

# ARC DOCUMENT SOLUTIONS, INC.

## FORM 8-K

(Current report filing)

Filed 05/19/14 for the Period Ending 05/17/14

Address	1981 N. BROADWAY, SUITE 385 WALNUT CREEK, CA 94596
Telephone	925 949-5100
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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, DC 20549

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**FORM 8-K**

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

**Date of Report (Date of earliest event reported) May 17, 2014**

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**ARC DOCUMENT SOLUTIONS, INC.**  
(Exact Name of Registrant as Specified in its Charter)

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**Delaware**  
(State or other jurisdiction  
of Incorporation or Organization)

**001-32407**  
(Commission  
File Number)

**20-1700361**  
(I.R.S. Employer  
Identification No.)

**1981 N. Broadway, Suite 385, Walnut Creek, California**  
(Address of Principal Executive Offices)

**94596**  
(Zip Code)

**Registrant's telephone number, including area code (925) 949-5100**

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.**

On May 17, 2014, ARC Document Solutions, Inc. (the “Company”) entered into an amended and restated executive employment agreement (the “Amended Employment Agreement”) with the Company’s Chief Executive Officer and President, Kumarakulasingam Suriyakumar, effective as of February 9, 2014. The Amended Employment Agreement was amended and restated primarily in order to align the terms under which Mr. Suriyakumar would be eligible to receive an annual incentive bonus with growth in adjusted EBITDA instead of pre-tax earnings per share.

The remaining terms and conditions of the Amended Employment Agreement remain largely the same. As previously disclosed, Mr. Suriyakumar is entitled to receive an annual base salary of \$950,000 and an annual incentive bonus in an amount not to exceed \$4,000,000 in any subsequent fiscal year, subsidized group medical insurance, and perquisites of an annual cost not exceeding \$10,000. The Amended Employment Agreement also includes provisions regarding non-competition, non-solicitation, confidentiality, subsidized COBRA upon death or disability, and 24 months’ continuation pay, subsidized COBRA, continuation of certain perquisites, and acceleration of vesting of any unvested equity awards upon termination without cause or for good reason upon execution of a release.

The foregoing summary of certain terms and conditions of the Amended Employment Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the Amended Employment Agreement, a copy of which is attached to this report as Exhibit 10.1 and is incorporated herein by reference.

**Item 7.01. Regulation FD Disclosure.**

On May 19, 2014, the Company posted a letter to its shareholders on its website discussing the Amended Employment Agreement. The letter to the shareholders is attached hereto as Exhibit 99.1 and is furnished with this Form 8-K.

*The attached letter contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. When used in the letter, the words “believe,” “expect,” “anticipate,” “estimate,” “intend,” “plan,” “project,” “target,” “likely,” “will,” “would,” “could,” and variations of such words and similar expressions as they relate to our management or to the Company are intended to identify forward-looking statements. These forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those contemplated herein. There can be no assurance that the actual results or developments anticipated by us will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, us. Given these uncertainties, you are cautioned not to place undue reliance on such forward-looking statements.*

*Except where otherwise indicated, the statements made in the attached letter are made as of the date of the letter and should not be relied upon as of any subsequent date. All future written and verbal forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. We undertake no obligation, and specifically disclaim any obligation, to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You should, however, consult further disclosures we make in future filings of our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K, and any amendments thereto, as well as our proxy statements.*

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**Item 9.01. Financial Statements and Exhibits.**

(d) *Exhibits.*

<u>Exhibit No.</u>	<u>Description</u>
10.1	Amended and Restated Executive Employment Agreement dated May 17, 2014 by and between ARC Document Solutions, Inc. and Kumarakulasingam Suriyakumar.
99.1	Letter to the Shareholders of ARC Document Solutions, Inc. dated May 19, 2014.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: May 19, 2014

ARC DOCUMENT SOLUTIONS, INC.

By: /s/ D. Jeffery Grimes

D. Jeffery Grimes

Vice President and Corporate Secretary

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## EXHIBIT INDEX

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99.1	Letter to the Shareholders of ARC Document Solutions, Inc. dated May 19, 2014.

**AMENDED AND RESTATED EXECUTIVE EMPLOYMENT AGREEMENT**

This Amended and Restated Executive Employment Agreement (the “**Agreement**”) is entered into by and between **ARC Document Solutions, Inc.** (formerly known as **American Reographics Company**), a Delaware corporation (“**ARC**”), as the employer, and **Kumarakulasingam Suriyakumar**, a resident of California, an individual (“**Executive**”), as the employee, on May 17, 2014, effective as of February 9, 2014 (the “**Effective Date**”).

**RECITALS**

**WHEREAS**, ARC and Executive entered into an Amended and Restated Employment Agreement effective as of February 9, 2014, under which Executive is employed as Chief Executive Officer and President of ARC.

**WHEREAS**, the parties now wish to amend and restate the Agreement as of the Effective Date.

Now, therefore, in consideration of the promises, covenants and agreements set forth in this Agreement, the parties agree as follows:

**1. Position and Duties**

(a) ARC employs Executive as its President and Chief Executive Officer, and Executive agrees to serve ARC in such capacity, upon the terms and conditions set forth herein.

(b) Executive shall report to the Board of Directors of ARC (“Board”). Executive’s primary responsibilities shall be (i) to be responsible for developing long range corporate goals and for creating strategies to achieve those goals, for general corporate development, and for mergers and acquisitions, (ii) to perform other duties commonly incident to the office of Chief Executive Officer and President of a publicly traded company, and (iii) to perform such other duties and have such other powers as the Board shall designate from time to time. Executive shall have the authority generally incident and necessary to perform such duties. Executive will be the head of ARC’s executive team.

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(c) During the term of this Agreement, Executive will devote substantially all of his employment time and attention to the affairs of ARC and use his best efforts to promote the business and interests of ARC. Executive owes a fiduciary duty of loyalty, fidelity and allegiance to act at all times in the best interests of ARC, and not to do any act which would injure the business, interests, or reputation of ARC or any of its subsidiaries or affiliates.

## **2. Term**

The term of this Agreement shall commence on the Effective Date hereof and continue until February 9, 2017 unless otherwise terminated in accordance with the provisions hereof; provided, however, that this Agreement will automatically be extended on a year-to-year basis on the terms and conditions set forth herein, including the bonus provisions of Section 3(b), unless either party gives written notice to the other at least one hundred twenty (120) days prior to the expiration of the term of this Agreement, which includes any extensions, that this Agreement shall terminate at the end of such term, or extension thereof.

## **3. Direct Compensation**

In consideration of the services to be provided by Executive, Executive shall receive compensation, less all applicable taxes, social security payments and other items that ARC is required by law to withhold or deduct therefrom, as follows:

(a) **Base Salary**. Executive's annual Base Salary shall be \$950,000, payable in installments in accordance with ARC's customary payroll procedures.



(b) **Incentive Bonus**. During the term of this Agreement, Executive shall be eligible to receive an annual Incentive Bonus (“**Incentive Bonus**”) as follows:

(i) “Adjusted EBITDA” as used herein means the net income before interest, taxes, depreciation and amortization of ARC for the relevant fiscal year, as well as before stock-based compensation expense, restructuring expense, goodwill impairment and loss on extinguishment of debt. In calculating Adjusted EBITDA, the Compensation Committee of the Board of Directors (the “**Compensation Committee**”) will pro forma or otherwise exclude other unusual or infrequently occurring items and the cumulative effect of changes in the law, regulations or accounting rules, as identified in the financial statements, notes to the financial statements or discussion and analysis of management. For each fiscal year of ARC ending during the term of this Agreement, subject to approval by the Compensation Committee and the limitation set forth in clause (iii) below, Executive shall be eligible to receive an Incentive Bonus in an amount equal to the dollar value resulting from the product of (a) the year over year dollar increase in Adjusted EBITDA (“Dollar Increase”) and (b) the applicable “Participation Percentage” as determined per the table below by the year over year percentage increase in Adjusted EBITDA (“Percentage Increase”):

<i>Year over Year Increase in Adjusted EBITDA (%)</i> <i>(“Percentage Increase”)</i>	<i>Participation Percentage</i> <i>(% of Adjusted EBITDA Increase)</i>
Less than 2.5%	0%
2.5—4.9%	20.0%
5.0—7.4%	30.0%
7.5—9.9%	40.0%
10.0% or greater	50.0%

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The Dollar Increase is determined by subtracting the prior fiscal year's Adjusted EBITDA from the current fiscal year's Adjusted EBITDA. The Percentage Increase is determined by dividing (a) the Dollar Increase by (b) the prior year's Adjusted EBITDA.

For illustrative purposes only, if the current year's Adjusted EBITDA is \$72.0 million and the prior year's Adjusted EBITDA was \$68.5 million, then the Dollar Increase would be \$3.5 million and the Percentage Increase would be 5.1% (\$3.5 million divided by \$68.5 million) and the Participation Percentage would be 30% (according to the above table). And the resulting eligible Incentive Bonus would be \$1.05 million (30% times \$3.5 million).

No Incentive Bonus will be paid if the Percentage Increase is less than 2.5%. The Percentage Increase will be rounded to the nearest tenth of 1 percent.

(ii) The Incentive Bonus as recommended and approved by the Compensation Committee shall be paid no later than 90 days following the close of each fiscal year, and shall be paid in cash or shares of ARC common stock (such shares to be paid in either or both restricted shares or options as approved by the Compensation Committee) or a mix of cash and shares. To the extent that such Incentive Bonus is paid in shares of ARC common stock, such shares shall be issued forthwith after approval by the Compensation Committee at its first meeting in the fiscal year following the close of the fiscal year to which such Incentive Bonus relates, but in no event shall such shares be issued later than two and one-half months after the close of such fiscal year; provided, however, that as a condition to receiving restricted shares of ARC common stock, Executive must deposit with ARC on the date of issuance cash in the amount, if any, by which the total of employee withholding taxes required to be withheld with respect to the entire Incentive Bonus exceeds the cash portion of the Incentive Bonus available for withholding. Unless the Compensation Committee elects otherwise, the Incentive Bonus shall be paid pursuant to the terms of the ARC 2014 Stock Incentive Plan. The shares of ARC common stock shall vest in equal installments of twenty-five percent (25%) on each of the first four anniversaries of the date of grant, subject to Executive's continued employment with ARC on each vesting date. To be eligible to receive an Incentive Bonus, Executive must have been employed by ARC during the entire fiscal year to which such Incentive Bonus relates.

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(iii) Notwithstanding anything to the contrary contained in this Section 3(b), any annual Incentive Bonus payable under this Section 3(b) in respect of any given fiscal year shall be no greater than \$4,000,000 (the “**Maximum Annual Incentive Bonus Payment**”) or such lesser amount approved by the Compensation Committee.

#### **4. General Benefits**

During the term of this Agreement, Executive shall be entitled to other benefits provided by ARC to its senior executives from time to time, including but not limited to, 401(k) and other retirement plans, deferred compensation, paid holidays, sick leave and other similar benefits. Executive shall be entitled to 4 weeks paid vacation each calendar year accrued and vested in accordance with ARC’s vacation policy applicable to senior management.

#### **5. Stock Plans**

In the sole discretion of the Board of Directors of ARC, Executive shall be eligible to participate in stock option, stock purchase, stock bonus and similar plans of ARC established from time to time by ARC.

#### **6. Group Insurance or Benefit Plans**

(a) During the term of this Agreement, Executive shall be automatically covered by ARC group insurance programs (including any self-insured programs sponsored by ARC), including medical, dental, vision, disability, and life, if any. Executive’s spouse and children which are eligible for coverage may join the insurance programs, subject to ARC’s policies and applicable laws. The premiums for all insurance programs for Executive and Executive’s spouse and eligible children shall be paid by ARC.

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(b) Provided that this Agreement has not terminated under Section 11(c) or (f), ARC shall continue to provide to Executive, Executive's spouse and Executive's eligible children, at no expense to either, medical insurance coverage under the same group insurance or ARC-sponsored self-insurance, or equivalent coverage, as is provided from time to time to ARC's senior executives. Such coverage shall continue until the first to occur of (i) medical insurance coverage being available through another employer, or (ii), in the case of Executive's eligible children, the termination of eligibility under ARC's policies and applicable laws, or (iii) in the cases of Executive and his spouse, qualification, in each instance, for Medicare coverage.

#### **7. Special Benefits**

Executive shall be allowed additional employer-paid benefits of his choice (“**Special Benefits**”), including the lease of automobiles, social, golf or athletic club memberships and other benefits not specifically provided for in this Agreement, provided, however, that the annual cost to ARC shall not exceed \$10,000. Any employer taxes imposed upon ARC by reason of the furnishing of such Special Benefits shall be included in the annual \$10,000 limitation. Any unused allowance for Special Benefits shall not be carried over to a subsequent year.

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## **8. Reimbursement of Business Related Expenses.**

Executive shall be entitled to receive prompt reimbursement for reasonable expenses incurred by him in performing services hereunder during the term of this Agreement in accordance with the policies and procedures then in effect and established by ARC for its employees. Executive may, at his discretion, fly business class or first class on all airplane flights of more than one (1) hour if Executive deems such to be appropriate for the conduct of his duties. In addition to the Special Benefits set forth in Section 7 above, Executive shall also be entitled to reimbursement of Executive membership dues and related ongoing costs of appropriate professional organizations which are approved by the Board.

## **9. Obligations and Restrictive Covenants.**

(a) **Obligations.** During the term of this Agreement, Executive shall not engage in any other employment, occupation or consulting activity for any direct or indirect remuneration. This obligation shall not preclude Executive from: (i) serving in any volunteer capacity with any professional, community, industry, civic, educational or charitable organization; (ii) serving as a member of corporate boards of directors, provided that the Board has given written consent, and these activities or services do not materially interfere or conflict with Executive's responsibilities or ability to perform his duties under this Agreement; or (iii) engaging in personal investment activities for himself and his family which do not interfere with the performance of his duties and obligations hereunder.

(b) **Non-Competition; Non-Solicitation.** The Parties hereto recognize that Executive's services are unique and the restrictive covenants set forth in this Section 9 are essential to protect the business (including trade secret and other confidential information disclosed by ARC to, learned by or developed by Executive during the course of employment by ARC) and the good will of ARC. For purposes of this Section 9, all references to "ARC" shall include ARC's predecessors, subsidiaries and affiliates. As part of the consideration for the compensation and benefits to be paid to Executive hereunder, during the term of this Agreement Executive shall not:

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(i) Engage in any business similar or related to or competitive with the business conducted by ARC described from time to time in ARC's Annual Report on Form 10-K filed with the United States Securities and Exchange Commission (the "**Core Business of ARC**");

(ii) Render advice or services to, or otherwise assist, any other person, association, corporation, or other entity that is engaged, directly or indirectly, in any business similar or related to, or competitive with, the Core Business of ARC;

(iii) Transact any business in any manner with or pertaining to suppliers or customers of ARC which, in any manner, would have, or is likely to have, an adverse effect upon the Core Business of ARC; or

(iv) Induce any employee of ARC to terminate his or her employment with ARC, or hire or assist in the hiring of any such employee by any person or entity not affiliated with ARC.

For purposes of this Agreement, "affiliate" shall mean any entity which owns or controls, is owned or controlled by, or is under common ownership or control, with ARC.

#### **10. Confidentiality**

Executive acknowledges that it is the policy of ARC to maintain as secret and confidential all valuable and unique information heretofore or hereafter acquired, developed or used by ARC relating to the business, operations, employees and customers of ARC, which information gives ARC a competitive advantage in the industry, and which information includes technical knowledge, know-how or trade secrets and information concerning operations, sales, personnel, suppliers, customers, costs, profits, markets, pricing policies, and other confidential information and materials (the "**Confidential Information**").

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(a) **Non-Disclosure**. Executive recognizes that the services to be performed by Executive are special and unique, and that by reason of his duties he will be given, acquire or learn Confidential Information. Executive recognizes that all such Confidential Information is the sole and exclusive property of ARC. Executive shall not, either during or after his employment by ARC, disclose the Confidential Information to anyone outside ARC or use the Confidential Information for any purpose whatsoever, other than for the performance of his duties hereunder, except as authorized by ARC in connection with performance of such duties.

(b) **Return of Confidential Information**. Executive shall deliver promptly upon termination of employment with ARC, or at any time requested by ARC, all memos, notes, records, reports, manuals, drawings, and any other documents, whether in electronic form or otherwise, containing any Confidential Information, including without limitation all copies of such materials in any format which Executive may then possess or have under his control.

(c) **Ownership of Inventions; Assignment of Rights**. Executive agrees that all information, inventions, intellectual property, trade secrets, copyrights, trademarks, content, know-how, documents, reports, plans, proposals, marketing and sales plans, client lists, client files and materials made by him or by ARC (the “**Work Product**”) are the property of ARC and shall not be used by him in any way adverse to the interests of ARC. Executive assigns to ARC any and all rights of every nature which Executive may have in any such Work Product; provided, however, that such assignment does not apply to any right which qualifies fully under California Labor Code Section 2870. This section shall survive any termination of this Agreement and the employment relationship between Executive and ARC. Executive shall not deliver, reproduce or in any way allow such documents or things to be delivered or used by any third party without specific direction or consent of the Board. Likewise, Executive shall not disclose to ARC, use in ARC’s business, or cause ARC to use, any information or material that is a trade secret of others.

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(d) **Predecessors, Subsidiaries and Affiliates**. For purposes of this Section 10, references to ARC include its predecessors, subsidiaries and affiliates.

**11. Termination**.

Notwithstanding any other term or provision contained in this Agreement, this Agreement and the employment hereunder will terminate prior to the expiration of the term of this Agreement under the following circumstances:

(a) **Death**. Upon Executive's death.

(b) **Disability**. Upon Executive becoming "Permanently Disabled", which, for purposes of this Agreement, shall mean Executive's incapacity due to physical or mental illness or cause, which, in the written opinion of Executive's regular licensed physician, results in the Executive being unable to perform his duties on a full-time basis for 6 months during a period of 12 months.

(c) **Termination by ARC for Cause**. Upon written notice to Executive, ARC may terminate this Agreement for Cause, which, for purposes of this Agreement, shall mean termination by action of the Board in its reasonable discretion because of Executive's:

(i) willful refusal without proper cause to perform (other than by reason of physical or mental disability or death) the duties set forth in this Agreement or delegated from time to time in writing by the Board, which remains uncorrected for 30 days following written notice to Executive by the Board; or



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(ii) gross negligence, self dealing or willful misconduct of Executive in connection with the performance of his duties hereunder, including, without limitation, misappropriation of funds or property of ARC or its subsidiaries or affiliates, securing or attempting to secure personally any profit in connection with any transaction entered into on behalf of ARC or its subsidiaries or affiliates, or any willful act or gross negligence having the effect of injuring the reputation, business or business relationships of ARC or its subsidiaries or affiliates; or

(iii) fraud, dishonesty or misappropriation of ARC business and assets that harms the business of ARC or its subsidiaries or affiliates; or

(iv) habitual insobriety, abuse of alcohol, abuse of prescription drugs, or use of illegal drugs; or

(v) engaging in any criminal activity involving moral turpitude; or

(vi) indictment or being held for trial in connection with a misdemeanor involving moral turpitude or any felony; or

(vii) conviction of a felony or entry into a guilty plea that negatively reflects on Executive's fitness to perform the duties or harms the reputation or business of ARC or its subsidiaries or affiliates; or

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(viii) any material breach of any covenants under this Agreement or other material policy of ARC, other than under clauses (i) through (vii) of this Section 11(c) which remains uncorrected for 30 days following written notice to Executive by the Board.

(d) **Termination by ARC without Cause**. Upon written notice to Executive, ARC may terminate this Agreement at any time without any Cause or reason whatsoever.

(e) **Termination by Executive with Good Reason**. Upon written notice to ARC of any of the following “Good Reasons,” and the failure of ARC to correct the reduction, change or breach within 30 days after receipt of such notice, Executive may terminate this Agreement after the occurrence of

(i) a material change by ARC in the nature of Executive’s title, duties, authorities and responsibilities set forth in this Agreement without Executive’s express written consent; or

(ii) a reduction in the nature of Executive’s compensation as established under this Agreement, without Executive’s express written consent; or

(iii) a material breach by ARC of any material sections of this Agreement, other than as set forth in clauses (i) and (ii) of this Section 11(e); or

(iv) a Change of Control, as defined in Section 11(g), as a result of which Executive is not offered the same or comparable position in the surviving company, or is offered such position but within twelve (12) months after Executive accepts such position, Executive’s employment is terminated either without cause or for a Good Reason described in subsections (i) or (ii) of this Section 11(e) or in subsection (iii) as to the employment agreement then applicable to Executive.

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(f) **Termination by Executive without Good Reason.** Upon 45 days prior written notice to ARC, Executive may terminate this Agreement and resign from Executive's employment hereunder without any Good Reason.

(g) **Change of Control.**

(i) For purposes of this Agreement, "Change of Control" shall mean:

(A) ARC merges or consolidates with any other corporation (other than one of ARC's subsidiaries), as a result of which ARC is not the surviving company, or the shares of ARC voting stock outstanding immediately after such transaction do not constitute, become exchanged for or converted into, more than 50% of the Voting Shares of the merged or consolidated company (as defined below);

(B) ARC sells or otherwise transfers or disposes of all or substantially all of its assets;

(C) Any third person or entity shall become the Beneficial Owner, as defined by Rule 13(d)-3 under the Securities Exchange Act of 1934, in one transaction or a series of related transactions within any 12 month period, of at least 50% of the Voting Shares of ARC's then outstanding voting securities.

(ii) For purposes of this Agreement, "Voting Shares" shall mean the combined voting securities entitled to vote in the election of directors of a corporation, including ARC, or the merged, consolidated or surviving company, if other than ARC.

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## 12. Severance Benefits

(a) **Basic Benefits**. Upon expiration or termination of this Agreement for any reason, and subject to the provisions of Section 12(e), Executive will be entitled to: (i) payment for all Base Salary and unused vacation accrued and prorated, but unpaid, as of the effective date of termination, provided that payment for such amounts will be made no later than 30 days after the effective date of termination, (ii) payment, when due, of any earned but unpaid Incentive Bonus for the preceding fiscal year, (iii) any unreimbursed business expenses authorized by this Agreement, provided that such reimbursement will be paid to Executive no later than 30 days after the effective date of termination, (iv) continuation of any benefits under Section 6(a) as required by applicable law (e.g., COBRA), and (v) such rights as then exist with respect to then vested stock options, restricted stock or other rights under similar plans.

(b) **Termination by ARC for Cause or by Executive without Good Reason**. If this Agreement and Executive's employment hereunder is terminated by ARC for Cause pursuant to Section 11(c), or by Executive without Good Reason pursuant to Section 11(f), Executive shall not be entitled to any additional payments or benefits hereunder.

(c) **Termination by ARC without Cause; Termination by Executive with Good Reason**. If this Agreement and Executive's employment hereunder is terminated by ARC without Cause pursuant to Section 11(d), or by Executive for Good Reason as defined in Section 11(e), subject to Executive's compliance with the provisions of Section 15 below, Executive shall receive the following additional payments or benefits:

(i) Executive's then Base Salary paid as and when due as if this Agreement had remained in effect until the end of the 2-year period beginning on such termination date;

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(ii) Continuation of coverage and premium payments by ARC under ARC's group insurance programs for Executive and his eligible family members under Section 6(a) if this Agreement had not been terminated, and thereafter under Section 6(b) in accordance with the provisions of such Section;

(iii) Continuation of the Special Benefits under Section 7 of this Agreement if this Agreement had remained in effect until the end of the 2-year period beginning on such termination date; and

(iv) All unvested stock options, restricted stock or similar rights granted to Executive shall accelerate and become vested and exercisable immediately as of the effective date of termination.

(d) **Termination because of Death or Disability of Executive.** If this Agreement and Executive's employment hereunder is terminated under Sections 11(a) or (b) by reason of Executive's death or by reason of being Permanently Disabled, Executive or his family shall be entitled to the additional benefits described in Section 12(c)(ii) above.

(e) **Parachute Payments.** In the event that the severance, acceleration of stock options and other benefits provided for in this Agreement or otherwise payable to Executive (i) constitute "parachute payments" within the meaning of Section 280G (as it may be amended or replaced) of the Internal Revenue Code of 1986, as amended or replaced (the "**Code**") and (ii) but for this Section 12(e), would be subject to the excise tax imposed by Section 4999 (as it may be amended or replaced) of the Code (the "**Excise Tax**"), then Executive's benefits hereunder shall be either:

(i) provided to Executive in full; or

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(ii) provided to Executive only as to such lesser extent which would result in no portion of such benefits being subject to the Excise Tax, whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the Excise Tax, results in the receipt by Executive on an after-tax basis, of the greatest amount of benefits, notwithstanding that all or some portion of such benefits may be taxable under the Excise Tax. Unless ARC and Executive otherwise agree in writing, any determination required under this Section 12(e) shall be made in writing in good faith by ARC's tax advisors (the "**Accountants**"). For purposes of making the calculations required by this Section 12(e), the Accountants may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of the Code. ARC and Executive shall furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make a determination under this Section 12(e). ARC shall bear all costs the Accountants may reasonably incur in connection with any calculations contemplated by this Section 12(e).

(f) **409A Compliance**.

(i) **6-Month Delay Rule**. Except as provided in paragraph (ii) below, in the event that Executive is a "specified employee" (as defined in Section 409A(a)(2)(B)(i) of the Code and regulations thereunder) at the time of the termination of his employment with ARC, payment of all amounts subject to Section 409A of the Code that would otherwise be made under Section 12 of this Agreement, including any installments, may not be paid before a date that is six months and two days after the date of termination from employment (including death). Such amounts that otherwise would have been paid during such six-month period will be paid as of the date that is six months and two days after the date of employment termination.

(ii) **Exception.** In the event that payment of amounts under Section 12 of this Agreement at the time(s) of payment specified under its terms (without regard to this Section 12(f)) does not cause any amount of the payment to fail to comply with the provisions of Section 409A of the Code, and does not result in any excise tax or additional tax penalty under Section 409A, then the six-month delay rule of paragraph (i) above will not apply and payment of such amounts will be made at the time(s) specified under the applicable terms of Section 12 of this Agreement without regard to this Section 12(f).

(iii) **General Compliance.** During the term of this Agreement, ARC and Executive agree to modify and administer the Agreement to the extent possible to comply with Section 409A of the Code and to avoid incurring any excise and other additional tax liability that might be imposed on Executive or ARC.

### **13. Arbitration and Equitable Relief**

(a) **Arbitration.** In consideration of Executive's employment with ARC, its promise to arbitrate all employment-related disputes and Executive's receipt of the compensation paid to Executive by ARC, at present and in the future, Executive agrees that any and all controversies, claims, or disputes with anyone (including ARC and any employee, officer, director, shareholder or benefit plan of ARC in their capacity as such or otherwise) arising out of, relating to, or resulting from Executive's employment with ARC or the termination of that employment with ARC, including any provision of this Agreement, shall be subject to binding arbitration under the arbitration rules set forth in the California Code of Civil Procedure section 1280 through 1294.2, including section 1283.05 collectively (the "**Rules**") and pursuant to California law. Disputes which Executive agrees to arbitrate, and hereby agrees to waive any right to a trial by jury, include without limitation, any common law claims, statutory claims under Title VII of the Civil Rights Act of 1964, the Americans With Disabilities Act of 1990, the Age Discrimination In Employment Act of 1967, the Older Workers Benefit Protection Act, the California Fair Employment And Housing Act, the California Labor Code (except for workers compensation or unemployment insurance claims), or ERISA, claims of harassment, discrimination or wrongful termination and any other statutory claims under state or federal law.

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(b) **Procedure**. Any arbitration will be administered by JAMS and a neutral arbitrator will be selected in a manner consistent with its rules for the resolution of employment disputes. The arbitrator shall have the power to decide any motions brought by any party to the arbitration, including motions for summary judgment and/or adjudication and motions to dismiss and demurrers, prior to any arbitration hearing. The arbitrator shall have the power to award any remedies, including attorneys' fees and costs, available under applicable law. ARC will pay for any administrative or hearing fees charged by the arbitrator or JAMS except that Executive shall pay the first \$200.00 of any filing fees associated with any arbitration Executive initiates. The arbitrator shall administer and conduct any arbitration in a manner consistent with the Rules. To the extent that the JAMS rules for the resolution of employment disputes conflict with the Rules, the Rules shall take precedence. The decision of the arbitrator shall be in writing.

(c) **Remedy**. Except as provided by the Rules and this Agreement, arbitration shall be the sole, exclusive and final remedy for any dispute between ARC and Executive. Accordingly, except as provided for by the Rules and this Agreement, neither ARC nor Executive will be permitted to pursue court action regarding claims that are subject to arbitration. Notwithstanding, the arbitrator will not have the authority to disregard or refuse to enforce any lawful ARC policy, and the arbitrator shall not order or require ARC to adopt a policy not otherwise required by law which ARC has not adopted.



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(d) **Availability of Injunctive Relief**. In addition to the right under the Rules to petition the court for provisional relief, ARC may also petition the court for injunctive relief, notwithstanding any provision in this Agreement requiring arbitration, where ARC alleges or claims a violation of this Agreement, or any separate agreement between Executive and ARC regarding trade secrets, confidential information or non-solicitation, or California Labor Code §2870. No bond shall be required of ARC. Executive understands and agrees that any breach or threatened breach of this Agreement or of any such separate agreement will cause irreparable injury to ARC or its subsidiaries or affiliates and that money damages will not provide an adequate remedy therefore, and Executive hereby consents to the issuance of an injunction. In the event either Party seeks injunctive relief, the prevailing party shall be entitled to recover reasonable costs and attorney fees related thereto.

(e) **Administrative Relief**. This Agreement does not prohibit Executive from pursuing an administrative claim with a local, state or federal administrative body such as the Department of Fair Employment and Housing, the Equal Employment Opportunity Commission or the Workers' Compensation Board. This Agreement does, however, preclude Executive from pursuing court action regarding any such claim.

(f) **Voluntary Nature of Agreement**. Executive acknowledges and agrees that he is executing this Agreement voluntarily and without any duress or undue influence by ARC or anyone else. Executive further acknowledges and agrees that he has carefully read this Agreement, that he has asked any questions needed for him to understand the terms, consequences and binding effect of this Agreement, and that he fully understands this Agreement, including that *he is waiving his right to a jury trial*. Finally, Executive acknowledges that he has been provided an opportunity to seek the advice of an attorney of his choice before signing this Agreement.

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**14. Governing Law**

This Agreement shall be governed by and construed and interpreted in accordance with the laws of the State of California without regard to California conflict of laws principles.

**15. Release**

In exchange for the benefits and other consideration under this Agreement to which Executive would not otherwise be entitled, Executive shall enter into and execute a release substantially in the form attached hereto as Exhibit A (the “ **Release** ”) upon his termination of employment. Unless the Release is executed by Executive and delivered to ARC within thirty (30) days after the termination of Executive’s employment with ARC, Executive shall receive only the basic severance benefits provided under Section 12(a) of this Agreement and no additional benefits under Section 12 or the extended health insurance coverage under Section 6 (b) of this Agreement.

**16. Notices**

Any notices or other communications desired or required under this Agreement shall be in writing, signed by the Party making the same, and shall be deemed delivered when personally delivered or on the second business day after the same is sent by certified or registered mail, postage prepaid, addressed as follows (or to such other address as may be designated by like written notice):

If to Executive:

At the last residential address known by ARC

If to ARC:

ARC Document Solutions, Inc.  
1981 North Broadway, Suite 385  
Walnut Creek, CA 94596  
Attn.: Legal Department

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**17. Severability**

In the event that any provision of this Agreement becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Agreement shall continue in full force and effect without said provision.

**18. Assignment**

Except as otherwise specifically provided herein, neither party shall assign this Agreement or any rights hereunder without the consent of the other party, and any attempted or purported assignment without such consent shall be void; provided that Executive's consent under this Agreement shall not be required hereby for any of the transactions involving a Change of Control. This Agreement shall otherwise bind and inure to the benefit of the parties hereto and their respective successors, assigns, heirs, legatees, devisees, executors, administrators and legal representatives.

**19. Entire Agreement**

This Agreement contains the entire agreement of the parties and supersedes all prior or contemporaneous negotiations, correspondence, understandings and agreements between the parties regarding the subject matter of this agreement. Any prior employment agreement, bonus agreement or other compensation agreement between Executive and ARC or any predecessor, subsidiary or affiliate of ARC, is hereby amended and superseded as of the Effective Date. This Agreement may not be amended or modified except in writing signed by both parties.

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**20. Waiver**

If either Party waives any breach of any provisions of this Agreement, he or it shall not thereby be deemed to have waived any preceding or succeeding breach of the same or any other provision of this agreement.

**21. Counterparts**

This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first hereinabove set forth.

ARC DOCUMENT SOLUTIONS, INC.  
a Delaware corporation

EXECUTIVE

By: \_\_\_\_\_  
Dilantha Wijesuriya  
Title: Chief Operations Officer

\_\_\_\_\_  
Kumarakulasingam Suriyakumar

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**EXHIBIT A**

**RELEASE AGREEMENT**

I understand that my position with ARC Document Solutions, Inc. (“ARC”) terminated effective \_\_\_\_\_ (the “Separation Date”). ARC has agreed that if I choose to sign this Agreement, ARC will pay me severance benefits (minus the standard withholdings and deductions) pursuant to the terms of the Amended and Restated Executive Employment Agreement entered into on May 17, 2014 between myself and ARC (the “Severance Benefits”). I understand that I am not entitled to the Severance Benefits unless I sign this Agreement. I understand that in addition to the Severance Benefits, ARC will pay me all of my accrued salary and vacation, to which I am entitled by law.

In consideration for the Severance Benefits I am receiving under this Agreement, I agree not to use or disclose any of ARC’s proprietary information without written authorization from ARC, to immediately return all Company property and documents (including all embodiments of proprietary information) and all copies thereof in my possession or control, and to release ARC and its officers, directors, agents, attorneys, employees, shareholders, and affiliates from any and all claims, debts, liabilities, demands, causes of action, attorneys’ fees, damages, or obligations of every kind and nature, whether they are known or unknown, arising at any time prior to the date I sign this Agreement. This general release includes, but is not limited to: all federal and state statutory and common law claims, claims related to my employment or the termination of my employment or related to breach of contract, tort, wrongful termination, discrimination, wages or benefits, or claims for any form of compensation. This release is not intended to release any claims I have or may have against any of the released parties for (a) indemnification as a director, officer, agent or employee under applicable law, charter document or agreement, (b) severance and other termination benefits under my employment agreement and any related written documents, (c) health or other insurance benefits based on claims already submitted or which are covered claims properly submitted in the future, (d) vested rights under pension, retirement or other benefit plans, or (e) in respect of events, acts or omissions occurring after the date of this Release Agreement.

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In releasing claims unknown to me at present, I am waiving all rights and benefits under Section 1542 of the California Civil Code, and any law or legal principle of similar effect in any jurisdiction:

**“A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.”**

I acknowledge that I am knowingly and voluntarily waiving and releasing any rights I may have under the federal Age Discrimination in Employment Act of 1967, as amended (“ADEA”). I also acknowledge that the consideration given for the waiver in the above paragraph is in addition to anything of value to which I was already entitled. I have been advised by this writing, as required by the ADEA that: (a) my waiver and release do not apply to any claims that may arise after my signing of this Agreement; (b) I should consult with an attorney prior to executing this release, (c) I have twenty-one (21) days within which to consider this release (although I may choose to voluntarily execute this release earlier); (d) I have seven (7) days following the execution of this release to revoke the Agreement; (e) this Agreement will not be effective until the eighth day after this Agreement has been signed both by me and by ARC (“Effective Date”); and I will not be paid any of the Severance Benefits until this Agreement has become effective.

This Agreement constitutes the complete, final and exclusive embodiment of the entire agreement between ARC and me with regard to the subject matter hereof I am not relying on any promise or representation by ARC that is not expressly stated herein. This Agreement may only be modified by a writing signed by both me and a duly authorized officer of ARC. I accept and agree to the terms and conditions stated above:

ARC DOCUMENT SOLUTIONS, INC., a  
Delaware corporation

EXECUTIVE

By: \_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_

Kumarakulasingam Suriyakumar  
Address: \_\_\_\_\_  
\_\_\_\_\_

Title: \_\_\_\_\_



May 19, 2014

RE: Changes in Executive Compensation

To Our Valued Shareholders:

I wanted to personally thank you for the feedback you provided earlier this year during our proxy season. The comments you gave us about each proposal were thoughtful, insightful, and constructive, and we took them into account.

Although we carefully formulated our needs for the originally proposed Stock Incentive Plan (“SIP”), it was clear that shareholders preferred a smaller tranche of shares be set aside for this purpose, and they strongly suggested we refresh the plan more frequently. We heard our shareholders loud and clear and in response, amended the plan prior to our annual meeting. As a result, the SIP received more than 90% of the vote in favor.

We also received commentary with regard to our advisory, non-binding proposal on executive compensation (a/k/a “Say-on-Pay”). While nearly all of the shareholders we spoke to expressed their appreciation for management’s actions in taking salary reductions throughout the difficult years of the recession and its aftermath, they preferred to see an executive bonus plan dependent on a metric they felt better reflected the value creation ARC is experiencing.

The original bonus structure we proposed in this year’s proxy statement was very similar to what has been in place throughout ARC’s history as a public company. It was designed to reward earnings growth aggressively, and to withhold any bonus in its absence. During this time we believe the bonus structure has performed as designed and has aligned my incentive compensation with our shareholders’ interests. Despite the successes we have been able to achieve in these difficult times, without earnings growth, I received no bonus for five years.

The Compensation Committee and I had hoped to keep the plan in place as we drive for renewed earnings growth in the years ahead. While earnings growth remains an important objective, many of our shareholders expressed a strong desire to tie my incentive compensation to growth in Adjusted EBITDA, a metric that has become more representative of the value of the Company as it has transformed. As such, I asked our Compensation Committee to recast a structure that reflects those interests, and they have agreed to do so. As the single largest shareholder in the Company, I firmly believe an EBITDA-based incentive structure promotes the interests of our equity holders.



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

By addressing executive compensation issues and the details of our stock incentive plan in a timely and considered manner, I hope we have demonstrated our commitment to continue the productive dialogue this proxy season inspired, and to be responsive to the issues and concerns expressed by our shareholders.

Thank you for the support you’ve shown ARC Document Solutions and our Board of Directors, and for the commentary we’ve received concerning our proposals. We look forward to your continued participation as shareholders of the Company.

Sincerely,



K. Suriyakumar  
Chairman, President & CEO