaries.

As of and during the twelve months ended December 31, 2013, we did not have any outstanding debt under the 2012 Credit Agreement, other than contingent reimbursement obligations for undrawn standby letters of credit described below that were issued under the 2012 Credit Agreement.

As of December 31, 2013, based on inventory and accounts receivable of our subsidiaries organized in the US and Canada, our borrowing availability under the 2012 Credit Agreement was \$39.7 million; however, outstanding standby letters of credit issued under the 2012 Credit Agreement totaling \$2.5 million further reduced our borrowing availability under the 2012 Credit Agreement to \$37.2 million as of December 31, 2013.

Foreign Credit Agreement

In the third quarter of 2013, UDS, ARC's Chinese operations, entered into a revolving credit facility with a term of 18 months. The facility provides for a maximum credit amount of 20.0 million Chinese Yuan Renminbi, which translates to U.S. \$3.3 million as of December 31, 2013. Draws on the facility are limited to 30 day periods and incur a fee of 0.05% of the amount drawn and no additional interest is charged. As of December 31, 2013, there was \$1.8 million in outstanding debt drawn on our foreign credit facility.

The following table sets forth the outstanding balance, borrowing capacity and applicable interest rate under the term loan credit agreement and senior secured credit facilities.

	December 31, 2013			
	Balance	Available Borrowing Capacity	Interest Rate	
	(Dollars in thousands)			
Term loan credit agreement ⁽¹⁾	\$200,000	\$—	6.25	%
Foreign revolving facilities	1,811	1,461	0.60	%
Domestic revolving facility	—	37,186	—	
	\$201,811	\$38,647		

(1) Term loan balance shown gross of discount of \$4.0 million as of December 31, 2013.

Capital Leases

As of December 31, 2013, we had \$21.5 million of capital lease obligations outstanding, with a weighted average interest rate of 7.5% and maturities between 2014 and 2018.

Other Notes Payable

As of December 31, 2013, we had \$0.3 million of notes payable outstanding, with an interest rate of 6.5% and maturities in 2016. These notes are collateralized by equipment previously purchased.

As of December 31, 2013, we had \$0.1 million of seller notes outstanding, with a weighted average interest rate of 6.0% and maturities between 2013 and 2014. These notes were issued in connection with prior acquisitions.

Off-Balance Sheet Arrangements

As of December 31, 2013, we did not have any off-balance-sheet arrangements as defined in Item 303(a)(4)(ii) of Regulation S-K.

Contractual Obligations and Other Commitments

Our future contractual obligations as of December 31, 2013, are as follows:

	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
	(Dollars in thousands)				
Debt obligations (1)	\$202,212	\$12,013	\$20,199	\$170,000	\$—
Capital lease obligations	21,516	9,487	9,778	2,251	—
Interest on long-term debt and capital leases	59,971	13,837	25,091	21,043	—
Operating lease	46,848	17,662	21,506	7,314	366
Total	\$330,547	\$52,999	\$76,574	\$200,608	\$366

(1) Borrowings under Term Loan Credit Agreement shown gross of discount of \$4.0 million as of December 31, 2013.

Operating Leases. We have entered into various non-cancelable operating leases primarily related to our facilities.

Contingent Transaction Consideration. We have entered into earnout obligations in connection with prior acquisitions. If the acquired businesses generate sales and/or operating profits in excess of predetermined targets, we are obligated to make additional cash payments in accordance with the terms of such earnout obligations. As of December 31, 2013, we have potential future earnout obligations for acquisitions consummated before the adoption of ASC 805, Business Combinations, of approximately \$1.8 million through 2014 if predetermined financial targets are met or exceeded.

Earnout payments prior to the adoption of ASC 805 are recorded as additional purchase price (as goodwill) when the contingent payments are earned and become payable.

Legal Proceedings. On October 21, 2010, a former employee, individually and on behalf of a purported class consisting of all non-exempt employees who work or worked for American Reprographics Company, L.L.C. and American Reprographics Company in the State of California at any time from October 21, 2006 through the present, filed an action against the Company in the Superior Court of California for the County of Orange. The complaint alleges, among other things, that the Company violated the California Labor Code by failing to (i) provide meal and rest periods, or compensation in lieu thereof, (ii) timely pay wages due at termination, and (iii) that those practices also violate the California Business and Professions Code. The relief sought includes damages, restitution, penalties, interest, costs, and attorneys' fees and such other relief as the court deems proper. On March 15, 2013, the Company participated in a private mediation session with claimants' counsel which did not result in resolution of the claim. Subsequent to the mediation session, the mediator issued a proposal that was accepted by both parties. The proposed settlement is subject to approval by the Court. A continued hearing on the motion for preliminary approval of the settlement will be held on March 19, 2014. The Company recorded a liability of \$0.9 million as of December 31, 2013 related to the claim. The case remains unresolved as of December 31, 2013. As such, the ultimate resolution of the claim could result in a loss different than the estimated loss recorded.

In addition to the matter described above, we are involved in various additional legal proceedings and other legal matters from time to time in the normal course of business. We do not believe that the outcome of any of these matters will have a material effect on our consolidated financial position, results of operations or cash flows.

Critical Accounting Policies

Our management prepares financial statements in conformity with GAAP. When we prepare these financial statements, we are required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, we evaluate our estimates and judgments, including those related to accounts receivable, inventories, deferred tax assets, goodwill and intangible assets and long-lived assets. We base our estimates and judgments on historical experience and on various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for our judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may

differ from these estimates under different assumptions or conditions.

Impairment of Long-Lived Assets

We periodically assess potential impairments of our long-lived assets in accordance with the provisions of Accounting Standards Codification (“ASC”) 360, Property, Plant, and Equipment. An impairment review is performed whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable.

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Factors we consider include, but are not limited to, significant underperformance relative to historical or projected operating results; significant changes in the manner of use of the acquired assets or the strategy for the overall business; and significant negative industry or economic trends. When the carrying value of a long-lived asset may not be recoverable based upon the existence of one or more of the above indicators of impairment, we estimate the future undiscounted cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected future undiscounted cash flows and eventual disposition is less than the carrying amount of the asset, we recognize an impairment loss. An impairment loss is reflected as the amount by which the carrying amount of the asset exceeds the fair value of the asset, based on the fair value if available, or as estimated using discounted cash flows, if not.

Goodwill

In connection with acquisitions, we apply the provisions of ASC 805, Business Combinations, using the acquisition method of accounting. The excess purchase price over the fair value of net tangible assets and identifiable intangible assets acquired is recorded as goodwill.

In accordance with ASC 350, Intangibles – Goodwill and Other, we assess goodwill for impairment annually as of September 30, and more frequently if events and circumstances indicate that goodwill might be impaired.

At September 30, 2013, we assessed goodwill for impairment and determined that goodwill was not impaired.

At September 30, 2012, absent the fact that we assess goodwill for impairment annually as of September 30, we determined that there were sufficient indicators to trigger a goodwill impairment analysis. The indicators included, among other factors: (1) our underperformance relative to our plan in the third quarter of 2012 (2) the performance against plan of reporting units which previously had goodwill impairment (3) the economic environment, and (4) the continued decrease in large and small format printing at our service centers, which our management believes is partly due to customers' increasing adoption of technology. Our analysis indicated that seven of our 27 reporting units, six in the United States and one in Canada, had a goodwill impairment as of September 30, 2012. Accordingly, we recorded a pretax, non-cash charge for the three months ended September 30, 2012 to reduce the carrying value of goodwill by \$16.7 million.

Goodwill impairment testing is performed at the reporting unit level. Goodwill is assigned to reporting units at the date the goodwill is initially recorded. Once goodwill has been assigned to reporting units, it no longer retains its association with a particular acquisition, and all of the activities within a reporting unit, whether acquired or internally generated, are available to support the value of the goodwill.

Goodwill impairment testing is a two-step process. Step one involves comparing the fair value of our reporting units to their carrying amount. If the carrying amount of a reporting unit is greater than zero and its fair value is greater than its carrying amount, there is no impairment. If the reporting unit's carrying amount is greater than the fair value, the second step must be completed to measure the amount of impairment, if any. Step two involves calculating the implied fair value of goodwill by deducting the fair value of all tangible and intangible assets, excluding goodwill, of the reporting unit from the fair value of the reporting unit as determined in step one. The implied fair value of goodwill determined in this step is compared to the carrying value of goodwill. If the implied fair value of goodwill is less than the carrying value of goodwill, an impairment loss is recognized equal to the difference.

We determine the fair value of our reporting units using an income approach. Under the income approach, we determined fair value based on estimated discounted future cash flows of each reporting unit. Determining the fair value of a reporting unit is judgmental in nature and requires the use of significant estimates and assumptions, including revenue growth rates and EBITDA margins, discount rates and future market conditions, among others. Our projections are driven, in part, by industry data gathered from third parties, including projected growth rates of the AEC industry by segment (i.e. residential and non-residential) and anticipated GDP growth rates, as well as company-specific data such as estimated composition of our customer base (i.e. non-AEC vs. AEC, residential vs. non-residential), historical revenue trends, and EBITDA margin performance of our reporting units. Our revenue projections for each of ARC's reporting units include the estimated respective customer composition for each reporting unit, year-to-date revenue at the time of the goodwill impairment analysis, and projected growth rates for the related customer types. Although we rely on a variety of internal and external sources in projecting revenue, our relative reliance on each source or trend changes from year to year. In 2012 and into 2013, we noted a continued divergence

between our historic revenue growth rates and AEC non-residential construction growth rates, as well as the “dilution” of traditional reprographics as the Company’s dominant business line. Therefore, we increased our reliance upon internal sources for our short-term and long-term revenue forecasts. Once the forecasted revenue was established for each of the reporting units based on the process noted above, using the current year EBITDA margin as a base line, we forecasted future EBITDA margins. In general, our EBITDA margins are significantly affected by (1) revenue trends and (2) cost management initiatives. Revenue trends impact our EBITDA margins because a significant portion of our cost of sales are considered relatively

fixed therefore an increase in forecasted revenue (particularly when combined with any cost management or productivity enhancement initiatives) would result in meaningful gross margin expansion. Similarly, a significant portion of our selling, general, and administrative expenses are considered fixed. Hence, in forecasting EBITDA margins, significant reliance was placed on the historical impact of revenue trends on EBITDA margin.

The estimated fair value of our reporting units were based upon a projected EBITDA margin, which was anticipated to increase approximately 100 basis points from 2013 to 2014, followed by year-over-year increases of approximately 100 to 200 basis points in 2015 through 2017, with stabilization expected in 2017. These cash flows were discounted using a weighted average cost of capital ranging from 13% to 15%, depending upon the size and risk profile of the reporting unit. We considered market information in assessing the reasonableness of the fair value under the income approach described above.

The results of step one of the goodwill impairment test, as of September 30, 2013, were as follows:

(Dollars in thousands)	Number of Reporting Units	Representing Goodwill of
No goodwill balance	9	\$—
Fair value of reporting unit exceeds its carrying value by 1%—20%	2	14,297
Fair value of reporting unit exceeds its carrying value by 20%—40%	4	58,285
Fair value of reporting unit exceeds its carrying value by more than 40%	10	140,026
	25	\$212,608

Based upon a sensitivity analysis, a reduction of approximately 50 basis points of projected EBITDA in 2013 and beyond, assuming all other assumptions remain constant, one reporting unit would proceed to step two of the analysis, although the change would result in no goodwill impairment.

Based upon a separate sensitivity analysis, a 50 basis point increase to the weighted average cost of capital would result in one reporting unit proceeding to step two of the analysis, although the change would result in no goodwill impairment.

Given the current economic environment and the changing document and printing needs of our customers and the uncertainties regarding the effect on our business, there can be no assurance that the estimates and assumptions made for purposes of our goodwill impairment testing in 2013 will prove to be accurate predictions of the future. If our assumptions, including forecasted EBITDA of certain reporting units, are not achieved, we may be required to record additional goodwill impairment charges in future periods, whether in connection with our next annual impairment testing in the third quarter of 2014, or on an interim basis, if any such change constitutes a triggering event (as defined under ASC 350, Intangibles – Goodwill and Other) outside of the quarter when we regularly perform our annual goodwill impairment test. It is not possible at this time to determine if any such future impairment charge would result or, if it does, whether such charge would be material.

Revenue Recognition

We apply the provisions of ASC 605, Revenue Recognition. In general, we recognize revenue when (i) persuasive evidence of an arrangement exists, (ii) shipment of products has occurred or services have been rendered, (iii) the sales price charged is fixed or determinable and (iv) collection is reasonably assured. Net sales include an allowance for estimated sales returns and discounts.

We recognize revenues from Traditional Reprographics, Color Services and Onsite Services when services have been rendered, while revenues from the sale of equipment and supplies are recognized upon delivery to the customer or upon customer pickup.

We have established contractual pricing for certain large national customer accounts. These contracts generally establish uniform pricing at all service centers for Global Solutions. Revenues earned from our Global Solutions are recognized in the same manner as non-Global Solutions revenues.

Revenues derived from our Digital Services include hosted software licensing activities, which are recognized ratably over the term of the license.

Management provides for returns, discounts and allowances based on historic experience and adjusts such allowances as considered necessary. To date, such provisions have been within the range of management's expectations.

Income Taxes

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Deferred tax assets and liabilities reflect temporary differences between the amount of assets and liabilities for financial and tax reporting purposes. Such amounts are adjusted, as appropriate, to reflect changes in tax rates expected to be in effect when the temporary differences reverse. A valuation allowance is recorded to reduce our deferred tax assets to the amount that is more likely than not to be realized. Changes in tax laws or accounting standards and methods may affect recorded deferred taxes in future periods.

When establishing a valuation allowance, we consider future sources of taxable income such as future reversals of existing taxable temporary differences, future taxable income exclusive of reversing temporary differences and carryforwards and tax planning strategies. A tax planning strategy is an action that: is prudent and feasible; an enterprise ordinarily might not take, but would take to prevent an operating loss or tax credit carryforward from expiring unused; and would result in realization of deferred tax assets. In the event we determine the deferred tax assets, more likely than not, will not be realized in the future, the valuation adjustment to the deferred tax assets will be charged to earnings in the period in which we make such a determination.

As of June 30, 2011, we determined that cumulative losses for the preceding twelve quarters constituted sufficient objective evidence (as defined by ASC 740-10, Income Taxes) that a valuation allowance was needed. As of December 31, 2013, the valuation allowance against certain deferred tax assets was \$85.6 million, which reserved substantially all of our deferred tax assets.

In future quarters we will continue to evaluate our historical results for the preceding twelve quarters and our future projections to determine whether we will generate sufficient taxable income to utilize our deferred tax assets, and whether a partial or full valuation allowance is still required. Should we generate sufficient taxable income, however, we may reverse a portion or all of the then current valuation allowance.

We calculate our current and deferred tax provision based on estimates and assumptions that could differ from the actual results reflected in income tax returns filed in subsequent years. Adjustments based on filed returns are recorded when identified.

Income taxes have not been provided on certain undistributed earnings of foreign subsidiaries because such earnings are considered to be permanently reinvested.

The amount of taxable income or loss we report to the various tax jurisdictions is subject to ongoing audits by federal, state and foreign tax authorities. Our estimate of the potential outcome of any uncertain tax issue is subject to management's assessment of relevant risks, facts, and circumstances existing at that time. We use a more-likely-than-not threshold for financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. We record a liability for the difference between the benefit recognized and measured and tax position taken or expected to be taken on our tax return. To the extent that our assessment of such tax positions changes, the change in estimate is recorded in the period in which the determination is made. We report tax-related interest and penalties as a component of income tax expense.

Allowance for Doubtful Accounts

We perform periodic credit evaluations of the financial condition of our customers, monitor collections and payments from customers, and generally do not require collateral. We provide for the possible inability to collect accounts receivable by recording an allowance for doubtful accounts. We write off an account when it is considered uncollectible. We estimate our allowance for doubtful accounts based on historical experience, aging of accounts receivable, and information regarding the creditworthiness of our customers. In 2013, 2012, and 2011, we recorded expenses of \$0.6 million, \$0.5 million, and \$1.0 million, respectively, related to the allowance for trade receivables.

Stock-Based Compensation

We apply the Black-Scholes valuation model in determining the fair value of stock options granted to employees, which is then amortized on a straight-line basis over the requisite service period. Upon the adoption of FSP FAS 123(R-3), Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards, we used the "shortcut method" for determining the historical windfall tax benefit.

Total stock-based compensation for the years ended December 31, 2013, 2012 and 2011 was \$3.2 million, \$2.0 million, and \$4.3 million, respectively and was recorded in selling, general, and administrative expenses. In addition, upon the adoption of ASC 718, Compensation—Stock Compensation, the excess tax benefit resulting from stock-based compensation, in our Consolidated Statements of Cash Flows, is classified as cash flows from financing activities.

Recent Accounting Pronouncements

See Note 2, “Summary of Significant Accounting Policies” to our Consolidated Financial Statements for disclosure on recent accounting pronouncements.

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Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Our primary exposure to market risk is interest rate risk associated with our debt instruments. We use both fixed and variable rate debt as sources of financing. In 2013, we entered into a \$200.0 million Term Loan Credit Agreement. Borrowings under the Term Loan Credit Agreement bear interest at a rate equal to an applicable margin plus a variable rate (subject to a fixed floor of 1.00%. As such, our Term Loan Credit Agreement exposes us to market risk for changes in interest rates. As of December 31, 2013, we had \$219.7 million of total debt, net of discount, and capital lease obligations, of which approximately 11% was at a fixed rate, with the remainder at variable rates. Given our debt position at December 31, 2013, the effect of a 100 basis point increase in LIBOR on our interest expense would be approximately \$0.3 million annually.

As of December 31, 2013, we were not party to any derivative or hedging transactions; however, we have entered into derivative instruments in the past to manage our exposure to changes in interest rates. These instruments allowed us to raise funds at floating rates and effectively swap them into fixed rates, without the exchange of the underlying principal amount. We have not, and do not plan to, enter into any derivative financial instruments for trading or speculative purposes.

Although we have international operating entities, our exposure to foreign currency rate fluctuations is not significant to our financial condition or results of operations.

Item 8. Financial Statements and Supplementary Data

Our financial statements and the accompanying notes that are filed as part of this report are listed under “Part IV, Item 15. Financial Statements Schedules and Reports” and are set forth beginning on page F-1 immediately following the signature pages of this Annual Report on Form 10-K, except for our quarterly results of operations, which are included in Item 7 of this Annual Report on Form 10-K.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports under the Exchange Act are recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer we conducted an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of December 31, 2013. Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that as of December 31, 2013, our disclosure controls and procedures were effective.

Management’s Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) or 15(d)-15(f) of the Exchange Act). Under the supervision and with the participation of the Company’s management, including our Chief Executive Officer and President, and our Chief Financial Officer, the Company conducted an evaluation of the effectiveness of its internal control over financial reporting based upon the framework in Internal Control — Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, the Company’s management concluded that its internal control over financial reporting was effective as of December 31, 2013.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Changes in Internal Control Over Financial Reporting

There were no changes to internal control over financial reporting during the quarter ended December 31, 2013, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Our independent registered public accounting firm has issued an audit report on internal control over financial reporting, which appears below.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
ARC Document Solutions, Inc.
Walnut Creek, California

We have audited the internal control over financial reporting of ARC Document Solutions, Inc. and subsidiaries (the “Company”) as of December 31, 2013, based on criteria established in Internal Control — Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed by, or under the supervision of, the company’s principal executive and principal financial officers, or persons performing similar functions, and effected by the company’s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the criteria established in Internal Control — Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2013 of the Company and our report dated March 14, 2014 expressed an unqualified opinion on those financial statements and financial statement schedule.

/s/ DELOITTE & TOUCHE LLP
San Francisco, California
March 14, 2014

Item 9B. Other Information

On March 13, 2014, the Company entered into an Amended and Restated Executive Employment Agreements with Kumarakulasingam Suriyakumar, President and Chief Executive Officer. The agreement with Mr. Suriyakumar provides for a term that continues through February 9, 2017.

On March 13, 2014, the Compensation Committee of the Company exercised its discretion with regard to Mr. Suriyakumar's performance bonus that resulted in a bonus payment in an amount less than the full amount for which he was eligible. Mr. Suriyakumar entered into a separate letter agreement with the Company whereby he agreed to the reduced performance bonus in the amount of \$1,516,000 and agreed that such bonus shall be payable in 70% restricted shares of common stock of the Company and 30% cash instead of 30% restricted shares of common stock of the Company and 70% cash, as called for in his previous agreement.

In addition, on March 13, 2014, the Compensation Committee of the Company approved discretionary bonuses for Messrs. Avalos, Roy, Toth and Wijesuriya. Mr. Avalos received a bonus in the amount of \$135,000, Mr. Roy received a bonus in the amount of \$280,000, Mr. Toth received a bonus in the amount of \$200,000, and Mr. Wijesuriya received a bonus in the amount of \$249,120.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Certain information regarding our executive officers is included in Part I, Item 1, of this Annual Report on Form 10-K under "Executive Officers of the Registrant." All other information regarding directors, executive officers and corporate governance required by this item is incorporated herein by reference to the applicable information in the proxy statement for our 2014 annual meeting of stockholders, which will be filed with the SEC within 120 days after our fiscal year end of December 31, 2013, and is set forth under "Nominees for Director," "Corporate Governance Profile," "Section 16(a) Beneficial Ownership Reporting Compliance," and in other applicable sections in the proxy statement.

Item 11. Executive Compensation

The information required by this item is incorporated herein by reference to the applicable information in the proxy statement for our 2014 annual meeting of stockholders and is set forth under "Executive Compensation." The information in the section of the proxy statement for our 2014 annual meeting captioned "Compensation Committee Report" is incorporated by reference herein but shall be deemed furnished, not filed and shall not be deemed to be incorporated by reference into any filing we make under the Securities Act of 1933 or the Exchange Act.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item is incorporated herein by reference to the applicable information in the proxy statement for our 2014 annual meeting of stockholders and is set forth under "Beneficial Ownership of Voting Securities" and "Equity Compensation Plan Information."

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item is incorporated herein by reference to the applicable information in the proxy statement for our 2014 annual meeting of stockholders and is set forth under "Certain Relationships and Related Transactions" and "Corporate Governance Profile."

Item 14. Principal Accountant Fees and Services

The information required by this item is incorporated herein by reference to the proxy statement for our 2014 annual meeting of stockholders and is set forth under "Auditor Fees."

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) The following documents are filed as part of this Annual Report on Form 10-K:

(1) Financial Statements

Report of Independent Registered Public Accounting Firm Deloitte & Touche LLP

Consolidated Balance Sheets as of December 31, 2013 and 2012

Consolidated Statements of Operations for the years ended December 31, 2013, 2012 and 2011

Consolidated Statements of Comprehensive Loss for the years ended December 31, 2013, 2012 and 2011

Consolidated Statements of Equity for the years ended December 31, 2013, 2012 and 2011

Consolidated Statements of Cash Flows for the years ended December 31, 2013, 2012 and 2011

Notes to Consolidated Financial Statements

(2) Financial Statement Schedules

Schedule II — Valuation and Qualifying Accounts

All other schedules have been omitted as the required information is not present or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the Consolidated Financial Statements and notes thereto.

(3) Exhibits

See Item 15(b) below.

(b) Exhibits

The following exhibits are filed herewith as part of this Annual Report on Form 10-K or are incorporated by reference to exhibits previously filed with the SEC:

Index to Exhibits

Number	Description
3.1	Certificate of Ownership and Merger as filed with Secretary of State of the State of Delaware (incorporated by reference to Exhibit 3.1 to the Registrant's Form 8-K filed December 27, 2012).
3.2	Restated Certificate of Incorporation, filed March 13, 2013.
3.3	Second Amended and Restated Bylaws, (incorporated by reference to Exhibit 3.1 to the Registrant's Form 8-K filed on October 6, 2009).
4.1	Specimen Stock Certificate (incorporated by reference to Exhibit 4.1 to the Registrant's Form 10-K filed on March 9, 2011).
4.2	Indenture, dated December 1, 2010, among ARC Document Solutions, certain subsidiaries of ARC Document Solutions as guarantors thereto, and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Registrant's Form 8-K filed on December 2, 2010).
4.3	Form of 10.5% Senior Note due 2016 (incorporated by reference to Exhibit 4.2 to the Registrant's Form 8-K filed on December 2, 2010).
4.4	Registration Rights Agreement, dated December 1, 2010, among ARC Document Solutions, certain subsidiaries of ARC Document Solutions as guarantors thereto, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative of the several initial purchasers (incorporated by reference to Exhibit 4.3 to the Registrant's Form 8-K filed on December 2, 2010).
4.5	First Supplemental Indenture dated December 20, 2013 among ARC Document Solutions, Inc., the Guarantors named therein, and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Registrant's Form 8-K filed on December 24, 2013).
10.1	Credit Agreement, dated as of January 27, 2012, by and among ARC Document Solutions, ARC Reprographics Canada Corp., ARC Digital Canada Corp., and Wells Fargo Bank, National Association, as US Agent and Wells Fargo Capital Finance Corporation Canada, as Canadian Agent and the lenders named therein (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed on February 2, 2012).*
10.2	Amended and Restated Guaranty and Security Agreement dated December 20, 2013 by and among ARC Document Solutions, Inc. and the Grantors named therein, and Wells Fargo Bank, National Association, as agent (incorporated by reference to Exhibit 10.3 to the Registrant's Form 8-K filed on December 24, 2013).
10.3	

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Canadian Guaranty and Security Agreement, dated as of January 27, 2012, by and among ARC Reprographics Canada Corp. and ARC Digital Canada Corp., and Wells Fargo Bank, National Association, as agent (incorporated by reference to Exhibit 10.3 to the Registrant's Form 8-K filed on February 2, 2012).

10.4 ARC Document Solutions 2005 Stock Plan (incorporated by reference to Exhibit 10.7 to the Registrant's Registration Statement on Form S-1 A (Reg. No. 333-119788), as amended on January 13, 2005).^

10.5 Amendment No. 1 to ARC Document Solutions 2005 Stock Plan dated May 22, 2007 (incorporated by reference to Exhibit 10.63 to the Registrant's Form 10-Q filed on August 9, 2007).^

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- 10.6 Amendment No. 2 to ARC Document Solutions 2005 Stock Plan dated May 2, 2008 (incorporated by reference to Exhibit 10.3 to the Registrant's Form 10-Q filed August 8, 2008). ^
- 10.7 Amendment No. 3 to ARC Document Solutions 2005 Stock Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Form 10-Q filed August 7, 2009). ^
- 10.8 Forms of Stock Option Agreements under the 2005 Stock Plan (incorporated by reference to Exhibit 10.8 to the Registrant's Registration Statement on Form S-1 (Reg. No. 333-119788), as filed on October 15, 2004).^
- 10.9 Forms of Restricted Stock Award Agreements under 2005 Stock Plan (incorporated by reference to Exhibit 10.27 to the Registrant's Registration Statement on Form S-1 A (Reg. No. 333-119788), as amended on December 6, 2004).^
- 10.10 Form of Restricted Stock Unit Award Agreement under 2005 Stock Plan (incorporated by reference to Exhibit 10.28 to the Registrant's Registration Statement on Form S-1 A (Reg. No. 333-119788), as amended on December 6, 2004).^
- 10.11 Form of Stock Appreciation Right Agreement under 2005 Stock Plan (incorporated by reference to Exhibit 10.29 to the Registrant's Registration Statement on Form S-1 A (Reg. No. 333-119788), as amended on January 13, 2005).^
- 10.12 Form of ARC Document Solutions Stock Option Grant Notice — Non-employee Directors (Discretionary Non-statutory Stock Options) (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed on December 16, 2005).^
- 10.13 Form of ARC Document Solutions Non-employee Directors Nonstatutory Stock Option Agreement (Discretionary Grants) (incorporated by reference to Exhibit 10.2 to the Registrant's Form 8-K filed on December 16, 2005).^
- 10.14 Amended and Restated ARC Document Solutions 2005 Employee Stock Purchase Plan amended and restated as of July 30, 2009 (incorporated by reference to Exhibit 10.1 to the Registrant's Form 10-Q filed on November 9, 2009).^
- 10.15 Lease Agreement, for the premises commonly known as 934 and 940 Venice Boulevard, Los Angeles, CA, dated November 19, 1997, by and between American Reprographics Company, L.L.C. (formerly Ford Graphics Group, L.L.C.) and Sumo Holdings LA, LLC (incorporated by reference to Exhibit 10.10 to the Registrant's Registration Statement on Form S-1 (Reg. No. 333-119788), as filed on October 15, 2004).
- 10.16 Amendment to Lease for the premises commonly known as 934 and 940 Venice Boulevard, Los Angeles, CA, effective as of August 2, 2005, by and between Sumo Holdings LA, LLC, Landlord and American Reprographics Company, L.L.C. (formerly known as Ford Graphics Group, L.L.C.) Tenant (incorporated by reference to Exhibit 10.2 to the Registrant's Form 10-Q filed on November 14, 2005).
- 10.17

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Lease Agreement for the premises commonly known as 835 West Julian Street, San Jose, CA, dated February 1, 2009, by and between American Reprographics Company, L.L.C. and Sumo Holdings San Jose, LLC (incorporated by reference to Exhibit 10.11 to the Registrant's Registration Statement on Form S-1 (Reg. No. 333-119788), as filed on October 15, 2004).

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Amendment to Lease for the premises commonly known as 835 West Julian Street, San Jose, CA, dated effective February 1, 2009, by and between Sumo Holdings San Jose, LLC, Landlord, and American Reprographics Company, L.L.C. Tenant (incorporated by reference to Exhibit 10.1 to the Registrant's Form 10-Q filed on May 8, 2009).

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- 10.19 Lease Agreement for the premises commonly known as 17721 Mitchell North, Irvine, CA, dated April 1, 1999, by and between American Reprographics Company, L.L.C. and Sumo Holdings Irvine, LLC (incorporated by reference to Exhibit 10.12 to the Registrant's Registration Statement on Form S-1 (Reg. No. 333-119788), as filed on October 15, 2004).
- 10.20 Amendment to Lease for the premises commonly known as 17721 Mitchell North, Irvine, CA, effective as of August 2, 2005, by and between Sumo Holdings Irvine, LLC, Lessor and American Reprographics Company, L.L.C., Lessee (incorporated by reference to Exhibit 10.1 to the Registrant's Form 10-Q filed on November 14, 2005).
- 10.21 Assignment of Lease and Consent for the premises commonly known as 17721 Mitchell North, Irvine, CA, dated effective April 28, 2009, by and between OCB, LLC, American Reprographics Company, L.L.C. and Sumo Holdings Irvine LLC (incorporated by reference to Exhibit 10.2 to the Registrant's Form 10-Q filed on May 8, 2009).
- 10.22 Second Amendment to Lease for the premises commonly known as 17721 Mitchell North, Irvine, CA, dated effective April 28, 2009, by and between Sumo Holdings Irvine LLC, Lessor, and OCB, LLC, Lessee, (incorporated by reference to Exhibit 10.3 to the Registrant's Form 10-Q filed on May 8, 2009).
- 10.23 Lease Agreement for the premises commonly known as 1322 V Street, Sacramento, CA, dated December 1, 1997, by and between American Reprographics Company, L.L.C. (formerly Ford Graphics Group, L.L.C.) and Sumo Holdings Sacramento, LLC (Sacramento Property) (incorporated by reference to Exhibit 10.14 to the Registrant's Registration Statement on Form S-1 (Reg. No. 333-119788), as filed on October 15, 2004).
- 10.24 Amendment to Lease for the premises commonly known as 1322 V Street, Sacramento, CA, effective as of August 2, 2005, by and between Sumo Holdings Sacramento, LLC, Landlord and American Reprographics Company, L.L.C. (formerly known as Ford Graphics Group, L.L.C.) Tenant (incorporated by reference to Exhibit 10.4 to the Registrant's Form 10-Q filed on November 14, 2005).
- 10.25 Lease Agreement for the premises commonly known as 345 Clinton Street, Costa Mesa, CA, dated September 23, 2003, by and between American Reprographics Company (dba Consolidated Reprographics) and Sumo Holdings Costa Mesa, LLC (incorporated by reference to Exhibit 10.16 to the Registrant's Registration Statement on Form S-1 (Reg. No. 333-119788), as filed on October 15, 2004).
- 10.26 Lease Agreement for the premises commonly known as 616 Monterey Pass Road, Monterey Park, CA, by and dated November 19, 1997, between Dieterich-Post Company and American Reprographics Company, L.L.C. (as successor lessee) (incorporated by reference to Exhibit 10.26 to the Registrant's Form 10-K filed on March 1, 2007).
- 10.27 Indemnification Agreement, dated April 10, 2000, among American Reprographics Company, L.L.C., American Reprographics Holdings, L.L.C., ARC Acquisition Co., L.L.C., Mr. Chandramohan, Mr. Suriyakumar, Micro Device, Inc., Dieterich-Post Company, ZS Ford L.P., and ZS Ford L.L.C. (incorporated by reference to Exhibit 10.19 to the Registrant's Registration Statement on Form S-1 (Reg. No. 333-119788), as filed on October 15, 2004).

- 10.28 Restricted Stock Award Grant Notice between American Reprographics Company and Mr. Sathiyamurthy Chandramohan dated March 27, 2007 (incorporated by reference to Exhibit 99.1 to the Registrant's Form 8-K filed on March 30, 2007).^
- 10.29 Amended and Restated Employment Agreement, dated March 21, 2012, between American Reprographics Company and Mr. Kumarakulasingam Suriyakumar (incorporated by reference to Exhibit 10. 1 to the Registrant's Form 8-K (filed on March 21, 2011).^

- 10.30 Letter Agreement, dated February 21, 2012, by and between American Reprographics Company and Kumarakulasingam Suriyakumar (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K (filed on February 21, 2012)).^
- 10.31 Restricted Stock Award Grant Notice between American Reprographics Company and Mr. Kumarakulasingam Suriyakumar dated March 27, 2007 (incorporated by reference to Exhibit 99.2 to the Registrant's Form 8-K filed on March 30, 2007)).^
- 10.32 Amended and Restated Employment Agreement, dated March 21, 2011, between American Reprographics Company and Mr. Rahul K. Roy (incorporated by reference to Exhibit 10.2 to the Registrant's Form 8-K filed on March 21, 2011)).^
- 10.33 Agreement to Grant Stock dated effective December 7, 2004, between American Reprographics Company and Mr. Rahul K. Roy (incorporated by reference to Exhibit 10.36 to the Registrant's Form 10-K filed on March 31, 2005)).^
- 10.34 Letter Agreement, dated February 21, 2012, by and between American Reprographics Company and Rahul Roy (incorporated by reference to Exhibit 10.3 to the Registrant's Form 8-K filed on February 21, 2012)).^
- 10.35 First Amendment to Agreement to Grant Stock dated May 17, 2006 between American Reprographics Company and Mr. Rahul K. Roy (incorporated by reference to Exhibit 10.48 to the Registrant's Form 10-K filed on March 1, 2007)).^
- 10.36 Amended and Restated Executive Employment Agreement, dated March 21, 2011, between American Reprographics Company and Dilantha Wijesuriya (incorporated by reference to Exhibit 10.3 to the Registrant's Form 8-K filed on March 21, 2011)). ^
- 10.37 Letter Agreement, dated February 21, 2012, by and between American Reprographics Company and Dilantha Wijesuriya (incorporated by reference to Exhibit 10.2 to the Registrant's Form 8-K filed on February 21, 2012)).^
- 10.38 Restricted Stock Award Grant Notice between American Reprographics Company and Dilantha Wijesuriya dated October 28, 2009 (incorporated by reference to Exhibit 10.79 to the Registrant's Form 10-K filed on February 26, 2010). ^
- 10.39 Executive Employment Agreement, dated April 14, 2011, between American Reprographics Company and Jorge Avalos, (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed on April 15, 2011)).^
- 10.40 Separation Agreement, dated April 13, 2011, between American Reprographics Company and Jonathan Mather (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed on April 21, 2011)).^
- 10.41 Executive Employment Agreement, dated July 18, 2011, between American Reprographics Company and John E.D. Toth, (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed on July 18, 2011)).^
- 10.42

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Form of Indemnification Agreement between ARC Document Solutions, Inc. and each of its Directors and Executive Officers.

10.43 Amendment No. 1 to Amended and Restated Employment Agreement, dated March 13, 2013, between ARC Document Solutions, Inc. and Mr. Rahul K. Roy.^

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- 10.44 Term Loan Credit Agreement dated December 20, 2013 among ARC Document Solutions, Inc., the lenders party thereto, and JPMorgan Chase Bank, N.A., as administrative agent (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed on December 24, 2013).
- 10.45 Consent and Amendment No. 1 to Credit Agreement dated June 27, 2013 by and among ARC Document Solutions, Inc., ARC Reprographics Canada Corp., ARC Digital Canada Corp., and Wells Fargo Bank, National Association, as US Agent, Wells Fargo Finance Capital Corporation Canada, as Canadian agent, and the lenders named therein.*
- 10.46 Consent and Amendment No. 2 to Credit Agreement dated December 20, 2013 by and among ARC Document Solutions, Inc., ARC Reprographics Canada Corp., ARC Digital Canada Corp., and Wells Fargo Bank, National Association, as US Agent, Wells Fargo Finance Capital Corporation Canada, as Canadian agent, and the lenders named therein (incorporated by reference to Exhibit 10.2 to the Registrant's Form 8-K filed on December 24, 2013).
- 10.47 Letter Amendment, dated March 13, 2014, by and between ARC Document Solutions, Inc. and Mr. Kumarakulasingam Suriyakumar.*^
- 10.48 Amended and Restated Employment Agreement, dated March 13, 2014, between ARC Document Solutions, Inc. and Mr. Kumarakulasingam.*^
- 21.1 List of Subsidiaries.*

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Number	Description
23.1	Consent of Deloitte & Touche LLP, Independent Registered Public Accounting Firm.*
31.1	Certification of Principal Executive Officer pursuant to Rules 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification of Principal Financial Officer pursuant to Rules 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
101.INS	XBRL Instance Document *
101.SCH	XBRL Taxonomy Extension Schema *
101.CAL	XBRL Taxonomy Extension Calculation Linkbase *
101.DEF	XBRL Taxonomy Extension Definition Linkbase *
101.LAB	XBRL Taxonomy Extension Label Linkbase *
101.PRE	XBRL Taxonomy Extension Presentation Linkbase *

* Filed herewith

^ Indicates management contract or compensatory plan or agreement

SIGNATURES

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

ARC DOCUMENT SOLUTIONS, INC.

By: /s/ KUMARAKULASINGAM SURIYAKUMAR
Chairman, President and Chief Executive Officer

Date: March 14, 2014

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

Signature	Title	Date
/s/ KUMARAKULASINGAM SURIYAKUMAR Kumarakulasingam Suriyakumar	Chairman, President and Chief Executive Officer and Director (Principal Executive Officer)	March 14, 2014
/s/ JOHN E.D. TOTH John E.D. Toth	Chief Financial Officer, Secretary (Principal Financial Officer)	March 14, 2014
/s/ JORGE AVALOS Jorge Avalos	Chief Accounting Officer (Principal Accounting Officer)	March 14, 2014
/s/ THOMAS J. FORMOLO Thomas J. Formolo	Director	March 14, 2014
/s/ ERIBERTO SCOCIMARA Eriberto Scocimara	Director	March 14, 2014
/s/ DEWITT KERRY MCCLUGGAGE Dewitt Kerry McCluggage	Director	March 14, 2014
/s/ JAMES F. MCNULTY James F. McNulty	Director	March 14, 2014
/s/ MARK W. MEALY Mark W. Mealy	Director	March 14, 2014
/s/ MANUEL PEREZ DE LA MESA Manuel Perez de la Mesa	Director	March 14, 2014

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
ARC Document Solutions, Inc.
Walnut Creek, California

We have audited the accompanying consolidated balance sheets of ARC Document Solutions, Inc. and subsidiaries (the “Company”) as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive income (loss), equity, and cash flows for each of the three years in the period ended December 31, 2013. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of ARC Document Solutions, Inc. as of December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of December 31, 2013, based on the criteria established in Internal Control—Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 14, 2014, expressed an unqualified opinion on the Company’s internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP
San Francisco, California
March 14, 2014

ARC DOCUMENT SOLUTIONS, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except per share data)

	December 31, 2013	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	\$27,362	\$28,021
Accounts receivable, net of allowances for accounts receivable of \$2,517 and \$2,634	56,328	51,855
Inventories, net	14,047	14,251
Deferred income taxes	356	—
Prepaid expenses	4,324	3,277
Other current assets	4,013	6,819
Total current assets	106,430	104,223
Property and equipment, net of accumulated depreciation of \$206,636 and \$197,830	56,181	56,471
Goodwill	212,608	212,608
Other intangible assets, net	27,856	34,498
Deferred financing fees, net	3,242	4,219
Deferred income taxes	1,186	1,246
Other assets	2,419	2,574
Total assets	\$409,922	\$415,839
Liabilities and Equity		
Current liabilities:		
Accounts payable	\$23,363	\$21,215
Accrued payroll and payroll-related expenses	11,497	6,774
Accrued expenses	21,365	22,321
Current portion of long-term debt and capital leases	21,500	13,263
Total current liabilities	77,725	63,573
Long-term debt and capital leases	198,228	209,262
Deferred income taxes	31,667	28,936
Other long-term liabilities	3,163	3,231
Total liabilities	310,783	305,002
Commitments and contingencies (Note 8)		
Stockholders' equity:		
ARC Document Solutions, Inc. stockholders' equity:		
Preferred stock, \$0.001 par value, 25,000 shares authorized; 0 shares issued and outstanding	—	—
Common stock, \$0.001 par value, 150,000 shares authorized; 46,365 and 46,274 shares issued and 46,320 and 46,262 shares outstanding	46	46
Additional paid-in capital	105,806	102,510
Retained (deficit) earnings	(14,628	) 695
Accumulated other comprehensive income	634	689
	91,858	103,940
Less cost of common stock in treasury, 45 and 12 shares	168	44
Total ARC Document Solutions, Inc. stockholders' equity	91,690	103,896
Noncontrolling interest	7,449	6,941
Total equity	99,139	110,837

Total liabilities and equity	\$409,922	\$415,839
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The accompanying notes are an integral part of these consolidated financial statements.

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ARC DOCUMENT SOLUTIONS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	Year Ended		
	December 31,		
	2013	2012	2011
Service sales	\$355,358	\$350,260	\$368,213
Equipment and supplies sales	51,837	55,858	54,519
Total net sales	407,195	406,118	422,732
Cost of sales	272,858	282,599	288,434
Gross profit	134,337	123,519	134,298
Selling, general and administrative expenses	96,800	93,073	101,315
Amortization of intangible assets	6,612	11,035	18,715
Goodwill impairment	—	16,707	65,444
Restructuring expense	2,544	3,320	—
Income (loss) from operations	28,381	(616)	(51,176)
Other income	(106)	(100)	(103)
Loss on extinguishment of debt	16,339	—	—
Interest expense, net	23,737	28,165	31,104
Loss before income tax provision	(11,589)	(28,681)	(82,177)
Income tax provision	2,986	2,784	50,931
Net loss	(14,575)	(31,465)	(133,108)
(Income) loss attributable to noncontrolling interest	(748)	(503)	21
Net loss attributable to ARC Document Solutions, Inc. shareholders	\$(15,323)	\$(31,968)	\$(133,087)
Loss per share attributable to ARC Document Solutions, Inc. shareholders:			
Basic	\$(0.33)	\$(0.70)	\$(2.93)
Diluted	\$(0.33)	\$(0.70)	\$(2.93)
Weighted average common shares outstanding:			
Basic	45,856	45,668	45,401
Diluted	45,856	45,668	45,401

The accompanying notes are an integral part of these consolidated financial statements.

ARC DOCUMENT SOLUTIONS, INC.
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
 (In thousands, except per share data)

	Year Ended December 31,		
	2013	2012	2011
Net loss	\$(14,575)	\$(31,465)	\$(133,108)
Other comprehensive income, net of tax			
Foreign currency translation adjustments	190	345	449
Amortization of derivative, net of tax effect of \$0, \$1,285 and \$2,127—		2,154	3,565
Other comprehensive income, net of tax	190	2,499	4,014
Comprehensive loss	(14,385)	(28,966)	(129,094)
Comprehensive income attributable to noncontrolling interest	993	553	212
Comprehensive loss income attributable to ARC Document Solutions, Inc. shareholders	\$(15,378)	\$(29,519)	\$(129,306)

The accompanying notes are an integral part of these consolidated financial statements.

ARC DOCUMENT SOLUTIONS, INC.
CONSOLIDATED STATEMENTS OF EQUITY
(In thousands, except per share data)

	ARC Document Solutions, Inc. Shareholders							
	Common Stock				Accumulated	Common	Noncontrolling	Total
	Shares	Par Value	Additional Paid-in Capital	Retained Earnings	Other Comprehensive Income (loss)	Stock in Treasury	Interest	
Balance at December 31, 2010	45,736	\$46	\$96,251	\$173,459	\$ (5,541)	\$ (7,709)	\$ 6,176	\$262,682
Stock-based compensation	470		4,271					\$4,271
Issuance of common stock under Employee 12 Stock Purchase Plan			50					\$50
Stock options exercised	17		108					\$108
Tax benefit from stock-based compensation, net of tax deficiency	—		(952)					\$(952)
Retirement of 447 treasury shares	—		—	(7,709)		7,709		\$—
Comprehensive loss			—	(133,087)	3,781	—	212	\$(129,094)
Balance at December 31, 2011	46,235	\$46	\$99,728	\$32,663	\$ (1,760)	\$—	\$ 6,388	\$137,065
Stock-based compensation	6		1,999					1,999
Issuance of common stock under Employee 6 Stock Purchase Plan			28					28
Stock options exercised	15		79					79
Tax benefit from stock-based compensation, net of tax deficiency			676					676
Treasury shares	12		—			(44)		(44)
Comprehensive loss			—	(31,968)	2,449	—	553	(28,966)
Balance at December 31, 2012	46,274	\$46	\$102,510	\$695	\$ 689	\$(44)	\$ 6,941	\$110,837
Stock-based compensation	41		3,207					3,207
Issuance of common stock under Employee 6 Stock Purchase Plan			30					30
	11		59					59

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Stock options exercised								
Treasury shares	33	—	—	(124)			(124)	
Dividends paid to noncontrolling interest		—	—	—	(485)		(485)	
Comprehensive loss		—	(15,323)	(55)	—	993	(14,385)	
Balance at December 31, 2013	46,365	\$46	\$105,806	\$(14,628)	\$ 634	\$(168)	\$ 7,449	\$99,139

The accompanying notes are an integral part of these consolidated financial statements.

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ARC DOCUMENT SOLUTIONS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands, except per share data)

	Year Ended December 31,		
	2013	2012	2011
Cash flows from operating activities			
Net loss	\$(14,575)	\$(31,465)	\$(133,108)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Allowance for accounts receivable	636	456	1,034
Depreciation	28,133	28,487	29,161
Amortization of intangible assets	6,612	11,035	18,715
Amortization of deferred financing costs	1,098	1,088	887
Amortization of bond discount	671	611	549
Goodwill impairment	—	16,707	65,444
Stock-based compensation	3,207	1,999	4,271
Deferred income taxes	(4,909)	(6,433)	673
Deferred tax valuation allowance	7,277	9,750	68,546
Restructuring expense, non-cash portion	244	2,379	—
Amortization of derivative, net of tax effect	—	2,154	3,565
Loss on early extinguishment of debt	16,339	—	—
Other non-cash items, net	(323)	321	(417)
Changes in operating assets and liabilities, net of effect of business acquisitions:			
Accounts receivable	(5,133)	2,533	(2,582)
Inventory	376	(3,005)	(1,170)
Prepaid expenses and other assets	1,966	1,032	(453)
Accounts payable and accrued expenses	5,179	(97)	(5,947)
Net cash provided by operating activities	46,798	37,552	49,168
Cash flows from investing activities			
Capital expenditures	(18,191)	(20,348)	(15,553)
Payments for businesses acquired, net of cash acquired and including other cash payments associated with the acquisitions	—	—	(823)
Payment for swap transaction	—	—	(9,729)
Other	741	323	923
Net cash used in investing activities	(17,450)	(20,025)	(25,182)
Cash flows from financing activities			
Proceeds from stock option exercises	59	79	108
Proceeds from issuance of common stock under Employee Stock Purchase Plan	30	28	62
Share repurchases, including shares surrendered for tax withholding	(124)	—	—
Proceeds from borrowings on long-term debt agreements	196,402	—	—
Payments of debt extinguishment costs	(11,330)	—	—
Early extinguishment of long-term debt	(200,000)	—	—
Payments on long-term debt agreements and capital leases	(12,379)	(15,601)	(25,179)
Net (repayments) borrowings under revolving credit facilities	(237)	1,266	701
Payment of deferred financing costs	(2,220)	(839)	(799)
Dividends paid to noncontrolling interest	(485)	—	—
Net cash used in financing activities	(30,284)	(15,067)	(25,107)
Effect of foreign currency translation on cash balances	277	124	265
Net change in cash and cash equivalents	(659)	2,584	(856)

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Cash and cash equivalents at beginning of period	28,021	25,437	26,293
Cash and cash equivalents at end of period	\$27,362	\$28,021	\$25,437
Supplemental disclosure of cash flow information:			
Cash paid for interest	22,873	23,277	25,215
Income taxes (received) paid, net	(3,345)	(122)	(13,488)
Noncash financing activities:			
Capital lease obligations incurred	\$10,399	\$10,047	\$10,678
Liabilities in connection with deferred financing costs	\$433	\$—	\$107
Liabilities in connection with the acquisition of businesses	\$—	\$—	\$548

The accompanying notes are an integral part of these consolidated financial statements.

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ARC DOCUMENT SOLUTIONS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except per share data or where otherwise noted)

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

ARC Document Solutions, Inc. (“ARC Document Solutions,” “ARC” or the “Company”) is a leading document solutions company serving businesses of all types, with an emphasis on the non-residential segment of the architecture, engineering and construction (“AEC”) industry. ARC offers a variety of services including: Onsite Services, Digital Services, Color Services, and Traditional Reprographics Services. In addition, ARC also sells Equipment and Supplies. The Company conducts its operations through its wholly-owned operating subsidiary, American Reprographics Company, L.L.C., a California limited liability company, and its subsidiaries.

Basis of Presentation

The accompanying Consolidated Financial Statements include the accounts of the Company and its subsidiaries. All material intercompany accounts and transactions have been eliminated in consolidation.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements and accompanying notes. The Company evaluates its estimates and assumptions on an ongoing basis and relies on historical experience and various other factors that it believes to be reasonable under the circumstances to determine such estimates. Actual results could differ from those estimates and such differences may be material to the Consolidated Financial Statements.

Risk and Uncertainties

The Company generates the majority of its revenue from sales of services and products to customers in the AEC industry. As a result, the Company’s operating results and financial condition can be significantly affected by economic factors that influence the AEC industry, such as non-residential construction spending, GDP growth, interest rates, unemployment rates, and office vacancy rates. Reduced activity (relative to historic levels) in the AEC industry would diminish demand for some of ARC’s services and products, and would therefore negatively affect revenues and have a material adverse effect on its business, operating results and financial condition.

As part of the Company’s growth strategy, ARC intends to continue to offer and grow a variety of service offerings that are relatively new to the Company. The success of the Company’s efforts will be affected by its ability to acquire new customers for the Company’s new service offerings as well as sell the new service offerings to existing customers. The Company’s inability to successfully market and execute these relatively new service offerings could significantly affect its business and reduce its long term revenue, resulting in an adverse effect on its results of operations and financial condition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash Equivalents

Cash equivalents include demand deposits and short-term investments with a maturity of three months or less when purchased.

The Company maintains its cash deposits at numerous banks located throughout the United States, Canada, India, the United Kingdom and China, which at times, may exceed federally insured limits. UDS, the Company’s operations in China, held \$15.1 million of the Company’s cash and cash equivalents as of December 31, 2013. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant risk on cash and cash equivalents.

Concentrations of Credit Risk and Significant Vendors

Concentrations of credit risk with respect to trade receivables are limited due to a large, diverse customer base. No individual customer represented more than 4% of net sales during the years ended December 31, 2013, 2012 and 2011.

The Company has geographic concentration risk as sales in California, as a percent of total sales, were approximately 31%, 31% and 32% for the years ended December 31, 2013, 2012 and 2011, respectively.

The Company contracts with various suppliers. Although there are a limited number of suppliers that could supply the Company's inventory, management believes any shortfalls from existing suppliers would be absorbed from other suppliers on comparable terms. However, a change in suppliers could cause a delay in sales and adversely affect results.

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Purchases from the Company's three largest vendors during the years ended December 31, 2013, 2012 and 2011 comprised approximately 36%, 34%, and 37% respectively, of the Company's total purchases of inventory and supplies.

Allowance for Doubtful Accounts

The Company performs periodic credit evaluations of the financial condition of its customers, monitors collections and payments from customers, and generally does not require collateral. The Company provides for the possible inability to collect accounts receivable by recording an allowance for doubtful accounts. The Company writes off an account when it is considered uncollectible. The Company estimates the allowance for doubtful accounts based on historical experience, aging of accounts receivable, and information regarding the credit worthiness of its customers. Additionally, the Company provides an allowance for returns and discounts based on historical experience. In 2013, 2012, and 2011 the Company recorded expenses of \$0.6 million, \$0.5 million and \$1.0 million, respectively, related to the allowance for doubtful accounts.

Inventories

Inventories are valued at the lower of cost (determined on a first-in, first-out basis; or average cost) or market. Inventories primarily consist of reprographics materials for use and resale, and equipment for resale. On an ongoing basis, inventories are reviewed and adjusted for estimated obsolescence or unmarketable inventories to reflect the lower of cost or market. Charges to increase inventory reserves are recorded as an increase in cost of sales. Estimated inventory obsolescence has been provided for in the financial statements and has been within the range of management's expectations. As of December 31, 2013 and 2012, the reserves for inventory obsolescence was \$0.9 million and \$1.1 million, respectively.

Income Taxes

Deferred tax assets and liabilities reflect temporary differences between the amount of assets and liabilities for financial and tax reporting purposes. Such amounts are adjusted, as appropriate, to reflect changes in tax rates expected to be in effect when the temporary differences reverse. A valuation allowance is recorded to reduce the Company's deferred tax assets to the amount that is more likely than not to be realized. Changes in tax laws or accounting standards and methods may affect recorded deferred taxes in future periods.

When establishing a valuation allowance, the Company considers future sources of taxable income such as future reversals of existing taxable temporary differences, future taxable income exclusive of reversing temporary differences and carryforwards and tax planning strategies. A tax planning strategy is an action that: is prudent and feasible; an enterprise ordinarily might not take, but would take to prevent an operating loss or tax credit carryforward from expiring unused; and would result in realization of deferred tax assets. In the event the Company determines that its deferred tax assets, more likely than not, will not be realized in the future, the valuation adjustment to the deferred tax assets will be charged to earnings in the period in which the Company makes such a determination.

As of June 30, 2011, the Company determined that cumulative losses for the preceding twelve quarters constituted sufficient objective evidence (as defined by Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 740-10, Income Taxes) that a valuation allowance was needed. As of December 31, 2013 and 2012, the valuation allowance against certain deferred tax assets was \$85.6 million and \$78.3 million, respectively.

In future quarters the Company will continue to evaluate its historical results for the preceding twelve quarters and its future projections to determine whether the Company will generate sufficient taxable income to utilize its deferred tax assets, and whether a partial or full valuation allowance is still required. Should the Company generate sufficient taxable income, however, a portion or all of the then current valuation allowance may be reversed.

The Company calculates its current and deferred tax provision based on estimates and assumptions that could differ from the actual results reflected in income tax returns filed in subsequent years. Adjustments based on filed returns are recorded when identified.

Income taxes have not been provided on certain undistributed earnings of foreign subsidiaries because such earnings are considered to be permanently reinvested.

The amount of taxable income or loss the Company reports to the various tax jurisdictions is subject to ongoing audits by federal, state and foreign tax authorities. The Company's estimate of the potential outcome of any uncertain tax issue is subject to management's assessment of relevant risks, facts, and circumstances existing at that time. The Company uses a more-likely-than-not threshold for financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. The Company records a liability for the difference between the benefit recognized and measured and tax position taken or expected

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to be taken on its tax return. To the extent that the Company's assessment of such tax positions changes, the change in estimate is recorded in the period in which the determination is made. The Company reports tax-related interest and penalties as a component of income tax expense.

The Company's effective income tax rate differs from the statutory tax rate primarily due to the valuation allowance on the Company's deferred tax assets, state income taxes, stock-based compensation, goodwill and other identifiable intangibles, and other discrete items. See Note 9 "Income Taxes" for further information.

Income tax deficiencies and benefits affecting stockholders' equity are primarily related to employee stock-based compensation.

Property and Equipment

Property and equipment are stated at cost and are depreciated using the straight-line method over their estimated useful lives, as follows:

Buildings	10-20 years
Leasehold improvements	10-20 years or lease term, if shorter
Machinery and equipment	3-7 years
Furniture and fixtures	3-7 years

Assets acquired under capital lease arrangements are included in machinery and equipment and are recorded at the present value of the minimum lease payments and are depreciated using the straight-line method over the life of the asset or term of the lease, whichever is shorter. Expenses for repairs and maintenance are charged to expense as incurred, while renewals and betterments are capitalized. Gains or losses on the sale or disposal of property and equipment are reflected in operating income.

The Company accounts for computer software costs developed for internal use in accordance with ASC 350-40, Intangibles – Goodwill and Other, which requires companies to capitalize certain qualifying costs incurred during the application development stage of the related software development project. The primary use of this software is for internal use and, accordingly, such capitalized software development costs are depreciated on a straight-line basis over the economic lives of the related products not to exceed three years. The Company's machinery and equipment (see Note 6 "Property and Equipment") includes \$0.3 million and \$0.6 million of capitalized software development costs as of December 31, 2013 and 2012, respectively, net of accumulated amortization of \$17.5 million and \$17.1 million as of December 31, 2013 and 2012, respectively. Depreciation expense includes the amortization of capitalized software development costs which amounted to \$0.3 million, \$0.5 million and \$0.9 million during the years ended December 31, 2013, 2012 and 2011, respectively.

Impairment of Long-Lived Assets

The Company periodically assesses potential impairments of its long-lived assets in accordance with the provisions of ASC 360, Property, Plant, and Equipment. An impairment review is performed whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. The Company groups its assets at the lowest level for which identifiable cash flows are largely independent of cash flows of the other assets and liabilities. The Company has determined that the lowest level for which identifiable cash flows are available is the divisional level, which is the reporting unit level.

Factors considered by the Company include, but are not limited to, significant underperformance relative to historical or projected operating results; significant changes in the manner of use of the acquired assets or the strategy for the overall business; and significant negative industry or economic trends. When the carrying value of a long-lived asset may not be recoverable based upon the existence of one or more of the above indicators of impairment, the Company estimates the future undiscounted cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected future undiscounted cash flows and eventual disposition is less than the carrying amount of the asset, the Company recognizes an impairment loss. An impairment loss is reflected as the amount by which the carrying amount of the asset exceeds the fair value of the asset, based on the fair value if available, or discounted cash flows, if fair value is not available.

The reporting units of the Company have been negatively affected by the decline in the Company's sales. Before assessing the Company's goodwill for impairment, the Company evaluated, as described above, the long-lived assets in its reporting units for impairment in 2013, 2012 and 2011. Based on these assessments, there were no long-lived asset impairments in 2013, 2012 or 2011.

Goodwill and Other Intangible Assets

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In connection with acquisitions, the Company applies the provisions of ASC 805, Business Combinations, using the acquisition method of accounting. The excess purchase price over the assessed fair value of net tangible assets and identifiable intangible assets acquired is recorded as goodwill.

In accordance with ASC 350, Intangibles – Goodwill and Other, the Company assesses goodwill for impairment annually as of September 30, and more frequently if events and circumstances indicate that goodwill might be impaired.

Goodwill impairment testing is performed at the reporting unit level. Goodwill is assigned to reporting units at the date the goodwill is initially recorded. Once goodwill has been assigned to reporting units, it no longer retains its association with a particular acquisition, and all of the activities within a reporting unit, whether acquired or internally generated, are available to support the value of the goodwill.

Goodwill impairment testing is a two-step process. Step one involves comparing the fair value of the reporting units to its carrying amount. If the carrying amount of a reporting unit is greater than zero and its fair value is greater than its carrying amount, there is no impairment. If the reporting unit's carrying amount is greater than the fair value, the second step must be completed to measure the amount of impairment, if any. Step two involves calculating the implied fair value of goodwill by deducting the fair value of all tangible and intangible assets, excluding goodwill, of the reporting unit from the fair value of the reporting unit as determined in step one. The implied fair value of goodwill determined in this step is compared to the carrying value of goodwill. If the implied fair value of goodwill is less than the carrying value of goodwill, an impairment loss is recognized equal to the difference.

The Company determines the fair value of its reporting units using an income approach. Under the income approach, the Company determined fair value based on estimated discounted future cash flows of each reporting unit. The cash flows are discounted by an estimated weighted-average cost of capital, which is intended to reflect the overall level of inherent risk of a reporting unit. Determining the fair value of a reporting unit is judgmental in nature and requires the use of significant estimates and assumptions, including revenue growth rates and EBITDA margins, discount rates and future market conditions, among others. The Company considered market information in assessing the reasonableness of the fair value under the income approach outlined above.

Other intangible assets that have finite lives are amortized over their useful lives. Customer relationships are amortized using the accelerated method, based on customer attrition rates, over their estimated useful lives of 13 (weighted average) years.

Deferred Financing Costs

Direct costs incurred in connection with debt agreements are capitalized as incurred and amortized based on the effective interest method for the Company's borrowings under its Term Loan Credit Agreement and on the straight line method for the Company's \$40.0 million revolving credit agreement, as amended (the "2012 Credit Agreement"). At December 31, 2013 and 2012, the Company had deferred financing costs of \$3.2 million and \$4.2 million, respectively, net of accumulated amortization of \$0.5 million and \$1.9 million, respectively.

In 2013, the Company added \$2.7 million of deferred financing costs related to its Term Loan Credit Agreement and to the amendment to the Company's 2012 Credit Agreement. In addition, the Company wrote off \$2.5 million of deferred financing costs due to the extinguishment, in full, of its 10.5% senior secured notes and the amendment to the Company's 2012 Credit Agreement.

In 2012, the Company added \$0.6 million of deferred financing costs related to its 2012 Credit Agreement. In 2011, the Company added \$0.5 million of deferred financing costs related to its Notes and its previous \$50 million credit agreement. In December 2010, the Company wrote off \$2.5 million of deferred financing costs due to the extinguishment, in full, of its previous credit agreement, and added \$4.9 million of deferred financing costs related to its Notes and its previous \$50 million credit agreement.

Derivative Financial Instruments

As of December 31, 2013 the Company was not party to any derivative or hedging transactions.

Historically, the Company enters into derivative instruments to manage its exposure to changes in interest rates. These instruments allow the Company to raise funds at floating rates and effectively swap them into fixed rates, without the exchange of the underlying principal amount. Such agreements are designated and accounted for under ASC 815, Derivatives and Hedging. Derivative instruments are recorded at fair value as either assets or liabilities in the

Consolidated Balance Sheets.

Fair Values of Financial Instruments

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The following methods and assumptions were used by the Company in estimating the fair value of its financial instruments for disclosure purposes:

Cash equivalents: Cash equivalents are time deposits with maturity of three months or less when purchased, which are highly liquid and readily convertible to cash. Cash equivalents reported in the Company's Consolidated Balance Sheet were \$12.9 million and \$13.7 million as of December 31, 2013 and 2012, respectively, and are carried at cost and approximate fair value due to the relatively short period to maturity of these instruments.

Short- and long-term debt: The carrying amount of the Company's capital leases reported in the Consolidated Balance Sheets approximates fair value based on the Company's current incremental borrowing rate for similar types of borrowing arrangements. The carrying amount reported in the Company's Consolidated Balance Sheet as of December 31, 2013 for borrowings under its Term Loan Credit Agreement and other notes payable is \$200.0 million and \$0.4 million, respectively. The Company has determined the fair value of its borrowings under its Term Loan Credit Agreement and other notes payable is \$200.0 million and \$0.4 million, respectively, as of December 31, 2013.

Interest rate hedge agreements: The fair value of the interest rate swap was based on market interest rates using a discounted cash flow model and an adjustment for counterparty risk. See Note 13 "Fair Value Measurements" for further information.

Insurance Liability

The Company maintains a high deductible insurance policy for a significant portion of its risks and associated liabilities with respect to workers' compensation. The Company's deductible is \$250 thousand per individual. The accrued liabilities associated with this program are based on the Company's estimate of the ultimate costs to settle known claims, as well as claims incurred but not yet reported to the Company, as of the balance sheet date. The Company's estimated liability is not discounted and is based upon an actuarial report obtained from a third party. The actuarial report uses information provided by the Company's insurance brokers and insurers, combined with the Company's judgments regarding a number of assumptions and factors, including the frequency and severity of claims, claims development history, case jurisdiction, applicable legislation, and the Company's claims settlement practices. The Company is self-insured for healthcare benefits, with a stop-loss at \$250 thousand per individual. Liabilities associated with the risks that are retained by the Company are estimated, in part, by considering historical claims experience, demographic factors, severity factors and other actuarial assumptions. The Company's results could be materially affected by claims and other expenses related to such plans if future occurrences and claims differ from these assumptions and historical trends.

Commitments and Contingencies

In the normal course of business, the Company estimates potential future loss accruals related to legal, workers' compensation, healthcare, tax and other contingencies. These accruals require management's judgment on the outcome of various events based on the best available information. However, due to changes in facts and circumstances, the ultimate outcomes could differ from management's estimates.

Revenue Recognition

The Company applies the provisions of ASC 605, Revenue Recognition. In general, the Company recognizes revenue when (i) persuasive evidence of an arrangement exists, (ii) shipment of products has occurred or services have been rendered, (iii) the sales price charged is fixed or determinable and (iv) collection is reasonably assured. Net sales include an allowance for estimated sales returns and discounts.

The Company recognizes service revenue when services have been rendered, while revenues from the resale of equipment and supplies are recognized upon delivery to the customer or upon customer pickup. Revenue from equipment service agreements are recognized over the term of the service agreement.

The Company has established contractual pricing for certain large national customer accounts ("Global Solutions"). These contracts generally establish uniform pricing at all operating segments for Global Solutions. Revenues earned from the Company's Global Solutions are recognized in the same manner as non-Global Solutions revenues.

Included in revenues are fees charged to customers for shipping, handling, and delivery services. Such revenues amounted to \$12.1 million, \$12.9 million, and \$14.8 million for the years ended December 31, 2013, 2012 and 2011, respectively.

Revenues from hosted software licensing activities are recognized ratably over the term of the license. Revenues from membership fees are recognized over the term of the membership agreement. Revenues from software licensing activities and

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membership revenues comprise less than 1% of the Company's consolidated revenues during the years ended December 31, 2013, 2012 and 2011.

Management provides for returns, discounts and allowances based on historic experience and adjusts such allowances as considered necessary. To date, such provisions have been within the range of management's expectations.

Comprehensive Income (Loss)

The Company's comprehensive loss includes foreign currency translation adjustments and the amortized fair value of the company's previous swap transaction, net of taxes. The Amended Swap Transaction was de-designated on December 1, 2010, as it no longer qualified as a cash flow hedge when the cash proceeds from the issuance of the Notes were used to pay off the Company's previous credit agreement. At that time, the fair value of the Amended Swap Transaction was computed and the effective portion was stored in other comprehensive income and was amortized into income, net of tax effect, on the straight-line method, based on the original notional schedule.

Asset and liability accounts of international operations are translated into the Company's functional currency, U.S. dollars, at current rates. Revenues and expenses are translated at the weighted-average currency rate for the fiscal year.

Segment and Geographic Reporting

The provisions of ASC 280, Disclosures about Segments of an Enterprise and Related Information, require public companies to report financial and descriptive information about their reportable operating segments. The Company identifies operating segments based on the various business activities that earn revenue and incur expense, whose operating results are reviewed by the Company's Chief Executive Officer and Chief Operating Officer, who, acting jointly, are deemed to be the chief operating decision makers. Because its operating segments have similar products and services, classes of customers, production processes and economic characteristics, the Company is deemed to operate as a single reportable segment.

Net sales of the Company's principal services and products were as follows:

	Year Ended December 31,		
	2013	2012	2011
Service Sales			
Traditional Reprographics	\$116,673	\$126,785	\$145,449
Color	83,601	79,080	84,062
Digital	33,534	35,578	38,020
Subtotal	233,808	241,443	267,531
Onsite Services ⁽¹⁾	121,550	108,817	100,682
Total services sales	355,358	350,260	368,213
Equipment and Supplies Sales	51,837	55,858	54,519
Total net sales	\$407,195	\$406,118	\$422,732

⁽¹⁾ Represents work done at the Company's customer sites which includes Facilities Management ("FM") and Managed Print Services ("MPS").

The Company recognizes revenues in geographic areas based on the location to which the product was shipped or services have been rendered. Operations outside the United States have been small but growing. See table below for revenues and long-lived assets, net, attributable to the Company's U.S. operations and foreign operations.

	Year Ended December 31,								
	2013			2012			2011		
	U.S.	Foreign Countries	Total	U.S.	Foreign Countries	Total	U.S.	Foreign Countries	Total
Revenues from external	\$354,995	\$52,200	\$407,195	\$353,763	\$52,355	\$406,118	\$378,705	\$44,027	\$422,732

customers

Long-lived assets, net	\$292,290	\$10,016	\$302,306	\$299,426	\$10,944	\$310,370	\$325,795	\$10,397	\$336,192
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Advertising and Shipping and Handling Costs

Advertising costs are expensed as incurred and approximated \$1.4 million, \$1.5 million, and \$1.7 million during the years ended December 31, 2013, 2012 and 2011, respectively. Shipping and handling costs incurred by the Company are included in cost of sales.

Stock-Based Compensation

The Company applies the Black-Scholes valuation model in determining the fair value of share-based payments to employees, which is then amortized on a straight-line basis over the requisite service period. Upon the adoption of FSP FAS 123(R-3), Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards, the Company used the “shortcut method” for determining the historical windfall tax benefit.

Total stock-based compensation for the years ended December 31, 2013, 2012 and 2011, was \$3.2 million, \$2.0 million and \$4.3 million, respectively and was recorded in selling, general, and administrative expenses, consistent with the classification of the underlying salaries. In accordance with ASC 718, Income Taxes, the excess tax benefit resulting from stock-based compensation, in the Consolidated Statements of Cash Flows, are classified as financing cash inflows.

The weighted average fair value at the grant date for options issued in the fiscal years ended December 31, 2013, 2012 and 2011, was \$1.57, \$2.97 and \$4.43 respectively. The fair value of each option grant was estimated on the date of grant using the Black-Scholes option-pricing model using the following weighted average assumptions for the years ended December 31, 2013 and 2012 and 2011:

	Year Ended December 31,			
	2013	2012	2011	
Weighted average assumptions used:				
Risk free interest rate	1.36	% 1.17	% 2.01	%
Expected volatility	59.7	% 54.8	% 48.1	%
Expected dividend yield	—	% —	% —	%

Using historical exercise data as a basis, the Company determined that the expected term for stock options issued in 2013, 2012 and 2011 was 7.0 years, 7.1 years and 6.9 years, respectively.

For fiscal years 2013, 2012 and 2011, expected stock price volatility is based on a the Company’s historical volatility for a period equal to the expected term. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant with an equivalent remaining term. The Company has not paid dividends in the past and does not currently plan to pay dividends in the near future. The Company assumed a forfeiture rate of 3% in 2013, 2% in 2012 and 0% in 2011. The Company’s assumed forfeiture rate is based on the historical forfeiture rate for employees at similar levels in the Company. The Company reviews its forfeiture rate at least on an annual basis.

As of December 31, 2013, total unrecognized stock-based compensation expense related to nonvested stock-based compensation was approximately \$4.8 million, which is expected to be recognized over a weighted average period of approximately 2.1 years.

For additional information, see Note 10 “Employee Stock Purchase Plan and Stock Option Plan.”

Research and Development Expenses

Research and development activities relate to costs associated with the design and testing of new technology or enhancements and maintenance to existing technology and are expensed as incurred. In total, research and development amounted to \$5.5 million, \$5.4 million and \$4.9 million during the fiscal years ended December 31, 2013, 2012 and 2011, respectively.

Noncontrolling Interest

The Company accounted for its investment in UNIS Document Solutions Co. Ltd., (“UDS”) under the purchase method of accounting, in accordance with ASC 805, Business Combinations. UDS is consolidated in the Company’s financial statements from the date of commencement. Noncontrolling interest, which represents the 35 percent non-controlling interest in UDS, is reflected on the Company’s Consolidated Financial Statements.

Sales Taxes

The Company bills sales taxes, as applicable, to its customers. The Company acts as an agent and bills, collects, and remits the sales tax to the proper government jurisdiction. The sales taxes are accounted for on a net basis, and therefore are not included as part of the Company's revenue.

Earnings Per Share

The Company accounts for earnings per share in accordance with ASC 260, Earnings Per Share. Basic earnings per share are computed by dividing net income attributable to ARC by the weighted-average number of common shares outstanding for the period. Diluted earnings per common share is computed similarly to basic earnings per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if common shares subject to outstanding options and acquisition rights had been issued and if the additional common shares were dilutive. Common share equivalents are excluded from the computation if their effect is anti-dilutive. There were 2.1 million, 2.3 million and 2.2 million common stock options excluded as their effect would have been anti-dilutive for the years ended December 31, 2013, 2012 and 2011, respectively. The Company's common share equivalents consist of stock options issued under the Company's Stock Plan.

Basic and diluted earnings per common share were calculated as follows for the years ended December 31, 2013, 2012 and 2011:

	Year Ended December 31,		
	2013	2012	2011
Weighted average common shares outstanding during the period basic	45,856	45,668	45,401
Effect of dilutive stock options	—	—	—
Weighted average common shares outstanding during the period diluted	45,856	45,668	45,401

Recent Accounting Pronouncements

In March 2013, the FASB issued Accounting Standards Update ("ASU") 2013-05. The new guidance covers the accounting for a cumulative translation adjustment on the parent entity upon de-recognition of a subsidiary or group of assets within a foreign entity. This new guidance requires that the parent release any related cumulative translation adjustment into net income only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided. The adoption of ASU 2013-05 will be effective beginning January 1, 2014. The Company does not anticipate the adoption to materially impact the Company's Consolidated Financial Statements.

In February 2013, the FASB issued ASU 2013-02. This new guidance requires entities to present (either on the face of the income statement or in the notes) the effects on the line items of the income statement for amounts reclassified out of accumulated other comprehensive income. The adoption of ASU 2013-02 had no impact to the Company's Consolidated Financial Statements.

3. RESTRUCTURING EXPENSES

To ensure that the Company's costs and resources were in line with demand for its current portfolio of services and products, management initiated a restructuring plan in the fourth quarter of 2012. As of December 31, 2013, the restructuring plan included the closure or downsizing of 56 of the Company's service centers, which represented more than 25% of its total number of service center locations. In addition, as part of the restructuring plan, the Company reduced headcount and middle management associated with its service center locations, streamlined the senior operational management team, and allocated more resources into growing sales categories such as Onsite Services. The reduction in headcount totaled approximately 300 full-time employees, which represented approximately 10% of the Company's total workforce.

Restructuring expenses include employee termination costs, estimated lease termination and obligation costs, and other restructuring expenses. The Company's restructuring efforts included service center closures in both 2012 and 2013. For the twelve months ended December 31, 2013, the Company closed or downsized 23 service center locations, in addition to 33 service center locations in 2012.

The following table summarizes restructuring expenses incurred in 2013 and 2012:

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	Year Ended December 31,	
	2013	2012
Employee termination costs	\$ 15	\$ 784
Estimated lease termination and obligation costs	1,803	2,168
Other restructuring expenses	726	368
Total restructuring expenses	\$2,544	\$3,320

The changes in the restructuring liability from December 31, 2011 through December 31, 2013 are summarized as follows:

Balance, December 31, 2011	\$—	
Restructuring expenses	3,320	
Payments	(940)
Adjustments	(81)
Balance, December 31, 2012	\$2,299	
Restructuring expenses	2,544	
Payments	(4,304)
Balance, December 31, 2013	\$539	

4. ACQUISITIONS

During 2013 or 2012, the Company had no business acquisitions.

During 2011, the Company acquired one Chinese business through UDS, its business venture with Unisplendour Corporation Limited (“Unisplendour”) for \$1.4 million in the aggregate.

The results of operations of the companies acquired have been included in the Consolidated Financial Statements from their respective dates of acquisition.

For U.S. income tax purposes, \$1.2 million of intangibles resulting from the acquisition completed during 2011 are amortized over a 15-year period. None of the Company’s acquisitions were related or contingent upon any other acquisitions.

Certain acquisition agreements entered into by the Company contain earnout agreements which provide for additional consideration (Earnout Payments) to be paid to the former owners if the acquired entity’s results of operations, or sales, exceed certain targeted levels measured on an annual basis generally three years after the acquisition. The earnout provisions generally contain limits on the amount of Earnout Payments that may be payable over the term of the agreement. The Company’s estimate of the aggregate amount of additional consideration that may be payable over the terms of the earnout agreements subsequent to December 31, 2013 is approximately \$1.8 million.

5. GOODWILL AND OTHER INTANGIBLES RESULTING FROM BUSINESS ACQUISITIONS

In connection with acquisitions, the Company applies the provisions of ASC 805, Business Combinations, using the acquisition method of accounting. The excess purchase price over the assessed fair value of net tangible assets and identifiable intangible assets acquired is recorded as goodwill.

In accordance with ASC 350, Intangibles-Goodwill and Other, the Company assesses goodwill for impairment annually as of September 30, and more frequently if events and circumstances indicate that goodwill might be impaired. At December 31, 2013, the Company assessed goodwill for impairment and determined that goodwill was not impaired.

At September 30, 2012, absent the fact that the Company assesses goodwill for impairment annually as of September 30, the Company determined that there were sufficient indicators to trigger a goodwill impairment analysis. The indicators included, among other factors: (1) the Company’s underperformance relative to its plan in the third quarter of 2012, (2) the performance against plan of reporting units which previously had goodwill impairment, (3) the economic environment, and (4) the continued

decrease in large and small format printing at the Company's service centers, which the Company management believes is partly due to customers' increasing adoption of technology. The Company's analysis indicated that seven of its 27 reporting units, six in the United States and one in Canada, had a goodwill impairment as of September 30, 2012. Accordingly, the Company recorded a pretax, non-cash charge for the three months ended September 30, 2012 to reduce the carrying value of goodwill by \$16.7 million. Based upon its assessment, the Company concluded that no goodwill impairment triggering events have occurred during the fourth quarter of 2013 that would require an additional impairment test.

Goodwill impairment testing is performed at the reporting unit level. Goodwill is assigned to reporting units at the date the goodwill is initially recorded. Once goodwill has been assigned to reporting units, it no longer retains its association with a particular acquisition, and all of the activities within a reporting unit, whether acquired or internally generated, are available to support the value of the goodwill.

Goodwill impairment testing is a two-step process. Step one involves comparing the fair value of the reporting units to its carrying amount. If the carrying amount of a reporting unit is greater than zero and its fair value is greater than its carrying amount, there is no impairment. If the reporting unit's carrying amount is greater than the fair value, the second step must be completed to measure the amount of impairment, if any. Step two involves calculating the implied fair value of goodwill by deducting the fair value of all tangible and intangible assets, excluding goodwill, of the reporting unit from the fair value of the reporting unit as determined in step one. The implied fair value of goodwill determined in this step is compared to the carrying value of goodwill. If the implied fair value of goodwill is less than the carrying value of goodwill, an impairment loss is recognized equal to the difference.

The Company determines the fair value of its reporting units using an income approach. Under the income approach, the Company determined fair value based on estimated discounted future cash flows of each reporting unit. The cash flows are discounted by an estimated weighted-average cost of capital, which is intended to reflect the overall level of inherent risk of a reporting unit. Determining the fair value of a reporting unit is judgmental in nature and requires the use of significant estimates and assumptions, including revenue growth rates and EBITDA margins, discount rates and future market conditions, among others. The Company considered market information in assessing the reasonableness of the fair value under the income approach outlined above.

Given the current economic environment, the changing document and printing needs of the Company's customers, and the uncertainties regarding the related impact on the Company's business, there can be no assurance that the estimates and assumptions made for purposes of the Company's goodwill impairment testing in 2013 will prove to be accurate predictions of the future. If the Company's assumptions, including forecasted EBITDA of certain reporting units, are not achieved, the Company may be required to record additional goodwill impairment charges in future periods, whether in connection with the Company's next annual impairment testing in the third quarter of 2014, or on an interim basis, if any such change constitutes a triggering event (as defined under ASC 350, Intangibles—Goodwill and Other) outside of the quarter when the Company regularly performs its annual goodwill impairment test. It is not possible at this time to determine if any such future impairment charge would result or, if it does, whether such charge would be material.

At September 30, 2011, the results of the Company's analysis indicated that nine of its 37 reporting units, eight in the United States and one in Canada, had a goodwill impairment. Accordingly, the Company recorded a pretax, non-cash charge for the three months ended September 30, 2011 to reduce the carrying value of goodwill by \$42.1 million. Given the increased uncertainty in the timing of the recovery of the construction industry, and the increased uncertainty in the economy as a whole, as well as the significant decline in the price of the Company's senior notes (resulting in a higher yield) and a decline of the Company's stock price during the third quarter of 2011, the Company concluded that it was appropriate to increase the estimated weighted average cost of capital ("WACC") of its reporting units as of September 30, 2011. The increase in the Company's WACC was the main driver in the decrease in the estimated fair value of reporting units during the third quarter of 2011, which in turn resulted in the goodwill impairment.

At June 30, 2011, the Company determined that there were sufficient indicators to trigger an interim goodwill impairment analysis. The indicators included, among other factors: (1) the economic environment, (2) the performance against plan of reporting units which previously had goodwill impairment, and (3) revised forecasted

future earnings. The Company's analysis indicated that six of its 36 reporting units, all of which are located in the United States, had a goodwill impairment as of June 30, 2011. Accordingly, the Company recorded a pretax, non-cash charge for the three and six months ended June 30, 2011 to reduce the carrying value of goodwill by \$23.3 million. The changes in the carrying amount of goodwill from January 1, 2012 through December 31, 2013 are summarized as follows:

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	Gross Goodwill	Accumulated Impairment Loss	Net Carrying Amount
January 1, 2012	\$405,558	\$176,243	\$229,315
Additions	—	—	—
Goodwill impairment	—	16,707	(16,707)
December 31, 2012	405,558	192,950	212,608
Additions	—	—	—
Goodwill impairment	—	—	—
December 31, 2013	\$405,558	\$192,950	\$212,608

Other intangible assets that have finite lives are amortized over their useful lives. Customer relationships are amortized using the accelerated method, based on customer attrition rates, over their estimated useful lives of 13 (weighted average) years.

During the fourth quarter of 2010, the Company decided to consolidate the various brands that previously represented the Company's market presence in North America. Beginning in January 2011, each of the Company's North American operating segments and their respective locations began to adopt ARC, the Company's overall brand name. Original brand names were used in conjunction with the new ARC brand name to reinforce the Company's continuing presence in the business communities it serves, and ongoing relationships with its customers. Accordingly, the remaining estimated useful lives of the trade name intangible assets were revised down to 18 months. This change in estimate was accounted for on a prospective basis, resulting in increased amortization expense over the revised useful life of each trade name. There was no related impact for the year ended December 31, 2013. The impact of this change for the twelve months ended December 31, 2012 was an increase in amortization expense of approximately \$3.2 million. Trade names were amortized using the straight-line method. The Company retired the original North American trade names in April 2012.

The following table sets forth the Company's other intangible assets resulting from business acquisitions as of December 31, 2013 and December 31, 2012 which continue to be amortized:

	December 31, 2013			December 31, 2012		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizable other intangible assets						
Customer relationships	\$97,775	\$70,495	\$27,280	\$97,926	\$64,024	\$33,902
Trade names and trademarks	20,375	19,799	576	20,350	19,754	596
	\$118,150	\$90,294	\$27,856	\$118,276	\$83,778	\$34,498

Based on current information, estimated future amortization expense of other intangible assets for each of the next five fiscal years and thereafter are as follows:

2014	\$5,755
2015	5,213
2016	4,513
2017	3,998
2018	3,631
Thereafter	4,746
	\$27,856

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	December 31,	
	2013	2012
Machinery and equipment	\$241,626	\$231,879
Buildings and leasehold improvements	17,255	18,182
Furniture and fixtures	3,936	4,240
	262,817	254,301
Less accumulated depreciation	(206,636	) (197,830
	\$56,181	\$56,471

Depreciation expense was \$28.1 million, \$28.5 million, and \$29.2 million for the years ended December 31, 2013, 2012 and 2011, respectively.

The two facilities that the Company owns are subject to liens under its credit facility.

7. LONG-TERM DEBT

Long-term debt consists of the following:

	December 31,	
	2013	2012
10.5% senior notes due 2016, net of bond discount of \$0 and \$3,148	\$—	\$196,852
Term loan credit agreement maturing 2018, net of original issue discount of \$4,000; 6.25% interest rate at December 31, 2013	196,000	—
Various capital leases; weighted average interest rate of 7.5% at December 31, 2013 and 2012; principal and interest payable monthly through December 2018	21,516	23,445
Borrowings from foreign revolving credit facilities; 0.6% interest rate at December 31, 2013 and 2012	1,811	1,985
Various other notes payable with a weighted average interest rate of 6.4% and 6.0% at December 31, 2013 and 2012, respectively; principal and interest payable monthly through June 2016	401	243
	219,728	222,525
Less current portion	(21,500	) (13,263
	\$198,228	\$209,262

10.5% Senior Notes

On December 1, 2010, the Company completed a private placement of 10.5% senior unsecured notes due 2016 (the “Notes”). During the third and fourth quarters of 2013, the Company repurchased \$12.3 million in aggregate principal amount of the Notes in the open market using available cash. In December 2013 the Company commenced a cash tender offer and consent solicitation for all of the remaining outstanding Notes and accepted for payment all Notes that were validly tendered, followed by a redemption of all Notes which remained outstanding following the tender offer. In addition, the Company discharged all of its obligations under the indenture governing the Notes by causing to be delivered a notice of redemption to holders of the remaining outstanding Notes and the Company deposited funds sufficient to pay and discharge all remaining indebtedness on the Notes, including accrued and unpaid interest. The purchase and redemption of the Notes resulted in a loss on early extinguishment of debt of \$16.3 million in 2013.

Term Loan Credit Agreement

On December 20, 2013, the Company entered into a Term Loan Credit Agreement (the “Term Loan Credit Agreement”) among the Company, as borrower, JPMorgan Chase Bank., N.A, as administrative agent and as collateral agent, and the lenders party thereto.

The credit facility provided under the Term Loan Credit Agreement consists of an initial term loan facility of \$200.0 million the entirety of which was disbursed in order to pay for the purchase of the Notes that were accepted under a

cash tender offer and the subsequent redemption of the remaining outstanding Notes and to pay associated fees and expenses in connection with the

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cash tender offer and redemption. The Company has the right to request increases to the aggregate amount of term loans by an amount not to exceed \$50.0 million in the aggregate.

By refinancing the Notes with this Term Loan Credit Agreement, the Company was able to reduce the effective interest rate on its long-term debt from 10.5% (or \$21.0 million of interest per year on \$200.0 million of principal) to 6.25% (or \$12.5 million of interest per year on \$200.0 million of principal). In addition, it moved the principal portion of the Company's long-term debt into a structure that is efficiently pre-payable without a premium. This allows the Company to use its cash flow to efficiently deliver value to the Company.

The Term Loan Credit Agreement maturity date, with respect to the initial \$200.0 million term loan, is December 20, 2018. Under the Term Loan Credit Agreement, the Company is required to make regularly scheduled principal payments of \$2.5 million each quarter, with all remaining unpaid principal due at maturity.

The term loan extended under the Term Loan Credit Agreement can be maintained in different tranches consisting of Eurodollar loans or as base rate loans. It is expected that the borrowings under the Term Loan Credit Agreement will be maintained in Eurodollars and therefore will bear interest, for any interest period, at a rate per annum equal to (i) the higher of (A) the LIBOR rate for U.S. dollar deposits for a period equal to the applicable interest period as determined by the administrative agent in accordance with the Term Loan Credit Agreement and (B) with respect to the initial term loans only, 1.00%, plus (ii) an applicable margin of 5.25%

The Company will pay certain recurring fees with respect to the credit facility, including administration fees to the administrative agent.

In accordance with the Term Loan Credit Agreement, the Company is required to maintain an Interest Expense Coverage Ratio (as defined in the Term Loan Credit Agreement) greater than or equal to 2.00:1.00 as of the end of each fiscal quarter. In addition, the Company is required to maintain a Total Leverage Ratio less than or equal to (i) 4.50:1.00 for any fiscal quarter ending through December 31, 2014; (ii) 4.25:1.00 for any fiscal quarter ending between March 31, 2015 and December 31, 2015; (iii) 4.00:1.00 for any fiscal quarter ending between March 31, 2016 and December 31, 2016; (iv) 3.75:1.00 for any fiscal quarter ending between March 31, 2017 and December 31, 2017; and (v) 3.50:1.00 for any fiscal quarter ending March 31, 2018 and thereafter. The Company was in compliance with the Term Loan Credit Agreement covenants as of December 31, 2013.

Subject to certain exceptions, the term loan extended under the Term Loan Credit Agreement is subject to customary mandatory prepayments provisions with respect to: the net cash proceeds from certain asset sales; the net cash proceeds from certain issuances or incurrences of debt (other than debt permitted to be incurred under the terms of the Term Loan Credit Agreement); a portion (with stepdowns based upon the achievement of a financial covenant linked to the total leverage ratio) of annual excess cash flow of the Company and certain of its subsidiaries, and with such required prepayment amount to be reduced dollar-for-dollar by the amount of voluntary prepayments of term loans made with internally generated funds; and, the net cash proceeds in excess of a certain amount from insurance recovery (other than business interruption insurance) and condemnation events of the Company and certain of its subsidiaries, subject to certain reinvestment rights.

The Term Loan Credit Agreement contains customary representations and warranties, subject to limitations and exceptions, and customary covenants restricting the ability (subject to various exceptions) of the Company and certain of its subsidiaries to: incur additional indebtedness (including guarantee obligations); incur liens; engage in mergers or other fundamental changes; sell certain property or assets; pay dividends or other distributions; consummate acquisitions; make investments, loans and advances; prepay certain indebtedness; change the nature of their business; engage in certain transactions with affiliates; and, incur restrictions on the ability of the Company's subsidiaries to make distributions, advances and asset transfers. In addition, under the Term Loan Credit Agreement the Company will be required to comply with a specific leverage ratio and a minimum interest coverage ratio.

The Term Loan Credit Agreement contains customary events of default, including with respect to: nonpayment of principal, interest, fees or other amounts; material inaccuracy of a representation or warranty when made; failure to perform or observe covenants; cross-default to other material indebtedness; bankruptcy and insolvency events; inability to pay debts; monetary judgment defaults; actual or asserted invalidity or impairment of any definitive loan documentation; and a change of control.

The obligations of the Company under the Term Loan Credit Agreement are guaranteed by each United States domestic subsidiary of the Company. The Term Loan Credit Agreement and any interest rate protection and other hedging arrangements provided by any lender party to the Senior Secured Credit Facilities or any affiliate of such a lender are secured on a first priority basis by a perfected security interest in substantially all of the Company's and each guarantor's assets (subject to certain exceptions), except that such lien is second priority in the case of inventory, receivables and related assets that are subject to a first priority security interest under the 2012 Credit Agreement (as defined below).

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2012 Credit Agreement

On January 27, 2012, the Company entered into a new Credit Agreement (the "2012 Credit Agreement"). The 2012 Credit Agreement was amended on December 20, 2013 in connection with the Company's entry into the Term Loan Credit Agreement for the principal purpose of making the 2012 Credit Agreement consistent with the Term Loan Credit Agreement. The 2012 Credit Agreement, as amended, provides revolving loans in an aggregate principal amount not to exceed \$40.0 million with a Canadian sublimit of \$5.0 million, based on inventory and accounts receivable of the Company's subsidiaries organized in the US ("United States Domestic Subsidiaries") and Canada ("Canadian Domestic Subsidiaries") that meet certain eligibility criteria. The 2012 Credit Agreement has a maturity date of January 27, 2017.

Amounts borrowed in US dollars under the 2012 Credit Agreement bear interest, in the case of LIBOR loans, at a per annum rate equal to LIBOR plus the LIBOR Rate Margin (as defined in the 2012 Credit Agreement), which may range from 1.75% to 2.25%, based on Average Daily Net Availability (as defined in the 2012 Credit Agreement). All other amounts borrowed in US dollars that are not LIBOR loans bear interest at a per annum rate equal to (i) the greatest of (A) the Federal Funds rate plus 0.5%, (B) the LIBOR rate (calculated based upon an interest period of three months and determined on a daily basis), plus 1.0% per annum, and (C) the rate of interest announced, from time to time, within Wells Fargo Bank, National Association at its principal office in San Francisco as its "prime rate," plus (ii) the Base Rate Margin (as defined in the 2012 Credit Agreement), which may range from 0.75% to 1.25%, based on Average Daily Net Availability (as defined in the 2012 Credit Agreement). Amounts borrowed in Canadian dollars bear interest at a per annum rate equal to the Canadian Base Rate (as defined in the 2012 Credit Agreement) plus the LIBOR Rate Margin, which may range from 1.75% to 2.25%, based on Average Daily Net Availability.

The 2012 Credit Agreement contains various loan covenants that restrict the Company's ability to take certain actions, including restrictions on incurrence of indebtedness, creation of liens, mergers or consolidations, dispositions of assets, repurchase or redemption of capital stock, making certain investments, entering into certain transactions with affiliates or changing the nature of the Company's business. In addition, at any time when Excess Availability (as defined in the 2012 Credit Agreement) is less than \$8.0 million, the Company is required to maintain a Fixed Charge Coverage Ratio (as defined in the 2012 Credit Agreement) of at least 1.0. The Company's obligations under the 2012 Credit Agreement are secured by substantially all of the Company's and its United States Domestic Subsidiaries' assets. The Company's United States Domestic Subsidiaries have also guaranteed all of the Company's obligations under the 2012 Credit Agreement. The obligations of the Company's Canadian Domestic Subsidiaries which are borrowers under the 2012 Credit Agreement are secured by substantially all of the assets the Company's Canadian Domestic Subsidiaries.

As of and during the year December 31, 2013, the Company did not have any outstanding debt under the 2012 Credit Agreement, other than contingent reimbursement obligations for undrawn standby letters of credit described below that were issued under the 2012 Credit Agreement.

As of December 31, 2013, based on inventory and accounts receivable of the Company's subsidiaries organized in the US and Canada, the Company's borrowing availability under the 2012 Credit Agreement was \$39.7 million; however, outstanding standby letters of credit issued under the 2012 Credit Agreement totaling \$2.5 million further reduced the Company's borrowing availability under the 2012 Credit Agreement to \$37.2 million as of December 31, 2013.

Foreign Credit Agreement

In the third quarter of 2013, in conjunction with its Chinese operations, UNIS Document Solutions Co. Ltd. ("UDS"), the Company's Chinese business venture with Beijing-based Unisplendour, entered into a revolving credit facility with a term of 18 months. The facility provides for a maximum credit amount of 20.0 million Chinese Yuan Renminbi, which translates to U.S. \$3.3 million as of December 31, 2013. Draws on the facility are limited to 30 day periods and incur a fee of 0.05% of the amount drawn and no additional interest is charged.

Other Notes Payable

Includes notes payable collateralized by equipment previously purchased and subordinated seller notes payable related to prior acquisitions.

Minimum future maturities of long-term debt and capital lease obligations as of December 31, 2013 are as follows:

	Long-Term Debt	Capital Lease Obligations
Year ending December 31:		
2014	\$12,013	\$ 9,487
2015	10,139	6,144
2016	10,060	3,634
2017	10,000	1,784
2018	160,000	467
Thereafter	—	—
	\$202,212	\$ 21,516

8. COMMITMENTS AND CONTINGENCIES

The Company leases machinery, equipment, and office and operational facilities under noncancelable operating lease agreements. Certain lease agreements for the Company's facilities generally contain renewal options and provide for annual increases in rent based on the local Consumer Price Index. The following is a schedule of the Company's future minimum lease payments as of December 31, 2013:

	Third Party	Related Party	Total
Year ending December 31:			
2014	\$17,619	\$43	\$17,662
2015	13,026	—	13,026
2016	8,480	—	8,480
2017	5,118	—	5,118
2018	2,196	—	2,196
Thereafter	366	—	366
	\$46,805	\$43	\$46,848

Total rent expense under operating leases, including month-to-month rentals, amounted to \$24.1 million, \$26.3 million, and \$28.0 million during the years ended December 31, 2013, 2012 and 2011, respectively. Under certain lease agreements, the Company is responsible for other costs such as property taxes, insurance, maintenance, and utilities.

The Company leases several of its facilities under lease agreements with entities owned by certain of its current and former executive officers which expire through March 2014. Rental expense on these facilities amounted to \$0.9 million, \$1.1 million and \$1.5 million during the years ended December 31, 2013, 2012 and 2011, respectively. The Company has entered into indemnification agreements with each director and named executive officer which provide indemnification under certain circumstances for acts and omissions which may not be covered by any directors' and officers' liability insurance. The indemnification agreements may require the Company, among other things, to indemnify its officers and directors against certain liabilities that may arise by reason of their status or service as officers and directors (other than liabilities arising from willful misconduct of a culpable nature), to advance their expenses incurred as a result of any proceeding against them as to which they could be indemnified, and to obtain officers' and directors' insurance if available on reasonable terms. There have been no events to date which would require the Company to indemnify its officers or directors.

On October 21, 2010, a former employee, individually and on behalf of a purported class consisting of all non-exempt employees who work or worked for American Reprographics Company, L.L.C. and American Reprographics Company in the State of California at any time from October 21, 2006 through the present, filed an action against the Company in the Superior Court of California for the County of Orange. The complaint alleges, among other things, that the Company violated the California Labor Code by failing to (i) provide meal and rest periods, or compensation in lieu thereof, (ii) timely pay wages due at termination, and (iii) that those practices also violate the California Business and Professions Code. The relief sought includes damages, restitution, penalties, interest, costs, and attorneys' fees and such other relief as the court deems proper. On March 15, 2013, the Company participated in a private mediation session with claimants' counsel which did not result in resolution of the claim. Subsequent to the

mediation session, the mediator issued a proposal that was accepted by both parties. A continued hearing on the motion for preliminary approval of the settlement will be held on March 19, 2014. The Company recorded a liability of \$0.9 million as of December 31, 2013 related to the claim, which represents management's best estimate of the probable outcome based

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on information available. As such, the ultimate resolution of the claim could result in a loss different than the estimated loss recorded.

In addition to the matter described above, the Company is involved in various additional legal proceedings and other legal matters from time to time in the normal course of business. The Company does not believe that the outcome of any of these matters will have a material effect on its consolidated financial position, results of operations or cash flows.

9. INCOME TAXES

The following table includes the consolidated income tax provision for federal, state, and local income taxes related to the Company's total earnings before taxes for 2013, 2012 and 2011:

	Year Ended December 31,		
	2013	2012	2011
Current:			
Federal	\$—	\$59	\$(16,449)
State	264	370	353
Foreign	354	322	48
	618	751	(16,048)
Deferred:			
Federal	1,898	1,356	57,249
State	869	489	8,321
Foreign	(399)	188	1,409
	2,368	2,033	66,979
Income tax provision	\$2,986	\$2,784	\$50,931

The Company's foreign earnings (losses) before taxes was \$2.3 million, \$2.9 million and (\$1.2) million for 2013, 2012 and 2011.

The consolidated deferred tax assets and liabilities consist of the following:

	December 31,	
	2013	2012
Deferred tax assets:		
Financial statement accruals not currently deductible	\$3,980	\$3,641
Deferred revenue	418	617
State taxes	162	69
Fixed assets	6,408	5,079
Goodwill and other identifiable intangibles	32,111	38,015
Stock-based compensation	6,061	6,040
Federal tax net operating loss carryforward	31,817	21,237
State tax net operating loss carryforward, net	4,584	3,145
State tax credits, net	942	942
Foreign tax credit carryforward	249	—
Foreign tax net operating loss carryforward	361	721
Gross deferred tax assets	87,093	79,506
Less: valuation allowance	(85,551)	(78,260)
Net deferred tax assets	1,542	1,246
Deferred tax liabilities:		
Goodwill and other identifiable intangibles	\$(31,667)	\$(28,936)
Net deferred tax liabilities	\$(30,125)	\$(27,690)

A reconciliation of the statutory federal income tax rate to the Company's effective tax rate is as follows:

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	Year Ended December 31,					
	2013		2012		2011	
Statutory federal income tax rate	35	%	35	%	35	%
State taxes, net of federal benefit	3		1		2	
Foreign taxes	4		2		—	
Goodwill impairment	—		(8	)	(16)
Valuation allowance	(63	)	(34	)	(83)
Non-deductible expenses and other	(3	)	(1	)	(1)
Stock-based compensation	(8	)	(4)	—	
Discrete item for state taxes	8		—		—	
Discrete items for other	(2	)	(1	)	1	
Effective income tax rate	(26	)%	(10	)%	(62)%

In accordance with ASC 740-10, Income Taxes, the Company evaluates its deferred tax assets to determine if a valuation allowance is required based on the consideration of all available evidence using a “more likely than not” standard, with significant weight being given to evidence that can be objectively verified. This assessment considers, among other matters, the nature, frequency and severity of current and cumulative losses, forecasts of future profitability; the length of statutory carryover periods for operating losses and tax credit carryovers; and available tax planning alternatives. During 2013 and 2012, the Company determined that cumulative losses for the preceding twelve quarters constituted sufficient objective evidence (as defined by ASC 740-10, Income Taxes) that a valuation allowance on certain deferred assets was needed.

Based on the Company’s assessment, the remaining net deferred tax assets of \$1.5 million as of December 31, 2013 are considered to be more likely than not to be realized. The valuation allowance of \$85.6 million may be increased or decreased as conditions change or if the Company is unable to implement certain available tax planning strategies. The realization of the Company’s net deferred tax assets ultimately depend on future taxable income, reversals of existing taxable temporary differences or through a loss carry back. The Company has income tax receivables of \$0.2 million as of December 31, 2013 included in other current assets in its consolidated balance sheet primarily related to income tax refunds for prior years under audit.

As of December 31, 2013, the Company had approximately \$90.8 million of consolidated federal, \$94.4 million of state and \$1.4 million of foreign net operating loss and charitable contribution carryforwards available to offset future taxable income, respectively. The federal net operating loss carryforward began in 2011 and will begin to expire in varying amounts between 2031 and 2033. The charitable contribution carryforward began in 2009 and will begin to expire in varying amounts between 2014 and 2017. The state net operating loss carryforwards expire in varying amounts between 2015 and 2033. The foreign net operating loss carryforwards expire in varying amounts between 2015 and 2033.

Goodwill impairment item represents non-deductible goodwill impairment related to stock acquired in prior years. Non-deductible other items include meals and entertainment and other items that, individually, are not significant.

The Company or one of its subsidiaries files income tax returns in the U.S. federal jurisdiction, and various states and foreign jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2009. In 2010, the IRS commenced an examination of the Company’s U.S. income tax return for 2008, which was completed in February of 2011. The IRS did not propose any adjustments to the Company’s 2008 U.S. income tax return. In 2011, the IRS commenced an examination of the Company’s 2009 and 2010 U.S. income tax returns. The IRS did not propose any significant adjustments to the Company’s 2009 and 2010 U.S. income tax returns as of December 31, 2013.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

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	2013	2012	2011
Beginning balance at January 1,	\$266	\$—	\$1,549
Additions based on tax positions related to the current year	—	266	—
Reductions based on tax positions related to the prior year	—	—	(1,549)
Reductions for tax positions due to expiration of statute of limitations	—	—	—
Ending balance at December 31,	\$266	\$266	\$—

All of the unrecognized tax benefits, reflected above affected the Company's effective tax rate. The Company recognized a tax benefit of \$1.5 million in 2011 due to the reduction, reflected above.

The Company recognizes penalties and interest related to unrecognized tax benefits in tax expense. Interest expense of \$27 thousand is included in the ASC 740-10, Income Taxes, liability on the Company's balance sheet as of December 31, 2013 and 2012.

10. EMPLOYEE STOCK PURCHASE PLAN AND STOCK OPTION PLAN

Employee Stock Purchase Plan

Under the Company's Employee Stock Purchase Plan (the "ESPP") eligible employees may purchase up to a calendar year maximum per eligible employee of the lesser of (i) 2,500 shares of common stock, or (ii) a number of shares of common stock having an aggregate fair market value of \$25 thousand as determined on the date of purchase at 85% of the fair market value of such shares of common stock on the applicable purchase date. The compensation expense in connection with the ESPP in 2013, 2012, and 2011 was \$5 thousand, \$5 thousand and \$9 thousand, respectively.

Employees purchased the following shares in the periods presented:

	Year Ended December 31,		
	2013	2012	2011
Shares purchased	6	6	12
Average price per share	\$4.90	\$4.51	\$4.22

Stock Plan

The Company's Stock Plan provides for the grant of incentive and non-statutory stock options, stock appreciation rights, restricted stock purchase awards, restricted stock awards, and restricted stock units to employees, directors and consultants of the Company. The Stock Plan authorizes the Company to issue up to 5.0 million shares of common stock. This amount automatically increased annually on the first day of the Company's fiscal year, from 2006 through and including 2010, by the lesser of (i) 1.0% of the Company's outstanding shares on the date of the increase; (ii) 0.3 million shares; or (iii) such smaller number of shares determined by the Company's board of directors. At December 31, 2013, 0.8 million shares remain available for grant under the Stock Plan.

Options granted under the Stock Plan generally expire no later than ten years from the date of grant. Options generally vest and become fully exercisable over a period of three to five years, except options granted to non-employee directors may vest over a shorter time period. The exercise price of options must be equal to at least 100% (110% in the case of an incentive stock option granted to a 10% stockholder) of the fair market value of the Company's common stock as of the date of grant. The Company allows for cashless exercises and grants new authorized shares upon the exercise of a vested stock option.

During the year ended December 31, 2013, the Company granted options to acquire a total of 1.5 million shares of the Company's common stock to certain key employees with an exercise price equal to the fair market value of the Company's common stock on the date of grant.

In 2012 and 2011, the Company granted options to acquire a total of 631 thousand shares and 55 thousand shares, respectively, of the Company's common stock to certain key employees with an exercise price equal to the fair market value of the Company's common stock on the respective dates of grant.

The following is a further breakdown of the stock option activity under the Stock Plan:

	Year Ended December 31, 2013			Aggregate Intrinsic Value (In thousands)
	Shares	Weighted Average Exercise Price	Weighted Average Contractual Life (In years)	
Outstanding at December 31, 2011	2,166	\$7.83		
Granted	631	\$5.35		
Exercised	(15)	\$5.25		
Forfeited/Cancelled	(446)	\$5.41		
Outstanding at December 31, 2012	2,336	\$7.64		
Granted	1,508	\$2.67		
Exercised	(11)	\$5.62		
Forfeited/Cancelled	(220)	\$7.61		
Outstanding at December 31, 2013	3,613	\$5.57	7.23	\$10,600
Vested or expected to vest at December 31, 2013	3,549	\$5.57	7.23	\$10,300
Exercisable at December 31, 2013	1,671	\$8.20	5.18	\$1,053

The aggregate intrinsic value in the table above represents the total pretax intrinsic value (the difference between the closing stock price on December 31, 2013 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all the option holders exercised their options on December 31, 2013. This amount changes based on the fair market value of the common stock. Total intrinsic value of options exercised during the years ended December 31, 2013, 2012 and 2011 was \$27 thousand, \$1 thousand and \$45 thousand, respectively.

A summary of the Company's non-vested stock options as of December 31, 2013, and changes during the fiscal year then ended is as follows:

	Shares	Weighted Average Grant Date Fair Market Value
Non-vested Options		
Non-vested at December 31, 2012	671	\$3.11
Granted	1,508	\$1.57
Vested	(219)	\$3.08
Forfeited/Cancelled	(18)	\$3.05
Non-vested at December 31, 2013	1,942	\$1.90

The following table summarizes certain information concerning outstanding options at December 31, 2013:

Range of Exercise Price	Options Outstanding at December 31, 2013
\$2.37 – \$3.99	1,527
\$4.75 – \$6.20	791
\$8.20 – \$9.03	1,245
\$23.85 – \$35.42	50
\$2.37 – \$35.42	3,613

Restricted Stock

The Stock Plan provides for automatic grants of restricted stock awards to non-employee directors of the Company, as of each annual meeting of the Company's stockholders having a then fair market value equal to \$50 thousand.

In 2013, the Company granted 15 thousand shares of restricted stock to each of the Company's six non-employee members of its Board of Directors at a price per share equal to the closing price of the Company's common stock on the respective dates

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the restricted stock was granted. The shares of restricted stock granted to the non-employee board members vested on the one-year anniversary of the grant date.

In 2012, the Company granted 9 thousand shares of restricted stock to each of the Company's six non-employee members of its Board of Directors at a price per share equal to the closing price of the Company's common stock on the respective date the restricted stock was granted. The shares of restricted stock granted to the non-employee board members will vest on the one-year anniversary of the grant date.

In 2011, the Company granted 465 thousand shares of restricted stock to certain key employees, and 6 thousand shares of restricted stock to each of the Company's six non-employee members of its Board of Directors at a price per share equal to the closing price of the Company's common stock on the respective dates the restricted stock was granted. The shares of restricted stock granted to certain key employees will vest ratably over four years. The shares of restricted stock granted to the non-employee board members will vest on the one-year anniversary of the grant date.

A summary of the Company's non-vested restricted stock as of December 31, 2013, and changes during the fiscal year then ended is as follows:

	Shares	Weighted Average Grant Date Fair Market Value
Non-vested Restricted Stock		
Non-vested at December 31, 2012	481	\$7.70
Granted	92	\$3.26
Vested	(208	) \$7.22
Forfeited/Cancelled	(20	) \$7.57
Non-vested at December 31, 2013	345	\$6.83

The Company recognized compensation expense from restricted stock of \$3.2 million, \$1.6 million and \$2.1 million in 2013, 2012 and 2011, respectively.

11. RETIREMENT PLANS

The Company sponsors a 401(k) Plan, which covers substantially all employees of the Company who have attained age 21. Under the Company's 401(k) Plan, eligible employees may contribute up to 75% of their annual eligible compensation (or in the case of highly compensated employees, up to 6% of their annual eligible compensation), subject to contribution limitations imposed by the Internal Revenue Service. During a portion 2009, the Company made an employer matching contribution equal to 20% of an employee's contributions, up to a total of 4% of that employee's compensation. In July 2009, the Company amended its 401(k) Plan to eliminate the mandatory company contribution and to provide for discretionary company contributions. In 2013, the Company reinstated the mandatory company contribution. An independent third party administers the Company's 401(k) Plan. The Company's total expense under these plans amounted to \$50 thousand during the year ended December 31, 2013. The Company did not make any discretionary contributions to its 401(k) plan in 2013, 2012 or 2011.

12. DERIVATIVES AND HEDGING TRANSACTIONS

As of December 31, 2013 the Company was not party to any derivative or hedging transactions.

As of December 31, 2010, the Company was party to a swap transaction, in which the Company exchanged its floating-rate payments for fixed-rate payments. The swap transaction qualified as a cash flow hedge up to November 30, 2010. As of December 1, 2010, the swap transaction was de-designated upon issuance of the Notes and payoff of the Company's previous credit agreement. The swap transaction no longer qualified as a cash flow hedge under ASC 815, Derivatives and Hedging, as all the floating-rate debt was extinguished. As of December 31, 2010, the swap transaction had a negative fair value of \$9.7 million, all of which was recorded in accrued expenses. On January 3, 2011, the swap transaction was terminated and settled.

As of December 31, 2013, there is no amount deferred in accumulated other comprehensive income related to any swap transactions.

The following table summarizes the effect of the Amended Swap Transaction on the Consolidated Statements of Operations for the year ended December 31, 2013, 2012 and 2011:

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Location of Loss Reclassified from AOCL into Income	Amount of Gain or (Loss) Reclassified from AOCL into Income (effective portion) Year Ended December 31,			Amount of Gain or (Loss) Recognized in Income (ineffective portion) Year Ended December 31,		
	2013	2012	2011	2013	2012	2011
	Interest expense	\$—	\$3,440	\$5,691	\$—	\$—

13. FAIR VALUE MEASUREMENTS

In accordance with ASC 820, Fair Value Measurement, the Company has categorized its assets and liabilities that are measured at fair value into a three-level fair value hierarchy as set forth below. If the inputs used to measure fair value fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. The three levels of the hierarchy are defined as follows:

Level 1-inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2-inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3-inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following table summarizes the bases used to measure certain assets and liabilities at fair value on a nonrecurring basis in the consolidated financial statements as of and for the year ended December 31, 2013 and 2012:

Nonrecurring Fair Value Measure	Significant Other Unobservable Inputs December 31,			
	2013		2012	
	Level 3	Total Losses	Level 3	Total Losses
Goodwill	\$212,608	\$—	\$212,608	\$16,707

Fair value measurements of assets and liabilities are used primarily in the impairment analysis of goodwill using discounted cash flows with Level 3 inputs in the fair value hierarchy. In accordance with the provisions of ASC 350, Intangibles – Goodwill and Other, goodwill was written down to its implied fair value of \$212.6 million as of December 31, 2012, resulting in an impairment charge of \$16.7 million during the year ended December 31, 2012. See Note 2, “Summary of Significant accounting policies” and Note 5, “Goodwill and other intangibles resulting from business acquisitions” for further information regarding the process of determining the implied fair value of goodwill and change in goodwill.

Schedule II

ARC DOCUMENT SOLUTIONS, INC. AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS

(Dollars in thousands)

	Balance at Beginning of Period	Charges to Cost and Expenses	Deductions (1)	Balance at End of Period
Year ended December 31, 2013				
Allowance for accounts receivable	\$2,634	\$636	\$(753)	) \$2,517
Year ended December 31, 2012				
Allowance for accounts receivable	\$3,309	\$456	\$(1,131)	) \$2,634
Year ended December 31, 2011				
Allowance for accounts receivable	\$4,030	\$1,034	\$(1,755)	) \$3,309

(1) Deductions represent uncollectible accounts written-off net of recoveries.

EXHIBIT INDEX

Number	Description
3.1	Certificate of Ownership and Merger as filed with Secretary of State of the State of Delaware (incorporated by reference to Exhibit 3.1 to the Registrant's Form 8-K filed December 27, 2012).
3.2	Restated Certificate of Incorporation, filed March 13, 2013.
3.3	Second Amended and Restated Bylaws, (incorporated by reference to Exhibit 3.1 to the Registrant's Form 8-K filed on October 6, 2009).
4.1	Specimen Stock Certificate (incorporated by reference to Exhibit 4.1 to the Registrant's Form 10-K filed on March 9, 2011).
4.2	Indenture, dated December 1, 2010, among ARC Document Solutions, certain subsidiaries of ARC Document Solutions as guarantors thereto, and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Registrant's Form 8-K filed on December 2, 2010).
4.3	Form of 10.5% Senior Note due 2016 (incorporated by reference to Exhibit 4.2 to the Registrant's Form 8-K filed on December 2, 2010).
4.4	Registration Rights Agreement, dated December 1, 2010, among ARC Document Solutions, certain subsidiaries of ARC Document Solutions as guarantors thereto, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative of the several initial purchasers (incorporated by reference to Exhibit 4.3 to the Registrant's Form 8-K filed on December 2, 2010).
4.5	First Supplemental Indenture dated December 20, 2013 among ARC Document Solutions, Inc., the Guarantors named therein, and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Registrant's Form 8-K filed on December 24, 2013).
10.1	Credit Agreement, dated as of January 27, 2012, by and among ARC Document Solutions, ARC Reprographics Canada Corp., ARC Digital Canada Corp., and Wells Fargo Bank, National Association, as US Agent and Wells Fargo Capital Finance Corporation Canada, as Canadian Agent and the lenders named therein (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed on February 2, 2012).*
10.2	Amended and Restated Guaranty and Security Agreement dated December 20, 2013 by and among ARC Document Solutions, Inc. and the Grantors named therein, and Wells Fargo Bank, National Association, as agent (incorporated by reference to Exhibit 10.3 to the Registrant's Form 8-K filed on December 24, 2013).

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10.3 Canadian Guaranty and Security Agreement, dated as of January 27, 2012, by and among ARC Reprographics Canada Corp. and ARC Digital Canada Corp., and Wells Fargo Bank, National Association, as agent (incorporated by reference to Exhibit 10.3 to the Registrant's Form 8-K filed on February 2, 2012).

10.4 ARC Document Solutions 2005 Stock Plan (incorporated by reference to Exhibit 10.7 to the Registrant's Registration Statement on Form S-1 A (Reg. No. 333-119788), as amended on January 13, 2005).^

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- 10.5 Amendment No. 1 to ARC Document Solutions 2005 Stock Plan dated May 22, 2007 (incorporated by reference to Exhibit 10.63 to the Registrant's Form 10-Q filed on August 9, 2007).^
- 10.6 Amendment No. 2 to ARC Document Solutions 2005 Stock Plan dated May 2, 2008 (incorporated by reference to Exhibit 10.3 to the Registrant's Form 10-Q filed August 8, 2008). ^
- 10.7 Amendment No. 3 to ARC Document Solutions 2005 Stock Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Form 10-Q filed August 7, 2009). ^
- 10.8 Forms of Stock Option Agreements under the 2005 Stock Plan (incorporated by reference to Exhibit 10.8 to the Registrant's Registration Statement on Form S-1 (Reg. No. 333-119788), as filed on October 15, 2004).^
- 10.9 Forms of Restricted Stock Award Agreements under 2005 Stock Plan (incorporated by reference to Exhibit 10.27 to the Registrant's Registration Statement on Form S-1 A (Reg. No. 333-119788), as amended on December 6, 2004).^
- 10.10 Form of Restricted Stock Unit Award Agreement under 2005 Stock Plan (incorporated by reference to Exhibit 10.28 to the Registrant's Registration Statement on Form S-1 A (Reg. No. 333-119788), as amended on December 6, 2004).^
- 10.11 Form of Stock Appreciation Right Agreement under 2005 Stock Plan (incorporated by reference to Exhibit 10.29 to the Registrant's Registration Statement on Form S-1 A (Reg. No. 333-119788), as amended on January 13, 2005).^
- 10.12 Form of ARC Document Solutions Stock Option Grant Notice — Non-employee Directors (Discretionary Non-statutory Stock Options) (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed on December 16, 2005).^
- 10.13 Form of ARC Document Solutions Non-employee Directors Nonstatutory Stock Option Agreement (Discretionary Grants) (incorporated by reference to Exhibit 10.2 to the Registrant's Form 8-K filed on December 16, 2005).^
- 10.14 Amended and Restated ARC Document Solutions 2005 Employee Stock Purchase Plan amended and restated as of July 30, 2009 (incorporated by reference to Exhibit 10.1 to the Registrant's Form 10-Q filed on November 9, 2009).^
- 10.15 Lease Agreement, for the premises commonly known as 934 and 940 Venice Boulevard, Los Angeles, CA, dated November 19, 1997, by and between American Reprographics Company, L.L.C. (formerly Ford Graphics Group, L.L.C.) and Sumo Holdings LA, LLC (incorporated by reference to Exhibit 10.10 to the Registrant's Registration Statement on Form S-1 (Reg. No. 333-119788), as filed on October 15, 2004).
- 10.16 Amendment to Lease for the premises commonly known as 934 and 940 Venice Boulevard, Los Angeles, CA, effective as of August 2, 2005, by and between Sumo Holdings LA, LLC, Landlord and American Reprographics Company, L.L.C. (formerly known as Ford Graphics Group, L.L.C.) Tenant (incorporated by reference to Exhibit 10.2 to the Registrant's

Form 10-Q filed on November 14, 2005).

10.17

Lease Agreement for the premises commonly known as 835 West Julian Street, San Jose, CA, dated February 1, 2009, by and between American Reprographics Company, L.L.C. and Sumo Holdings San Jose, LLC (incorporated by reference to Exhibit 10.11 to the Registrant's Registration Statement on Form S-1 (Reg. No. 333-119788), as filed on October 15, 2004).

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- 10.18 Amendment to Lease for the premises commonly known as 835 West Julian Street, San Jose, CA, dated effective February 1, 2009, by and between Sumo Holdings San Jose, LLC, Landlord, and American Reprographics Company, L.L.C. Tenant (incorporated by reference to Exhibit 10.1 to the Registrant's Form 10-Q filed on May 8, 2009).
- 10.19 Lease Agreement for the premises commonly known as 17721 Mitchell North, Irvine, CA, dated April 1, 1999, by and between American Reprographics Company, L.L.C. and Sumo Holdings Irvine, LLC (incorporated by reference to Exhibit 10.12 to the Registrant's Registration Statement on Form S-1 (Reg. No. 333-119788), as filed on October 15, 2004).
- 10.20 Amendment to Lease for the premises commonly known as 17721 Mitchell North, Irvine, CA, effective as of August 2, 2005, by and between Sumo Holdings Irvine, LLC, Lessor and American Reprographics Company, L.L.C., Lessee (incorporated by reference to Exhibit 10.1 to the Registrant's Form 10-Q filed on November 14, 2005).
- 10.21 Assignment of Lease and Consent for the premises commonly known as 17721 Mitchell North, Irvine, CA, dated effective April 28, 2009, by and between OCB, LLC, American Reprographics Company, L.L.C. and Sumo Holdings Irvine LLC (incorporated by reference to Exhibit 10.2 to the Registrant's Form 10-Q filed on May 8, 2009).
- 10.22 Second Amendment to Lease for the premises commonly known as 17721 Mitchell North, Irvine, CA, dated effective April 28, 2009, by and between Sumo Holdings Irvine LLC, Lessor, and OCB, LLC, Lessee, (incorporated by reference to Exhibit 10.3 to the Registrant's Form 10-Q filed on May 8, 2009).
- 10.23 Lease Agreement for the premises commonly known as 1322 V Street, Sacramento, CA, dated December 1, 1997, by and between American Reprographics Company, L.L.C. (formerly Ford Graphics Group, L.L.C.) and Sumo Holdings Sacramento, LLC (Sacramento Property) (incorporated by reference to Exhibit 10.14 to the Registrant's Registration Statement on Form S-1 (Reg. No. 333-119788), as filed on October 15, 2004).
- 10.24 Amendment to Lease for the premises commonly known as 1322 V Street, Sacramento, CA, effective as of August 2, 2005, by and between Sumo Holdings Sacramento, LLC, Landlord and American Reprographics Company, L.L.C. (formerly known as Ford Graphics Group, L.L.C.) Tenant (incorporated by reference to Exhibit 10.4 to the Registrant's Form 10-Q filed on November 14, 2005).
- 10.25 Lease Agreement for the premises commonly known as 345 Clinton Street, Costa Mesa, CA, dated September 23, 2003, by and between American Reprographics Company (dba Consolidated Reprographics) and Sumo Holdings Costa Mesa, LLC (incorporated by reference to Exhibit 10.16 to the Registrant's Registration Statement on Form S-1 (Reg. No. 333-119788), as filed on October 15, 2004).
- 10.26 Lease Agreement for the premises commonly known as 616 Monterey Pass Road, Monterey Park, CA, by and dated November 19, 1997, between Dieterich-Post Company and American Reprographics Company, L.L.C. (as successor lessee) (incorporated by reference to Exhibit 10.26 to the Registrant's Form 10-K filed on March 1, 2007).
- 10.27

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Indemnification Agreement, dated April 10, 2000, among American Reprographics Company, L.L.C., American Reprographics Holdings, L.L.C., ARC Acquisition Co., L.L.C., Mr. Chandramohan, Mr. Suriyakumar, Micro Device, Inc., Dieterich-Post Company, ZS Ford L.P., and ZS Ford L.L.C. (incorporated by reference to Exhibit 10.19 to the Registrant's Registration Statement on Form S-1 (Reg. No. 333-119788), as filed on October 15, 2004).

10.28

Restricted Stock Award Grant Notice between American Reprographics Company and Mr. Sathiyamurthy Chandramohan dated March 27, 2007 (incorporated by reference to Exhibit 99.1 to the Registrant's Form 8-K filed on March 30, 2007).^

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- 10.29 Amended and Restated Employment Agreement, dated March 21, 2012, between American Reprographics Company and Mr. Kumarakulasingam Suriyakumar (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K (filed on March 21, 2011)).^
- 10.30 Letter Agreement, dated February 21, 2012, by and between American Reprographics Company and Kumarakulasingam Suriyakumar (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K (filed on February 21, 2012)).^
- 10.31 Restricted Stock Award Grant Notice between American Reprographics Company and Mr. Kumarakulasingam Suriyakumar dated March 27, 2007 (incorporated by reference to Exhibit 99.2 to the Registrant's Form 8-K filed on March 30, 2007)).^
- 10.32 Amended and Restated Employment Agreement, dated March 21, 2011, between American Reprographics Company and Mr. Rahul K. Roy (incorporated by reference to Exhibit 10.2 to the Registrant's Form 8-K filed on March 21, 2011)).^
- 10.33 Agreement to Grant Stock dated effective December 7, 2004, between American Reprographics Company and Mr. Rahul K. Roy (incorporated by reference to Exhibit 10.36 to the Registrant's Form 10-K filed on March 31, 2005)).^
- 10.34 Letter Agreement, dated February 21, 2012, by and between American Reprographics Company and Rahul Roy (incorporated by reference to Exhibit 10.3 to the Registrant's Form 8-K filed on February 21, 2012)).^
- 10.35 First Amendment to Agreement to Grant Stock dated May 17, 2006 between American Reprographics Company and Mr. Rahul K. Roy (incorporated by reference to Exhibit 10.48 to the Registrant's Form 10-K filed on March 1, 2007)).^
- 10.36 Amended and Restated Executive Employment Agreement, dated March 21, 2011, between American Reprographics Company and Dilantha Wijesuriya (incorporated by reference to Exhibit 10.3 to the Registrant's Form 8-K filed on March 21, 2011)). ^
- 10.37 Letter Agreement, dated February 21, 2012, by and between American Reprographics Company and Dilantha Wijesuriya (incorporated by reference to Exhibit 10.2 to the Registrant's Form 8-K filed on February 21, 2012)).^
- 10.38 Restricted Stock Award Grant Notice between American Reprographics Company and Dilantha Wijesuriya dated October 28, 2009 (incorporated by reference to Exhibit 10.79 to the Registrant's Form 10-K filed on February 26, 2010)). ^
- 10.39 Executive Employment Agreement, dated April 14, 2011, between American Reprographics Company and Jorge Avalos, (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed on April 15, 2011)).^
- 10.40 Separation Agreement, dated April 13, 2011, between American Reprographics Company and Jonathan Mather (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed on April 21, 2011)).^
- 10.41

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Executive Employment Agreement, dated July 18, 2011, between American Reprographics Company and John E.D. Toth, (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed on July 18, 2011).^

10.42

Form of Indemnification Agreement between ARC Document Solutions, Inc. and each of its Directors and Executive Officers.

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- 10.43 Amendment No. 1 to Amended and Restated Employment Agreement, dated March 13, 2013, between ARC Document Solutions, Inc. and Mr. Rahul K. Roy.^
- 10.44 Term Loan Credit Agreement dated December 20, 2013 among ARC Document Solutions, Inc., the lenders party thereto, and JPMorgan Chase Bank, N.A., as administrative agent (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed on December 24, 2013).
- 10.45 Consent and Amendment No. 1 to Credit Agreement dated June 27, 2013 by and among ARC Document Solutions, Inc., ARC Reprographics Canada Corp., ARC Digital Canada Corp., and Wells Fargo Bank, National Association, as US Agent, Wells Fargo Finance Capital Corporation Canada, as Canadian agent, and the lenders named therein.*
- 10.46 Consent and Amendment No. 2 to Credit Agreement dated December 20, 2013 by and among ARC Document Solutions, Inc., ARC Reprographics Canada Corp., ARC Digital Canada Corp., and Wells Fargo Bank, National Association, as US Agent, Wells Fargo Finance Capital Corporation Canada, as Canadian agent, and the lenders named therein (incorporated by reference to Exhibit 10.2 to the Registrant's Form 8-K filed on December 24, 2013).
- 10.47 Letter Amendment, dated March 13, 2014, by and between ARC Document Solutions, Inc. and Mr. Kumarakulasingam Suriyakumar.*^
- 10.48 Amended and Restated Employment Agreement, dated March 13, 2014, between ARC Document Solutions, Inc. and Mr. Kumarakulasingam.*^
- 21.1 List of Subsidiaries.*

Number	Description
23.1	Consent of Deloitte & Touche LLP, Independent Registered Public Accounting Firm.*
31.1	Certification of Principal Executive Officer pursuant to Rules 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification of Principal Financial Officer pursuant to Rules 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
101.INS	XBRL Instance Document *
101.SCH	XBRL Taxonomy Extension Schema *
101.CAL	XBRL Taxonomy Extension Calculation Linkbase *
101.DEF	XBRL Taxonomy Extension Definition Linkbase *
101.LAB	XBRL Taxonomy Extension Label Linkbase *
101.PRE	XBRL Taxonomy Extension Presentation Linkbase *

* Filed herewith

^ Indicates management contract or compensatory plan or agreement