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ARC DOCUMENT SOLUTIONS, INC.

FORM 10-Q
(Quarterly Report)

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

FORM 10-Q

(Mark One)

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

For The Quarterly Period Ended September 30, 2009

Or

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

Commission File Number: 001-32407

AMERICAN REPROGRAPHICS COMPANY
(Exact name of Registrant as specified in its Charter)

Delaware	**20-1700361**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1981 N. Broadway, Suite 385
Walnut Creek, California 94596
(925) 949-5100
(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

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

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

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

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

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

As of November 6, 2009, there were 45,312,743 shares of the Registrant's common stock outstanding.

AMERICAN REPROGRAPHICS COMPANY
Quarterly Report on Form 10-Q
For the Quarter Ended September 30, 2009

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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. When used in this Quarterly Report on Form 10-Q, the words "believe," "expect," "anticipate," "estimate," "intend," "plan," "targets," "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. We have described in Part II, Item 1A-"Risk Factors" a number of factors that could cause our actual results to differ from our projections or estimates. These factors and other risk factors described in this report are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any of our forward-looking statements. Other unknown or unpredictable factors also could harm our results. Consequently, 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 this Quarterly Report on Form 10-Q are made as of the date we filed this report with the Securities and Exchange Commission 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.

PART I — FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements (Unaudited)

AMERICAN REPROGRAPHICS COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except per share data)
(Unaudited)

	September 30, 2009	December 31, 2008
Assets		
Current assets:		
Cash and cash equivalents	$ 59,179	$ 46,542
Accounts receivable, net of allowances for accounts receivable of $4,842 and $5,424 at September 30, 2009 and December 31, 2008, respectively	63,749	77,216
Inventories, net	11,672	11,097
Deferred income taxes	5,827	5,831
Prepaid expenses and other current assets	9,983	11,976
Total current assets	150,410	152,662
Property and equipment, net	78,169	89,712
Goodwill	330,665	366,513
Other intangible assets, net	76,846	85,967
Deferred financing costs, net	2,609	3,537
Deferred income taxes	25,610	25,404
Other assets	2,200	2,136
Total assets	$ 666,509	$ 725,931
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 23,159	$ 25,171
Accrued payroll and payroll-related expenses	11,572	13,587
Accrued expenses	23,173	24,913
Current portion of long-term debt and capital leases	79,064	59,193
Total current liabilities	136,968	122,864
Long-term debt and capital leases	238,521	301,847
Other long-term liabilities	10,465	13,318
Total liabilities	385,954	438,029
Commitments and contingencies (Note 10)		
Stockholders' equity:		
American Reprographics Company stockholders' equity:		
Preferred stock, $0.001 par value, 25,000,000 shares authorized; zero and zero shares issued and outstanding	—	—
Common stock, $0.001 par value, 150,000,000 shares authorized; 45,760,397 and 45,674,810 shares issued and 45,312,743 and 45,227,156 shares outstanding in 2009 and 2008, respectively	46	46
Additional paid-in capital	88,806	85,207
Deferred stock-based compensation	—	(195)
Retained earnings	201,536	215,846
Accumulated other comprehensive loss	(8,206)	(11,414)
	282,182	289,490
Less cost of common stock in treasury, 447,654 shares in 2009 and 2008	7,709	7,709
Total American Reprographics Company stockholders' equity	274,473	281,781
Noncontrolling interest	6,082	6,121
Total stockholders' equity	280,555	287,902
Total liabilities and stockholders' equity	$ 666,509	$ 725,931

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

AMERICAN REPROGRAPHICS COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands, except per share data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Reprographics services	$ 81,989	$ 127,455	$ 274,663	$ 409,162
Facilities management	23,395	30,977	75,158	91,737
Equipment and supplies sales	13,966	16,153	40,066	46,070
Total net sales	119,350	174,585	389,887	546,969
Cost of sales	78,219	104,570	247,622	318,263
Gross profit	41,131	70,015	142,265	228,706
Selling, general and administrative expenses	27,330	38,800	88,335	117,820
Amortization of intangible assets	2,777	2,987	8,674	8,988
Goodwill impairment	37,382	—	37,382	—
Impairment of long-lived assets	781	—	781	—
(Loss) income from operations	(27,139)	28,228	7,093	101,898
Other income	(41)	(55)	(138)	(300)
Interest expense, net	6,428	6,180	18,060	19,885
Income before income tax (benefit) provision	(33,526)	22,103	(10,829)	82,313
Income tax (benefit) provision	(5,334)	7,041	3,520	29,877
Net (loss) income	(28,192)	15,062	(14,349)	52,436
Loss attributable to the noncontrolling interest	28	5	39	5
Net (loss) income attributable to American Reprographics Company	$ (28,164)	$ 15,067	$ (14,310)	$ 52,441
Earnings per share attributable to American Reprographics Company shareholders:				
Basic	$ (0.62)	$ 0.33	$ (0.32)	$ 1.16
Diluted	$ (0.62)	$ 0.33	$ (0.32)	$ 1.15
Weighted average common shares outstanding:				
Basic	45,138,446	45,066,654	45,115,059	45,054,425
Diluted	45,138,446	45,413,747	45,115,059	45,413,948

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

AMERICAN REPROGRAPHICS COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Dollars in thousands, except per share data)
(Unaudited)

	American Reprographics Company Shareholders								
	Common Stock		Additional Paid-In	Deferred	Retained	Accumulated Other Comprehensive	Common Stock in	Noncontrolling	
	Shares	Par Value	Capital	Compensation	Earnings	Loss	Treasury	Interest	Total
Balance at December 31, 2007	45,114,119	$ 46	$ 81,153	$ (673)	$ 179,092	$ (258)	$ (7,709)	$ —	$251,651
Stock-based compensation	78,250	—	2,772	371	—	—	—	—	3,143
Issuance of common stock under Employee Stock Purchase Plan	1,812	—	27	—	—	—	—	—	27
Stock Options exercised	31,700	—	177	—					177
Tax benefit from exercise of stock options	—	—	102	—	—	—	—	—	102
Noncontrolling interest resulting from business combinations	—	—	—	—	—	—	—	6,062	6,062
Comprehensive Income:									
Net income (loss)	—	—	—	—	52,441	—	—	(5)	52,436
Foreign currency translation adjustments	—	—	—	—	—	(387)	—	—	(387)
Gain (loss) on derivative, net of tax effect	—	—	—	—	—	(780)	—	—	(780)
Comprehensive income									51,269
Balance at September 30, 2008	45,225,881	$ 46	$ 84,231	$ (302)	$ 231,533	$ (1,425)	$ (7,709)	$ 6,057	$312,431

	American Reprographics Company Shareholders								
	Common Stock		Additional Paid-In	Deferred	Retained	Accumulated Other Comprehensive	Common Stock in	Noncontrolling	
	Shares	Par Value	Capital	Compensation	Earnings	Loss	Treasury	Interest	Total
Balance at December 31, 2008	45,227,156	$ 46	$ 85,207	$ (195)	$ 215,846	$ (11,414)	$ (7,709)	$ 6,121	$287,902
Stock-based compensation	46,512	—	3,351	195	—	—	—	—	3,546
Issuance of common stock under Employee Stock Purchase Plan	27,275	—	167	—	—	—	—	—	167
Stock Options exercised	11,800	—	63	—	—	—	—	—	63
Tax benefit from exercise of stock options	—	—	18	—	—	—	—	—	18
Comprehensive Income:									
Net income (loss)	—	—	—	—	(14,310)	—	—	(39)	(14,349)
Foreign currency translation adjustments	—	—	—	—	—	732	—	—	732
Gain (loss) on derivative, net of tax effect	—	—	—	—	—	2,476	—	—	2,476
Comprehensive income									(11,141)
Balance at September 30, 2009	45,312,743	$ 46	$ 88,806	$ —	$ 201,536	$ (8,206)	$ (7,709)	$ 6,082	$280,555

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

AMERICAN REPROGRAPHICS COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2009	2008
Cash flows from operating activities		
Net (loss) income	$ (14,349)	$ 52,436
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Allowance for accounts receivable	2,842	3,164
Depreciation	28,977	28,193
Amortization of intangible assets	8,674	8,988
Amortization of deferred financing costs	972	936
Goodwill impairment	37,382	—
Impairment of long-lived assets	781	—
Stock-based compensation	3,564	3,143
Excess tax benefit related to stock options exercised	(18)	(102)
Deferred income taxes	(2,258)	6,498
Write-off of deferred financing costs	—	313
Other non-cash items, net	(54)	(401)
Changes in operating assets and liabilities, net of effect of business acquisitions:		
Accounts receivable	11,237	1,900
Inventory	355	1,251
Prepaid expenses and other assets	3,675	(4,795)
Accounts payable and accrued expenses	(6,416)	(6,261)
Net cash provided by operating activities	75,364	95,263
Cash flows from investing activities		
Capital expenditures	(5,852)	(6,359)
Payments for businesses acquired, net of cash acquired and including other cash payments associated with the acquisitions	(2,023)	(18,216)
Restricted cash	—	(1,022)
Other	716	946
Net cash used in investing activities	(7,159)	(24,651)
Cash flows from financing activities		
Proceeds from stock option exercises	63	177
Proceeds from issuance of common stock under Employee Stock Purchase Plan	116	27
Excess tax benefit related to stock options exercised	18	102
Proceeds from borrowings under debt agreements	—	—
Payments on long-term debt agreements and capital leases	(55,838)	(38,507)
Net (repayments) borrowings under revolving credit facility	—	(22,000)
Payment of loan fees	(44)	(726)
Net cash used in financing activities	(55,685)	(60,927)
Effect of foreign currency translation on cash balances	117	142
Net change in cash and cash equivalents	12,637	9,827
Cash and cash equivalents at beginning of period	46,542	24,802
Cash and cash equivalents at end of period	$ 59,179	$ 34,629
Supplemental disclosure of cash flow information		
Noncash investing and financing activities		
Noncash transactions include the following:		
Capital lease obligations incurred	$ 12,134	$ 26,611
Issuance of subordinated notes in connection with the acquisition of businesses	$ 246	$ 7,653
Gain (loss) on derivative, net of tax effect	$ 2,476	$ (780)
Contribution from noncontrolling interest	$ —	$ 6,062

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

AMERICAN REPROGRAPHICS COMPANY
Notes to Condensed Consolidated Financial Statements
(Dollars in thousands, except per share data)
(Unaudited)

1. Description of Business and Basis of Presentation

American Reprographics Company ("ARC" or the "Company") is the leading reprographics company in the United States providing business-to-business document management services to the architectural, engineering and construction industry, or AEC industry. ARC also provides these services to companies in non-AEC industries, such as aerospace, technology, financial services, retail, entertainment, and food and hospitality that require sophisticated document management services. 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 interim Condensed Consolidated Financial Statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and in conformity with the requirements of the Securities and Exchange Commission ("SEC"). As permitted under those rules, certain footnotes or other financial information required by GAAP for complete financial statements have been condensed or omitted. In management's opinion, the interim Condensed Consolidated Financial Statements presented herein reflect all adjustments of a normal and recurring nature that are necessary to fairly present the interim Condensed Consolidated Financial Statements. All material intercompany accounts and transactions have been eliminated in consolidation. All subsequent events have been evaluated through the date the interim Condensed Consolidated Financial Statements were issued. The operating results for the three and nine months ended September 30, 2009, are not necessarily indicative of the results that may be expected for the year ending December 31, 2009.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the interim Condensed 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 interim Condensed Consolidated Financial Statements.

These interim Condensed Consolidated Financial Statements and notes should be read in conjunction with the consolidated financial statements and notes included in the Company's 2008 Annual Report on Form 10-K. The accounting policies used in preparing these interim Condensed Consolidated Financial Statements are the same as those described in the Company's 2008 Annual Report on Form 10-K, except for the adoption of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 805, formerly Statement of Financial Accounting Standards ("SFAS") No. 141 (Revised 2007), *Business Combinations* , which is further described in Note 5, "Goodwill and Other Intangibles Resulting from Business Acquisitions", ASC 820-10, formerly FASB Staff Position ("FSP") No. FAS 157-2, *Effective Date of FASB Statement No. 157* , which is further described in Note 8, "Fair Value Measurements", ASC 810-10-65, formerly SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements — an Amendment of ARB No. 51* , ASC 815-10, formerly SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities — an amendment of FASB Statement No. 133* , ASC 855, formerly SFAS No. 165, *Subsequent Events* , and ASC 105-10, formerly SFAS No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles,* which are further described in Note 14, "Recent Accounting Pronouncements."

Risk and Uncertainties

The Company generates the majority of its revenue from sales of products and services provided to 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 and residential construction spending, GDP growth, interest rates, employment rates, office vacancy rates, and government expenditures. The effects of the current economic recession in the United States, and weakness in global economic conditions, have resulted in a significant downturn in the non-residential and residential portions of the AEC industry. The Company's management believes that the AEC industry generally experiences downturns several months after a downturn in the general economy and that there may be a similar delay in the recovery of the AEC industry following a recovery in the general economy. Similar to the AEC industry, the reprographics industry typically lags a recovery in the broader economy. A prolonged downturn in the AEC industry and the reprographics industry would diminish demand for ARC's products and services, and would therefore negatively impact revenues and have a material adverse impact on its business, operating results and financial condition.

AMERICAN REPROGRAPHICS COMPANY
Notes to Condensed Consolidated Financial Statements (Continued)
(Dollars in thousands, except per share data)
(Unaudited)

2. Stock-Based Compensation

The American Reprographics Company 2005 Stock Plan (the "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 5,000,000 shares of common stock. The maximum amount of authorized shares under the Stock Plan will automatically increase 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 day preceding the date of the increase; (ii) 300,000 shares; or (iii) such smaller number of shares determined by the Company's board of directors. At September 30, 2009, 2,847,255 shares remain available for grant under the Stock Plan.

Stock Option Exchange Program. On April 22, 2009, the Company commenced a stock option exchange program to allow certain of its employees the opportunity to exchange all or a portion of their eligible outstanding stock options for an equivalent number of new, replacement options. In connection with the exchange program, the Company issued 1,479,250 nonstatutory stock options with an exercise price of $8.20, equal to the closing price of the Company's common stock on the New York Stock Exchange on May 21, 2009. Generally, all employees who held options upon expiration of the exchange program, other than the Company's board members, were eligible to participate in the program.

The number of shares of Company common stock subject to outstanding options did not change as a result of the exchange offer. New options issued as part of the exchange offer are subject to a two-year vesting schedule, with 50% of the shares subject to an option vesting on the one-year anniversary of the date of grant, and the remaining 50% of the shares subject to an option vesting on the two-year anniversary of the date of grant. The new options will expire 10 years from the date of grant, unless earlier terminated. In accordance with ASC 718, formerly SFAS No. 123R (Revised 2004), *Shared-Based Payment* , the Company measured the new fair value of the repriced options and also revalued the original options as of the date of modification. The excess fair value of the repriced options over the re-measured value of the original options represents incremental compensation cost. The total incremental cost of the repriced options is approximately $2.4 million of which $0.3 million and $0.4 million has been recognized in the interim Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2009, respectively, with $2.0 million remaining to be recognized over the remaining service period of the repriced options.

The Company issued shares of restricted common stock at the prevailing market price in the amount of $50 or 7,752 shares, to each of the six independent members of its Board of Directors in April 2009. The shares of restricted stock granted to the independent board members will vest on the one-year anniversary of the grant date.

In February 2009, the Company granted stock options covering 37,326 shares of common stock to key employees with an exercise price equal to the fair market value of the Company's stock on the date of grant. The stock options vest ratably over a period of three years and expire 10 years after the date of grant. The fair value at the grant date for the options issued was $2.30. The fair value was estimated on the date of grant using the Black-Scholes option-pricing model using the following assumptions:

Assumptions used:	
Risk free interest rate	2.0%
Expected volatility	37.0%
Expected dividend yield	0.0%
Expected term	6.0 years

The impact of stock-based compensation to the interim Condensed Consolidated Statements of Operations for the three months ended September 30, 2009 and 2008, before income taxes, was $1.4 million and $1.1 million, respectively.

The impact of stock-based compensation to the interim Condensed Consolidated Statements of Operations for the nine months ended September 30, 2009 and 2008, before income taxes, was $3.6 million and $3.1 million, respectively.

AMERICAN REPROGRAPHICS COMPANY
Notes to Condensed Consolidated Financial Statements (Continued)
(Dollars in thousands, except per share data)
(Unaudited)

As of September 30, 2009, total unrecognized compensation cost related to unvested stock-based payments totaled $9.4 million and is expected to be recognized over a weighted-average period of 1.8 years.

3. Employee Stock Purchase Plan

The Company adopted the American Reprographics Company 2005 Employee Stock Purchase Plan (the "ESPP") in connection with the consummation of its IPO in February 2005. Effective as of April 29, 2009, the ESPP was amended so that 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 as determined on the date of purchase.

In addition, under the April 29, 2009 amendment to the ESPP, the purchase price of common stock acquired pursuant to the ESPP in any offering on or after June 30, 2009 was amended from 95% to 85% of the fair market value of such shares of common stock on the applicable purchase date. The compensation expense in connection with the further amended ESPP for the three and nine months ended September 30, 2009 was $6 and $18, respectively. During the nine months ended September 30, 2009, the Company issued 27,275 shares of its common stock to employees in accordance with the ESPP at a weighted average price of $6.11 per share.

The ESPP was amended and restated on July 30, 2009 in order to allow for participation in the ESPP by employees of certain subsidiaries of the Company located in foreign jurisdictions.

4. Acquisitions

In the first nine months of 2009, the Company acquired one U.S. reprographics company and one Chinese reprographics company through a wholly-owned subsidiary of UNIS Document Solutions Co. Ltd., its business venture with Unisplendour Corporation Limited. Neither of these acquisitions, individually or in the aggregate, was material to the Company's operations. The Company accounts for acquisitions using the acquisition method of accounting. The results of operations from these acquisitions are included in the Company's Consolidated Statements of Operations from the respective acquisition date. The acquisitions' combined revenue represents less than 1.0% of the Company's total revenue.

5. Goodwill and Other Intangibles Resulting from Business Acquisitions

Goodwill

In connection with acquisitions completed during the first nine months of 2009, the Company has applied the provisions of ASC 805 , using the acquisition method of accounting. However, acquisitions completed prior to 2009 were accounted for by applying the provisions SFAS No. 141, *Business Combinations,* ("SFAS 141"), pursuant to which the assets and liabilities assumed were recorded at their estimated fair values. The excess purchase price over the fair value of net tangible assets and identifiable intangible assets acquired was recorded as goodwill.

The Company assesses goodwill at least annually for impairment as of September 30 or more frequently if events and circumstances indicate that goodwill might be impaired. The Company concluded that in the absence of the annual good impairment analysis, there were sufficient indicators to require the Company to perform a goodwill impairment analysis as of September 30, 2009. The indicators were based on a combination of factors, including the current economic recession and revised forecasted future earnings. Goodwill impairment testing is performed at the operating segment (or "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. Based on the Company's annual goodwill impairment assessment, the Company recorded a $37.4 million impairment as of September 30, 2009.

AMERICAN REPROGRAPHICS COMPANY
Notes to Condensed Consolidated Financial Statements (Continued)
(Dollars in thousands, except per share data)
(Unaudited)

Goodwill impairment testing is a two-step process. Step one involves comparing the fair value of the Company's reporting units to their carrying amount. If the fair value of the reporting unit 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 results of the Company's analysis indicated that 11 of the Company's reporting units, nine in the United States, one in the United Kingdom and one in Canada, had a goodwill impairment as of September 30, 2009. Accordingly, the Company recorded a pretax, non-cash charge for the nine months ended September 30, 2009 to reduce the carrying value of goodwill by $37.4 million.

The Company determines the fair market value of the Company's reporting units using an income approach. Under the income approach, the Company determined fair value based on estimated future cash flows of each reporting unit. The cash flows are discounted by an estimated weighted-average cost of capital, which reflects 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 operating margins, discount rates and future market conditions, among others. The Company considered market information in assessing the reasonableness of the fair market value yielded under the income approach outlined above.

Given the current economic environment and the uncertainties regarding the impact on the Company's business, there can be no assurance that the Company's estimates and assumptions regarding the duration of the ongoing economic downturn, or the period or strength of recovery, made for purposes of the Company's goodwill impairment testing during the nine months ended September 30, 2009 will prove to be accurate predictions of the future. If the Company's assumptions regarding forecasted revenue or gross margins 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 2010 or prior to that, if any such change constitutes a triggering event outside of the quarter from when the annual goodwill impairment test is performed. 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.

The changes in the carrying amount of goodwill from December 31, 2008 through September 30, 2009, are summarized as follows:

	Goodwill
Balance at December 31, 2008	$ 366,513
Additions	1,283
Goodwill impairment	(37,382)
Translation adjustment	251
Balance at September 30, 2009	$ 330,665

The additions to goodwill include the excess purchase price over fair value of net assets acquired and certain earnout payments.

Long-lived assets

The Company periodically assesses potential impairments of its long-lived assets in accordance with the provisions of ASC 360, formerly SFAS No. 144 , *"Accounting for the Impairment or Disposal of Long-lived Assets"*. 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 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 market value if available, or discounted cash flows, if not.

The operating segments of the Company are being negatively impacted by the drop in commercial and residential construction resulting from the current economic recession. As a result of this, the Company's earnings outlook has declined and the Company recorded a goodwill impairment of $37.4 million as of September 30, 2009 (see the section entitled "Goodwill" above). Before assessing the Company's goodwill for impairment, the Company evaluated, as described above, the long-lived assets in its operating segments for impairment as of September 30, 2009 given the reduced level of expected sales, profits and cash flows. Based on this assessment, the Company determined that there was an impairment of long-lived assets for its operating segment in the United Kingdom. Accordingly, the Company recorded a pretax, non-cash charge for the nine months ended September 30, 2009 to reduce the carrying value of other intangible assets by $0.8 million.

Other intangible assets that have finite lives are amortized over their useful lives. Intangible assets with finite useful lives consist primarily of non-compete agreements, trade names, and customer relationships and are amortized over the expected period of benefit which ranges from three to twenty years using the straight-line and accelerated methods. Customer relationships are amortized under an accelerated method which reflects the related customer attrition rates, and trade names and non-compete agreements are amortized using the straight-line method.

The following table sets forth the Company's other intangible assets resulting from business acquisitions at September 30, 2009 and December 31, 2008, which continue to be amortized:

	September 30, 2009			December 31, 2008		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizable other intangible assets:						
Customer relationships	$ 96,139	$ 36,829	$ 59,310	$ 96,574	$ 29,233	$ 67,341
Trade names and trademarks	20,294	2,886	17,408	20,359	2,126	18,233
Non-Compete Agreements	303	175	128	1,278	885	393
	$ 116,736	$ 39,890	$ 76,846	$ 118,211	$ 32,244	$ 85,967

Based on current information, estimated future amortization expense of amortizable intangible assets for the remainder of this fiscal year, and each of the next four fiscal years and thereafter are as follows:

2009	$ 2,690
2010	10,064
2011	9,115
2012	8,216
2013	7,317
Thereafter	39,444
	$ 76,846

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6. Long-Term Debt

Long-term debt consists of the following:

	September 30, 2009	December 31, 2008
Borrowings from senior secured First Priority — Term Loan Credit Facility; interest payable quarterly (5.9% and 5.4% weighted average interest rate, inclusive of interest rate swap, at September 30, 2009 and December 31, 2008, respectively); principal payable in varying quarterly installments; any unpaid principal and interest due December 6, 2012	$ 245,782	$ 261,250
Various subordinated notes payable; weighted average 6.2% interest rate at September 30, 2009 and December 31, 2008; principal and interest payable monthly through June 2012	25,003	35,376
Various capital leases; weighted average 9.4% and 9.1% interest rate at September 30, 2009, and December 31, 2008, respectively; principal and interest payable monthly through February 2015	46,800	64,414
	317,585	361,040
Less current portion	(79,064)	(59,193)
	$ 238,521	$ 301,847

Credit and Guaranty Agreement

On December 6, 2007, the Company entered into a Credit and Guaranty Agreement (the “Credit Agreement”). The Credit Agreement provides for senior secured credit facilities aggregating up to $350 million, consisting of a $275 million term loan facility and a $75 million revolving credit facility.

As of September 30, 2009, the Company was in compliance with the financial covenants in the Credit Agreement.

The Credit Agreement contains financial covenants which, among other things, require the Company to maintain a minimum interest coverage ratio of 2.50:1.00, minimum fixed charge coverage ratio of 1.10:1.00, and maximum leverage ratio of 3.00:1.00. The minimum interest coverage ratio increases to 2.75:1.00 in 2010, and 3.00:1.00 in 2011 and 2012. The Credit Agreement also contains customary events of default, including failure to make payments when due under the Credit Agreement; payment default under and cross-default to other material indebtedness; breach of covenants; breach of representations and warranties; bankruptcy; material judgments; dissolution; ERISA events; change of control; invalidity of guarantees or security documents or repudiation by the Company of its obligations thereunder. The Credit Agreement is secured by substantially all of the assets of the Company.

As of September 30, 2009, under the revolving credit facility, the Company was required to pay a fee, on a quarterly basis, for the total unused commitment amount. This fee ranges from 0.30% to 0.50% based on the Company’s leverage ratio at the time. The Company may also draw upon this credit facility through letters of credit, which carries a fee of 0.25% of the outstanding letters of credit.

As of September 30, 2009, all material terms and conditions, including the maturity dates of the Company’s existing senior secured credit facilities, remained the same as those described in Note 5, “Long-Term Debt,” to the Company’s consolidated financial statements included in its 2008 Annual Report on Form 10-K. As of September 30, 2009, loans to the Company under the Credit Agreement bear interest, at the Company’s option, at either the base rate, which is equal to the higher of the bank prime lending rate or the federal funds rate plus 0.5% or LIBOR, plus, in each case, the applicable rate. The applicable rate is determined based upon the leverage ratio (as defined in the Credit Agreement), with a minimum and maximum applicable rate of 0.25% and 0.75%, respectively, for base rate loans and a minimum and maximum applicable rate of 1.25% and 1.75%, respectively, for LIBOR loans. During the continuation of certain events of default all amounts due under the Credit Agreement will bear interest at 2.0% above the rate otherwise applicable.

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On October 5, 2009, the Company entered into an amendment (the “Amended Credit Agreement”) to the Credit Agreement. See Note 13 “Subsequent Events” for information related to the Amended Credit Agreement.

Interest Rate Swap Transaction

On December 19, 2007, the Company entered into an interest rate swap transaction (the “Swap Transaction”) in order to hedge the floating interest rate risk on the Company’s long term variable rate debt. Under the terms of the Swap Transaction, the Company is required to make quarterly fixed rate payments to the counterparty calculated based on an initial notional amount of $271.6 million at a fixed rate of 4.1%, while the counterparty is obligated to make quarterly floating rate payments to the Company based on the three month LIBO rate. The notional amount of the Swap Transaction is scheduled to decline over the term of the term loan facility consistent with the scheduled principal payments. The Swap Transaction has an effective date of March 31, 2008 and a termination date of December 6, 2012. At September 30, 2009, the Swap Transaction had a negative fair value of $13.2 million of which $6.0 million was recorded in accrued expenses and $7.2 million was recorded in other long-term liabilities.

On October 2, 2009, the Company amended its Swap Transaction (the “Amended Swap Transaction”). See Note 13 “Subsequent Events” for information related to the Amended Swap Transaction.

7. Derivatives and Hedging Transactions

Effective for the first quarter of 2009, the Company adopted ASC 815-10, which expands the quarterly and annual disclosure requirements about the Company’s derivative instruments and hedging activities.

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, formerly SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* . Derivative instruments are recorded at fair value as either assets or liabilities in the Consolidated Balance Sheets.

As of September 30, 2009 and December 31, 2008, the Company was party to a Swap Transaction, in which the Company exchanges its floating-rate payments for fixed-rate payments. Such agreement qualifies as a cash flow hedge under ASC 815. The effective portion of the change in the fair value of the derivative instrument is deferred in Accumulated Other Comprehensive Loss (“AOCL”), net of taxes, until the underlying hedged item is recognized in earnings. The ineffective portion of a fair value change on a qualifying cash flow hedge is recognized in earnings immediately. Over the next 12 months, the Company expects to reclassify $5,995 from AOCL to interest expense.

The following table summarizes the fair value and classification on the Consolidated Balance Sheets of the Swap Transaction as of September 30, 2009 and December 31, 2008:

		Fair Value	
	Balance Sheet Classification	**September 30, 2009**	**December 31, 2008**
Derivative designated as hedging instrument under ASC 815			
Swap Transaction — current portion	Accrued expenses	$ 5,995	$ 5,953
Swap Transaction — long term portion	Other long-term liabilities	7,253	10,531
Total derivatives designated as hedging		$ 13,248	$ 16,484

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The following table summarizes the loss recognized in AOCL of derivatives, designated and qualifying as cash flow hedges for the three and nine months ended September 30, 2009, and 2008:

	Amount of Gain or (Loss) Recognized in AOCL on Derivative			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Derivative in ASC 815 Cash Flow Hedging Relationship				
Swap Transaction	$ 452	$ (1,244)	$ 4,196	$ (1,241)
Tax effect	(163)	467	(1,720)	461
Swap Transaction, net of tax effect	$ 289	$ (777)	$ 2,476	$ (780)

The following table summarizes the effect of the Swap Transaction on the interim Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2009 and 2008:

	Amount of Gain or (Loss) Reclassified from AOCL into Income							
	(effective portion)				(ineffective portion)			
	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008	2009	2008	2009	2008
Location of Gain or (Loss) Reclassified from AOCL into Income								
Interest expense	$ (2,252)	$ (908)	$ (5,844)	$ (1,860)	$ (960)	$ —	$ (960)	$ —

8. Fair Value Measurements

The Company adopted ASC 820, formerly SFAS No. 157, *Fair Value Measurements,* at the beginning of the 2008 fiscal year for all financial instruments valued on a recurring basis, at least annually. Additionally, beginning in the first quarter of 2009, in accordance with the provisions of ASC 820-10, the Company now applies ASC 820 to financial and nonfinancial assets and liabilities. ASC 820-10 delayed the effective date of ASC 820 for nonfinancial assets and liabilities, except for certain items that are recognized or disclosed at fair value in the financial statements on a recurring basis. In accordance with ASC 820, 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 sets forth by level within the fair value hierarchy the Company's financial assets and liabilities that were accounted for at fair value on a recurring basis as of September 30, 2009 and December 31, 2008. As required by ASC 820, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

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	Level 2	
	September 30, 2009	December 31, 2008
Recurring Fair Value Measure		
Swap Transaction	$ 13,248	$ 16,484

The Swap Transaction is valued at fair value based on dealer quotes using a discounted cash flow model and adjusted for counterparty risk, if any. This model reflects the contractual terms of the derivative instrument, including the period to maturity and debt repayment schedule, and market-based parameters such as interest rates and yield curves. This model does not require significant judgment, and the inputs are observable. Thus, the derivative instrument is classified within Level 2 of the valuation hierarchy. The Company does not intend to terminate the Swap Transaction prior to its expiration date of December 6, 2012. See Note 13 “Subsequent Events” for information related to the Amended Swap Transaction.

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

Cash and cash equivalents: The carrying amounts reported in the Company’s Condensed Consolidated Balance Sheets for cash and cash equivalents approximate their fair value due to the relatively short period to maturity of these instruments.

Short- and long-term debt: The carrying amounts of the Company’s subordinated notes payable and capital leases reported in the Consolidated Balance Sheets approximate their fair value based on the Company’s current incremental borrowing rates for similar types of borrowing arrangements. The carrying amount reported in the Company’s Condensed Consolidated Balance Sheet as of September 30, 2009 for its term loan credit facility is $245.8 million. Using a discounted cash flow technique that incorporates a market yield curve with adjustments for duration, optionality, and risk profile, the Company has determined the fair value of its term loan credit facility to be $243.8 million at September 30, 2009. In determining the market interest yield curve, the Company considered its BB- corporate credit rating.

Interest rate hedge agreements: The fair value of the Swap Transaction is the amount at which it could be settled based on market rates at September 30, 2009.

9. Income Taxes

On a quarterly basis, the Company estimates what its effective tax rate will be for the full fiscal year and records a quarterly income tax provision based on the anticipated rate in conjunction with the recognition of any discrete items within the quarter.

The Company’s effective income tax rate for the three and nine months ended September 30, 2009 was impacted by the goodwill impairment, long-lived asset impairment and the ineffective portion of the Swap Transaction taken in the three months ended September 30, 2009. The total impairment and the ineffective portion of the Swap Transaction of $39.1 million resulted in a tax benefit of $8.1 million, a 20.7% benefit. The effective tax rates for the three and nine months ended September 30, 2009 were negatively impacted by the fact that $17.5 million of the impairment charges related to stock basis goodwill, which is not tax deductible until the stock is disposed of and is treated as a permanent item for financial reporting purposes. Additionally, there was a one-time discrete item benefit of $1.4 million for the three and nine months ended September 30, 2008.

Barring discrete items, the effective income tax rate increased to 48.4% and 40.9% for the three and nine months ended September 30, 2009, respectively, from 38.0% for the three and nine months ended September 30, 2008. These increases are primarily due to a lower federal tax benefit in relation to the Company’s domestic production activities deduction in 2009 as allowed by Internal Revenue Code Section 199. The amount of deduction and related tax benefit is directly impacted by the Company’s expected federal taxable income for the fiscal year 2009, which has dropped significantly in light of the recent decrease in sales and the corresponding pretax income.

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10. Commitments and Contingencies

Operating Leases. The Company has entered into various non-cancelable operating leases primarily related to facilities, equipment and vehicles used in the ordinary course of business.

Contingent Transaction Consideration. The Company is subject to earnout obligations entered into in connection with prior acquisitions. If the acquired businesses generate sales and/or operating profits in excess of predetermined targets, the Company is obligated to make additional cash payments in accordance with the terms of such earnout obligations. As of September 30, 2009, the Company has potential future earnout obligations for acquisitions consummated before the adoption of ASC 805 in the total amount of approximately $3.5 million through 2014 if predetermined financial targets are met or exceeded. These earnout payments are recorded as additional purchase price (as goodwill) when the contingent payments are earned and become payable.

Uncertain Tax Position Liability. The Company has a $1.6 million contingent liability for uncertain tax positions as of September 30, 2009.

Legal Proceedings. The Company is involved in various legal proceedings and claims from time to time in the normal course of business. The Company does not believe, based on currently available facts and circumstances, that the final outcome of any of these matters, taken individually or as a whole, will have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows. The Company believes the amounts provided in its interim Condensed Consolidated Financial Statements, which are not material, are adequate in light of the probable and estimable liabilities. However, because such matters are subject to many uncertainties, the ultimate outcomes are not predictable and there can be no assurances that the actual amounts required to satisfy alleged liabilities will not exceed the amounts reflected in the Company's interim Condensed Consolidated Financial Statements or will not have a material adverse effect on its consolidated financial position, results of operations or cash flows.

11. Comprehensive Income

The Company's comprehensive income includes foreign currency translation adjustments and changes in the fair value of the Swap Transaction, net of taxes, which qualifies for hedge accounting. The differences between net (loss) income and comprehensive (loss) income attributable to ARC for the three and nine months ended September 30, 2009 and 2008 are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	**2008**	**2009**	**2008**
Net (loss) income	$ (28,192)	$ 15,062	$ (14,349)	$ 52,436
Foreign currency translation adjustments	377	(196)	732	(387)
Gain (loss) on derivative, net of tax effect	289	(777)	2,476	(780)
Comprehensive (loss) income	(27,526)	14,089	(11,141)	51,269
Comprehensive loss attributable to the noncontrolling interest	(28)	(5)	(39)	(5)
Comprehensive (loss) income attributable to ARC	$ (27,498)	$ 14,094	$ (11,102)	$ 51,274

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 period.

12. Earnings per Share

The Company accounts for earnings per share in accordance with ASC 260, formerly SFAS No. 128, *Earnings per Share* . Basic earnings per share is computed by dividing net income attributable to ARC by the weighted-average number of common shares outstanding for the period. Diluted earnings per share is computed similar 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 stock equivalents are excluded from the computation if their effect is anti-dilutive. Stock options totaling 1.8 million and 1.7 million for the three and nine months ended September 30, 2009, respectively, were excluded from the calculation of diluted net income attributable to ARC per common share because they were anti-dilutive. Stock options totaling 1.5 million for the three and nine months ended September 30, 2008, were excluded from the calculation of diluted net income attributable to ARC per common share because they were anti-dilutive.

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Basic and diluted earnings per share were calculated using the following common shares for the three and nine months ended September 30, 2009 and 2008:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Weighted average common shares outstanding during the period — basic	45,138,446	45,066,654	45,115,059	45,054,425
Effect of dilutive stock options	—	347,093	—	359,523
Weighted average common shares outstanding during the period — diluted	45,138,446	45,413,747	45,115,059	45,413,948

13. Subsequent Events

On October 2, 2009, the Company amended its Swap Transaction. The Company entered into the Swap Transaction in order to hedge the floating interest rate risk on the Company's variable rate debt. Under the terms of the initial Swap Transaction, the Company is required to make quarterly fixed rate payments to the counterparty calculated based on an initial notional amount of $271.6 million at a fixed rate of 4.1375%, while the counterparty was required to make quarterly floating rate payments to the Company based on the three month LIBO rate. The Company entered into the Amended Swap Transaction in order to reduce the notional amount under the initial Swap Transaction from $271.6 million to $210.8 million to hedge the Company's then existing variable interest rate debt under the Amended Credit Agreement.

On October 5, 2009 the Company entered into an Amended Credit Agreement to, among other things:

- Add a new definition of "Creditable Excess Cash" and amend the definition of "Fixed Charge Coverage Ratio" to allow for an adjustment of Creditable Excess Cash;
- Defer $36.1 million to the maturity date of December 6, 2012 in amortization payments that would have been due in 2011 to consenting lenders that have agreed to provide new Class B term loan commitments under the Amended Credit Agreement;
- Increase the applicable rate by 200 basis points for initial term loans and 300 basis points for Class B term loans for purposes of calculating interest on loans outstanding under the Amended Credit Agreement;
- Reduce the total revolving commitments under the Credit Agreement from $74.5 million to $49.5 million;
- Provide for a $35.0 million prepayment to be applied on the business day following the effective date of the Amended Credit Agreement to reduce initial term loan installments due on March 31, 2010, June 30, 2010 and September 30, 2010 on a pro rata basis;
- Amend the interest coverage ratio under the Credit Agreement as follows:
  - 2.00:1.00 for quarter ending December 31, 2009
  - 1.75:1.00 for quarters ending March 31, 2010 through September 30, 2010
  - 2.00:1.00 for quarters ending December 31, 2010 through September 30, 2011
  - 2.50:1.00 for quarter ending December 31, 2011
  - 3.00:1.00 for quarters ending March 31, 2012 through maturity;

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- Amend the fixed charge coverage ratio under the Credit Agreement to be 1.00:1.00 for the fiscal quarter ending December 31, 2009 through maturity;
- Amend the maximum leverage ratio under the Credit Agreement as follows:
  - 3.25:1.00 for fiscal quarter ending December 31, 2009
  - 3.50:1.00 for fiscal quarter ending March 31, 2010
  - 3.85:1.00 for fiscal quarters ending June 30, 2010 through September 30, 2010
  - 3.25:1.00 for fiscal quarter ending December 31, 2010
  - 3.00:1.00 for fiscal quarters ending March 31, 2011 through maturity;
- Amend the maximum senior secured leverage ratio under the Credit Agreement as follows:
  - 3.00:1.00 for fiscal quarter ending December 31, 2009
  - 3.25:1.00 for fiscal quarter ending March 31, 2010
  - 3.65:1.00 for fiscal quarters ending June 30, 2010 through September 30, 2010
  - 3.00:1.00 for fiscal quarters ending December 31, 2010 through March 31, 2011
  - 2.50:1.00 for fiscal quarters ending June 30, 2011 through maturity.

In exchange for the terms set forth in the Amended Credit Agreement, the Company agreed to pay to each consenting lender an amendment fee equal to 50 basis points of the amount of each consenting lender's revolving commitment and outstanding term loans as of the effective date of the Amended Credit Agreement (as determined on a pro forma basis after giving effect to the $35.0 million prepayment and reduction of total revolving commitments to $49.5 million). In addition, the Company agreed to pay to each consenting lender that has a Class B term loan commitment under the Amended Credit Agreement an amortization deferral fee of 100 basis points of such consenting lender's Class B term loan commitment. The Company also paid customary arrangement and service fees in connection with the Amended Credit Agreement.

14. Recent Accounting Pronouncements

In October 2009, the FASB issued Accounting Standards Update ("ASU") No. 2009-13, *Multiple-Deliverable Revenue Arrangements a consensus of the FASB Emerging Issues Task Force* , ("ASU 2009-13"). This update provides amendments to the criteria of ASC 605, *Revenue Recognition* , for separating consideration in multiple-deliverable arrangements. The amendments to this update establish a selling price hierarchy for determining the selling price of a deliverable. ASU 2009-13 is effective for financial statements issued for years beginning on or after June 15, 2010. The Company is currently evaluating the impact, if any, that the adoption of ASU 2009-13 may have on its Consolidated Financial Statements.

In June 2009, the FASB issued ASC 105, formerly SFAS No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles* , which replaced former FASB Statement No. 162, *The Hierarchy of Generally Accepted Accounting Principles* . ASC 105 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with GAAP in the United States. Rules and interpretive releases of the SEC under federal securities laws are also sources of authoritative GAAP for SEC registrants. All guidance contained in the codification carries an equal level of authority. ASC 105 is effective for interim and annual periods ending after September 15, 2009. The Company has disclosed codification citations in place of corresponding references to legacy accounting pronouncements.

In May 2009, the FASB issued ASC 855, which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. ASC 855 requires disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. ASC 855 is effective for interim and annual periods ending after June 15, 2009. The Company adopted the provisions of ASC 855 effective June 30, 2009. See Note 1 "Description of Business and Basis of Presentation" for required disclosures.

In February 2008, the FASB issued ASC 820-10, which delays the effective date of ASC 820 for nonfinancial assets and nonfinancial liabilities, except for certain items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The initial adoption of ASC 820-10 did not have a material impact on the Company's interim

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(Unaudited)

In April 2009, the FASB issued ASC 820-10-65, formerly FSP No. FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly* , which provides additional guidance for estimating fair value in accordance with ASC 820, when the volume and level of activity for the asset or liability have significantly decreased. ASC 820-10-65 also includes guidance on identifying circumstances that indicate a transaction is not orderly. ASC 820-10-65 is effective for interim and annual reporting periods ending after June 15, 2009, applied prospectively; early adoption is permitted for periods ending after March 15, 2009. The adoption of ASC 820-10-65 did not have a material impact on the interim Condensed Consolidated Financial Statements.

In December 2007, the FASB issued ASC 805, which replaced former SFAS 141. ASC 805 establishes the principles and requirements for how an acquirer: (i) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree; (ii) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and (iii) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. ASC 805 makes some significant changes to existing accounting practices for acquisitions. ASC 805 is to be applied prospectively to business combinations consummated on or after the beginning of the first annual reporting period on or after December 15, 2008. The initial adoption of ASC 805, did not have a material impact on the Company's interim Condensed Consolidated Financial Statements. Potential future acquisitions may have a material impact on the Company's results of operations or cash flows. Currently, the Company is not a party to any agreements, or engaged in any negotiations regarding a material acquisition.

In April 2009, the FASB issued ASC 805-20, formerly FSP No. FAS 141(R)-1, *Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies.* ASC 805-20, addresses application issues raised by preparers, auditors, and members of the legal profession on initial recognition and measurement, subsequent measurement and accounting, and disclosure of assets and liabilities arising from contingencies in a business combination. ASC 805-20 is effective for assets or liabilities arising from contingencies in business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The initial adoption of ASC 805-20, did not have a material impact on the Company's interim Condensed Consolidated Financial Statements. Potential future acquisitions may have a material impact on the Company's results of operations or cash flows. Currently, the Company is not a party to any agreements, or engaged in any negotiations regarding a material acquisition.

In April 2009, the FASB issued ASC 825-10-65, formerly FSP FAS No. 107-1 and Accounting Principles Board ("APB") 28-1, *Interim Disclosures about Fair Value of Financial Instruments* . ASC 825-10-65 requires disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. ASC 825-10-65 also amends former APB Opinion No. 28, *Interim Financial Reporting,* to require those disclosures in summarized financial information at interim reporting periods. ASC 825-10-65 is effective for interim reporting periods ending after June 15, 2009; early adoption is permitted for periods ending after March 15, 2009. See Note 8 "Fair Value Measurements" for required disclosures.

In June 2008, the FASB issued ASC 260-10, formerly FSP Emerging Issues Task Force, ("EITF") No. 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities.* ASC 260-10 addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and therefore need to be included in the earnings allocation in calculating earnings per share under the two-class method described in ASC 260. ASC 260-10 requires companies to treat unvested share-based payment awards that have non-forfeitable rights to dividend or dividend equivalents as a separate class of securities in calculating earnings per share. ASC 260-10 is effective for calendar-year companies beginning January 1, 2009. The adoption of ASC 260-10, did not have a material impact on the Company's interim Condensed Consolidated Financial Statements.

In April 2008, the FASB issued ASC 350-30, formerly FSP No. FAS 142-3, *Determination of the Useful Life of Intangible Asset,* ("350-30"). ASC 350-30 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under ASC 350. ASC 350-30 is effective for calendar-year companies beginning January 1, 2009. The requirement for determining useful lives must be applied prospectively to intangible assets acquired after the effective date and the disclosure requirements must be applied prospectively to all intangible assets recognized as of, and subsequent to, the effective date. The adoption of ASC 350-30, did not have a material impact on the Company's interim Condensed Consolidated Financial Statements.

AMERICAN REPROGRAPHICS COMPANY
Notes to Condensed Consolidated Financial Statements (Continued)
(Dollars in thousands, except per share data)
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In March 2008, the FASB issued ASC 815-10. This Standard requires enhanced disclosures regarding derivatives and hedging activities, including: (a) the manner in which an entity uses derivative instruments; (b) the manner in which derivative instruments and related hedged items are accounted for under, ASC 815; and (c) the effect of derivative instruments and related hedged items on an entity's financial position, financial performance, and cash flows. ASC 815-10 became effective beginning with the first quarter of 2009. See Note 8 "Fair Value Measurements" for required disclosures.

In December 2007, the FASB issued ASC 810-10-65, which addresses the accounting and reporting framework for noncontrolling interests by a parent company. ASC 810-10-65 also addresses disclosure requirements to distinguish between interests of the parent and interests of the noncontrolling owners of a subsidiary. ASC 810-10-65 became effective in the first quarter of 2009, which resulted in reporting noncontrolling interest as a component of equity in the Company's Consolidated Balance Sheets and below income tax expense in the Company's Consolidated Statements of Operations. In addition, the provisions of ASC 810-10-65 require that minority interest be renamed noncontrolling interests and that a company present a consolidated net income measure that includes the amount attributable to such noncontrolling interests for all periods presented. As required by ASC 810-10-65, the Company has retrospectively applied the presentation to its prior year balances in the Company's interim Condensed Consolidated Financial Statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our interim Condensed Consolidated Financial Statements and the related notes and other financial information appearing elsewhere in this report as well as Management's Discussion and Analysis of Financial Condition and Results of Operations included in our 2008 Annual Report on Form 10-K and our Quarterly Reports on Form 10-Q for the first and second quarters of 2009.

Executive Summary

American Reprographics Company ("ARC" or the "Company") is the leading reprographics company in the United States. We provide business-to-business document management services primarily to the architectural, engineering and construction ("AEC") industry, through a nationwide network of locally branded service centers. The majority of our customers know us as a local reprographics provider, usually with a local brand and a long history in the community.

We also serve a variety of clients and businesses outside the AEC industry in need of sophisticated document management services similar to our core AEC offerings.

Our services apply to time-sensitive and graphic-intensive documents, and fall into four primary categories:

- Document management;
- Document distribution and logistics;
- Print-on-demand; and
- On-site services, frequently referred to as facilities management ("FMs"), which is any combination of the above services supplied at a customer's location.

We deliver these services through our specialized technology, more than 800 sales and customer service employees interacting with our customers every day, and more than 5,700 on-site services facilities at our customers' locations. All of our local service centers are connected by a digital infrastructure, allowing us to deliver services, products, and value to more than 160,000 customers throughout the country.

Our operating segments under local brand names. Each brand name typically represents a business or group of businesses that has been acquired by us. We coordinate these operating segments and consolidate their service offerings for large regional or national customers through our central "Premier Accounts" department.

A significant component of our historical growth has been from acquisitions. In the first nine months of 2009, we paid $1.4 million in connection with one U.S. business acquisition and one Chinese business acquisition through UNIS Document Solutions Co. Ltd., ("UDS"), our business venture with Unisplendour Corporation Limited ("Unisplendour"). In 2008, we acquired 13 businesses that consisted of "standalone acquisitions" and "branch/fold-in acquisitions" (refer to page 23 for an explanation of these terms) for $31.9 million. Each acquisition was accounted for using the acquisition method, and as such, our consolidated income statements reflect sales and expenses of acquired businesses only for post-acquisition periods. The timing and number of acquisitions depends on various factors including but not limited to market conditions, and availability of funding.

Acquisition activities have not been a meaningful part of our 2009 operations due to the potential risks inherent in a depressed economy. As the economy improves, it is our intention to resume acquisition activity as a substantial component of our growth strategy.

On August 1, 2008, we commenced operations of UDS, our business venture with Unisplendour. The purpose of UDS is to pair the digital document management solutions of our Company with the brand recognition and Chinese distribution channel of Unisplendour to deliver digital reprographics services to China's growing construction industry. Under the terms of the agreement, our Company and Unisplendour have an economic ownership interest of 65 percent and 35 percent, respectively.

As part of our growth strategy, we sometimes open or acquire branch or satellite service centers in contiguous markets, which we view as a low cost, rapid form of market expansion. Our branch openings require modest capital expenditures and are expected to generate operating profit within the first 12 months of operations.

Evaluating our Performance . In this report, we offer descriptions of how we manage and measure financial performance throughout the Company. Our comments in this report represent our best estimates of current business trends and future trends that we think may affect our business. Actual results may differ, perhaps materially, from what is presented in this report.

We measure our success in delivering value to our stockholders by striving for the following:

- Creating consistent, profitable growth, or in the absence of growth due to market conditions beyond our control, stable margins superior to commonly understood industry benchmarks;
- Maintaining our industry leadership as measured by our geographical footprint, market share and revenue generation;
- Continuing to develop and invest in our products, services, and technology to meet the changing needs of our customers;
- Maintaining a low cost structure; and
- Maintaining a flexible capital structure that provides for both responsible debt service and pursuit of acquisitions and other high-return investments.

Primary Financial Measures . We use net sales, costs and expenses, earnings before taxes ("EBT"), earnings before interest and taxes ("EBIT"), earnings before interest, taxes, depreciation and amortization ("EBITDA") and operating cash flow to operate and assess the performance of our business.

We identify operating segments based on the various business activities that earn revenue and incur expense, the operating results of which are reviewed by management. Based on the fact that our operating segments have similar products and services, class of customers, production process and performance objectives, our Company is deemed to operate as a single reportable business segment.

Please refer to our 2008 Annual Report on Form 10-K for more information regarding our primary financial measures.

Other Common Financial Measures . We also use a variety of other common financial measures as indicators of our performance, including:

- Net income and earnings per share;
- Material costs as a percentage of net sales; and
- Days Sales Outstanding/Days Sales Inventory/Days Payable Outstanding.

In addition to using these financial measures at the corporate level, we monitor some of them daily and operating segment by operating segment through use of our proprietary company intranet and reporting tools. Our corporate operations staff also conducts a monthly variance analysis on the income statement, balance sheet, and cash flows of each operating segment.

We believe our current customer segment mix is approximately 78% of revenues derived from the AEC industry, and 22% derived from non-AEC sources. We believe that non-AEC sources of revenue currently offer more attractive revenue opportunities in light of current credit and spending constraints being experienced by the AEC industry. Given our focus, we expect non-AEC revenues to continue to grow relative to our overall revenue in the future.

Not all of these financial measurements are represented directly on our Company's interim Condensed Consolidated Financial Statements, but meaningful discussions of each are part of our quarterly disclosures and presentations to the investment community.

Acquisitions . Our disciplined approach to complementary acquisitions has led us to acquire reprographics businesses that fit our profile for performance potential and meet strategic criteria for gaining market share. In most cases, performance of newly acquired businesses improves almost immediately due to the application of financial best practices, significantly greater purchasing power, and productivity-enhancing technology.

Based on our experience of completing more than 130 acquisitions since 1997, we believe that the reprographics industry is highly-fragmented and comprised primarily of small businesses with less than $7.0 million in annual sales. Although none of the individual acquisitions in the past three years has added a material percentage of sales to our overall business, in the aggregate they have fueled the bulk of our historical annual sales growth. Acquisition activities have not been a meaningful part of our 2009 operations due to the potential risks inherent in a depressed economy. As the economy improves, it is our intention to resume acquisition activity as a substantial component of our growth strategy.

When we acquire businesses, our management typically uses the previous year's sales figures as an informal basis for estimating future revenues for our Company. We do not use this approach for formal accounting or reporting purposes but as an internal benchmark with which to measure the future effect of operating synergies, best practices and sound financial management on the acquired entity.

We also use the previous year's sales figures to assist us in determining how the acquired business will be integrated into the overall management structure of our Company. We categorize newly acquired businesses in one of two ways:

1. *Standalone Acquisitions* . Post-acquisition, these businesses maintain their existing local brand and act as strategic platforms for the Company to acquire market share in and around the specific geographical location.

2. *Branch/Fold-in Acquisitions* . These acquisitions are equivalent to opening a new or "greenfield" branch. They support an outlying portion of a larger market and rely on a larger centralized production facility nearby for strategic management, load balancing, providing specialized services, and for administrative and other "back office" support. We maintain the staff and equipment of these businesses to a minimum to serve a small market or a single large customer, or we may physically integrate (fold-in) staff and equipment into a larger nearby production facility.

New acquisitions frequently carry a significant amount of goodwill in their purchase price, even in the case of a low purchase multiple. This goodwill typically represents the purchase price of an acquired business less the fair market value of tangible assets and identifiable intangible assets. We test our goodwill components annually for impairment on September 30 or more frequently if events and circumstances indicate that goodwill might be impaired. See Note 5 "Goodwill and Other Intangibles Resulting from Business Acquisitions" to our interim Condensed Consolidated Financial Statements for further information.

***Economic Factors Affecting Financial Performance* .** We estimate that sales to the AEC industry accounted for 78% of our net sales for the period ended September 30, 2009, with the remaining 22% consisting of sales to non-AEC industries (based on a compilation of approximately 90% of revenues from our operating segments and designating revenues using certain assumptions as derived from either AEC or non-AEC based customers). As a result, our operating results and financial condition can be significantly affected by economic factors that influence the AEC industry, such as the availability of commercial credit at reasonably attractive rates, non-residential and residential construction spending, GDP growth, interest rates, employment rates, office vacancy rates, and government expenditures. The effects of the current economic recession in the United States, and weakness in global economic conditions, have resulted in a significant downturn in the non-residential and residential portions of the AEC industry. We believe that the AEC industry generally experiences downturns several months after a downturn in the general economy and that there may be a similar delay in the recovery of the AEC industry following a recovery in the general economy. Similar to the AEC industry, the reprographics industry typically lags a recovery in the broader economy. A prolonged downturn in the AEC industry and the reprographics industry would diminish demand for our products and services, and would therefore negatively impact our revenues and have a material adverse impact on our business, operating results and financial condition.

***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. Amortization does not include $1.4 million and $1.1 million of stock based compensation expense, for the three months ended September 30, 2009 and 2008, respectively, and $3.6 million and $3.1 million of stock based compensation expense, for the nine months ended September 30, 2009 and 2008, respectively. 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 for debt and taxation which are managed at the corporate level for U.S. operating segments. As a result, EBIT is the best measure of divisional 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 use EBITDA to measure performance for determining consolidated-level compensation. We also use EBIT and EBITDA to evaluate potential acquisitions and to evaluate whether to incur capital expenditures.

EBIT, EBITDA and related ratios have limitations as analytical tools, and you should not consider them 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. For more information, see our interim Condensed Consolidated Financial Statements and related notes elsewhere in this report. Additionally, please refer to our 2008 Annual Report on Form 10-K.

We have presented adjusted net income attributable to ARC and adjusted earnings per share attributable to ARC shareholders for the three and nine months ended September 30, 2009 and 2008 to reflect the exclusion of the goodwill impairment charge, long-lived assets impairment charge and the ineffective portion of the Swap Transaction. This presentation facilitates a meaningful comparison of our operating results for the three and nine months ended September 30, 2009 and 2008. We presented adjusted EBITDA in the three and nine months ended September 30, 2009 to exclude the non-cash goodwill and long-lived assets impairment total charges of $38.2 million as we believe this was a result of the current macroeconomic environment and not indicative of our operations. The exclusion of the goodwill and long-live assets impairment charges to arrive at adjusted EBITDA is consistent with the definition of adjusted EBITDA in the amendment (the "Amended Credit Agreement") to the Credit Agreement, therefore we believe this information is useful to investors in assessing our ability to meet our debt covenants.

The following is a reconciliation of cash flows provided by operating activities to EBIT, EBITDA, and net (loss) income attributable to ARC:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
	(Dollars in thousands)			
Cash flows provided by operating activities	$ 19,566	$ 33,778	$ 75,364	$ 95,263
Changes in operating assets and liabilities	704	1,086	(8,851)	7,905
Non-cash (expenses) income, including depreciation and amortization	(48,462)	(19,802)	(80,862)	(50,732)
Income tax (benefit) provision	(5,334)	7,041	3,520	29,877
Interest expense, net	6,428	6,180	18,060	19,885
Net loss attributable to the noncontrolling interest	28	5	39	5
EBIT	(27,070)	28,288	7,270	102,203
Depreciation and amortization	12,185	12,848	37,651	37,181
EBITDA	(14,885)	41,136	44,921	139,384
Interest expense, net	(6,428)	(6,180)	(18,060)	(19,885)
Income tax benefit (provision)	5,334	(7,041)	(3,520)	(29,877)
Depreciation and amortization	(12,185)	(12,848)	(37,651)	(37,181)
Net (loss) income attributable to ARC	$ (28,164)	$ 15,067	$ (14,310)	$ 52,441

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
	(Dollars in thousands)			
Net (loss) income attributable to ARC	$ (28,164)	$ 15,067	$ (14,310)	$ 52,441
Interest expense, net	6,428	6,180	18,060	19,885
Income tax (benefit) provision	(5,334)	7,041	3,520	29,877
EBIT	(27,070)	28,288	7,270	102,203
Depreciation and amortization	12,185	12,848	37,651	37,181
EBITDA	(14,885)	41,136	44,921	139,384
Special items:				
Goodwill impairment	37,382	—	37,382	—
Impairment of long-lived assets	781	—	781	—
Adjusted EBITDA	$ 23,278	$ 41,136	$ 83,084	$ 139,384

The following is a reconciliation of net (loss) income margin to EBIT margin, EBITDA margin and adjusted EBITDA margin:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008 (1)	2009 (1)	2008
Net (loss) income margin	(23.6)%	8.6%	(3.7)%	9.6%
Interest expense, net	5.4	3.5	4.6	3.6
Income tax (benefit) provision	(4.5)	4.0	0.9	5.5
EBIT margin	(22.7)	16.2	1.9	18.7
Depreciation and amortization	10.2	7.4	9.7	6.8
EBITDA margin	(12.5)	23.6	11.5	25.5
Special items:				
Goodwill impairment	31.3	—	9.6	—
Impairment of long-lived assets	0.7	—	0.2	—
Adjusted EBITDA margin	19.5%	23.6%	21.3%	25.5%

(1) column does not foot due to rounding

The following is a reconciliation of net (loss) income attributable to ARC to unaudited adjusted net income attributable to ARC and earnings per share to adjusted earnings per share:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
	(Dollars in thousands, except share and per share data)			
Net (loss) income attributable to ARC	$ (28,164)	$ 15,067	$ (14,310)	$ 52,441
Goodwill impairment	37,382	—	37,382	—
Impairment of long-lived assets	781	—	781	—
Ineffective portion of Swap Transaction	960		960	
Income tax benefit	(8,041)	—	(8,041)	—
Unaudited adjusted net income attributable to ARC	$ 2,918	$ 15,067	$ 16,772	$ 52,441
Earnings per share attributable to ARC shareholders (actual):				
Basic	$ (0.62)	$ 0.33	$ (0.32)	$ 1.16
Diluted	$ (0.62)	$ 0.33	$ (0.32)	$ 1.15
Weighted average common shares outstanding:				
Basic	45,138,446	45,066,654	45,115,059	45,054,425
Diluted	45,138,446	45,413,747	45,115,059	45,413,948
Earnings per share attributable to ARC shareholders (adjusted):				
Basic	$ 0.06	$ 0.33	$ 0.37	$ 1.16
Diluted	$ 0.06	$ 0.33	$ 0.37	$ 1.15
Weighted average common shares outstanding:				
Basic	45,138,446	45,066,654	45,115,059	45,054,425
Diluted	45,352,608	45,413,747	45,229,386	45,413,948

Results of Operations for the Three and Nine Months Ended September 30, 2009 and 2008

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

	As Percentage of Net Sales Three Months Ended September 30,		As Percentage of Net Sales Nine Months Ended September 30,	
	2009	2008 (1)	2009	2008 (1)
Net Sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	65.5	59.9	63.5	58.2
Gross profit	34.5	40.1	36.5	41.8
Selling, general and administrative expenses	22.9	22.2	22.7	21.5
Amortization of intangibles	2.3	1.7	2.2	1.6
Goodwill impairment	31.3	—	9.6	—
Impairment of long-lived assets	0.7	—	0.2	—
(Loss) income from operations	(22.7)	16.2	1.8	18.6
Other income	—	—	—	(0.1)
Interest expense, net	5.4	3.5	4.6	3.6
Income before income tax (benefit) provision	(28.1)	12.7	(2.8)	15.0
Income tax (benefit) provision	(4.5)	4.0	0.9	5.5
Net (loss) income	(23.6)	8.6	(3.7)	9.6
Loss attributable to the noncontrolling interest	—	—	—	—
Net (loss) income attributable to ARC	(23.6)%	8.6%	(3.7)%	9.6%

(1) column does not foot due to rounding

Three and Nine Months Ended September 30, 2009 Compared to Three and Nine Months Ended September 30, 2008

	Three Months Ended September 30,		Increase (decrease)		Nine Months Ended September 30,		Increase (decrease)	
	2009	2008 (1)	(In dollars)	(Percent)	2009	2008	(In dollars)	(Percent)
	(In millions)				(In millions)			
Reprographics services	$ 82.0	$ 127.5	$ (45.5)	-35.7%	$ 274.7	$ 409.2	$ (134.5)	-32.9%
Facilities management	23.4	31.0	(7.6)	-24.5	75.2	91.7	(16.5)	-18.0%
Equipment and supplies sales	14.0	16.2	(2.2)	-13.6	40.1	46.1	(6.0)	-13.0%
Total net sales	$ 119.4	$ 174.6	$ (55.2)	-31.6%	390.0	547.0	(157.0)	-28.7%
Gross profit	$ 41.1	$ 70.0	$ (28.9)	-41.3%	$ 142.3	$ 228.7	$ (86.4)	-37.8%
Selling, general and administrative expenses	27.3	38.8	(11.5)	-29.6	88.3	117.8	(29.5)	-25.0%
Amortization of intangibles	2.8	3.0	(0.2)	-6.7	8.7	9.0	(0.3)	-3.3%
Goodwill impairment	37.4	—	37.4	100.0	37.4	—	37.4	100.0%
Impairment of long-lived assets	0.8	—	0.8	100.0	0.8	—	0.8	100.0%
Interest expense, net	6.4	6.2	0.2	3.2	18.1	19.9	(1.8)	-9.0%
Income tax (benefit) provision	(5.3)	7.0	(12.3)	-175.7	3.5	29.9	(26.4)	-88.3%
Net (loss) income attributable to ARC	(28.2)	15.1	(43.3)	-286.8	(14.3)	52.4	(66.7)	-127.3%
EBITDA	(14.9)	41.1	(56.0)	-136.3	44.9	139.4	(94.5)	-67.8%

(1) column does not foot due to rounding

Net Sales

Net sales decreased by 31.6% for the three months ended September 30, 2009, compared to the three months ended September 30, 2008. Net sales decreased by 28.7% for the nine months ended September 30, 2009, compared to the same period in 2008.

In the three and nine months ended September 30, 2009, the decrease in net sales was primarily due to overall weakness in the national economy, and a significant slow down in the construction market and AEC industry. In the three and nine months ended September 30, 2009, sales were favorably impacted by sales growth of approximately 1% and 3%, respectively, from our standalone acquisitions completed since 2008.

Reprographics services. Net sales during the three months ended September 30, 2009 decreased by $45.5 million or 35.7%, compared to the three months ended September 30, 2008. Net sales during the nine months ended September 30, 2009 decreased by $134.5 million or 32.9% compared to the same period in 2008.

Overall reprographics services sales nationwide were negatively affected by the recession in the national economy and slow down in the construction market and AEC industry. The revenue category that was most impacted was large format black and white printing, as this revenue category is more closely tied to non-residential and residential construction. Large format black and white printing revenues represented approximately 40% of reprographics services for the three and nine months ended September 30, 2009; large format black and white printing revenues decreased by approximately 40% for the three and nine months ended September 30, 2009.

While most of our customers in the AEC industry still prefer to receive documents in hardcopy, paper format, we have seen an increase in our digital service revenue as a percentage of total sales, presumably due to the greater efficiency that digital document workflows bring to our customers' businesses, but also due to greater consistency in the way that we charge for these services as they become more widely accepted throughout the construction industry. As was the case with our overall sales, digital service revenue was also negatively impacted by current market conditions. During the three and nine months ended September 30, 2009, digital service revenue decreased by $4.0 million or 28.4% and $8.8 million or 20.9%, respectively, over the same periods in 2008, but as a percentage of our overall sales it increased to 8.6% from 8.2% for the three months ended September 30, 2009 and 2008, respectively, and to 8.5% from 7.7% for the nine months ended September 30, 2009 and 2008, respectively.

Facilities management . On-site, or FM, sales for the three and nine months ended September 30, 2009, compared to the same periods in 2008, decreased by $7.6 million or 24.5% and $16.5 million or 18.0%, respectively. FM revenue is derived from a single cost per square foot of printed material, similar to our reprographics services revenue. As convenience and speed continue to characterize our customers' needs, and as printing equipment continues to become smaller and more affordable, the trend of placing equipment, and sometimes staff, in an architectural studio or construction company office remains strong, as evidenced by a net increase of approximately 150 facilities management accounts during the nine months ended September 30, 2009, bringing our total FM accounts to approximately 5,750 as of September 30, 2009. By placing such equipment on-site and billing on a per use and per project basis, the invoice continues to be issued by us, just as if the work was produced in one of our centralized production facilities. The resulting benefit is the convenience of on-site production with a pass-through or reimbursable cost of business that many customers continue to find attractive. Despite the increase in FM accounts, sales decreased as the volume of prints at FM locations significantly declined due to the current economic conditions described above.

Equipment and supplies sales. During the three months ended September 30, 2009, our equipment and supplies sales decreased by $2.2 million, or 13.6% as compared to the same period in 2008. In the nine months ended September 30, 2009, equipment and supplies sales decreased by $6.0 million or 13.0%, as compared to the same period in 2008. During the three and nine months ended September 30, 2009, the decrease in equipment and supplies sales was due primarily to current economic conditions and our focus on FM sales. This trend was partially offset by the operations of UDS, which commenced operations during the third quarter of 2008 and the operations of Shanghai UNIS Document Printing Co., Ltd., a wholly-owned subsidiary of UDS which acquired the assets of Shanghai Light Business Machines Co., Ltd. in July 2009. To date, the Chinese market has shown a preference for owning reprographics equipment in which the equipment is operated "in-house." Chinese operations had sales of equipment and supplies of $3.6 million and $9.0 million during the three and nine months ended September 30, 2009, respectively. In the U.S., facilities management sales programs have made steady progress as compared to outright sales of equipment and supplies through conversion of such sales contracts to on-site service accounts. Excluding the impact of acquisitions and continuing equipment and supplies sales in China, we do not anticipate growth in equipment and supplies sales in the U.S., as we are placing more focus on facilities management sales programs.

Gross Profit

Our gross profit and gross profit margin was $41.1 million or 34.5% during the three months ended September 30, 2009, compared to $70.0 million or 40.1% during the same period in 2008, on a sales decline of $55.2 million.

During the nine month period ended September 30, 2009, gross profit and gross margin decreased to $142.3 million or 36.5% compared to $228.7 million or 41.8% during the same period in 2008, on sales decline of $157.0 million.

The primary driver of the decrease in gross margins was the absorption of overhead resulting from the decrease in sales. Overhead as a percentage of sales was 470 and 450 basis points higher in the three and nine months ended September 30, 2009, respectively, as compared to the same period in 2008, of which depreciation and facility rental were the primary components and accounted for 340 basis points. The decrease in margins was also attributable to an increase in material costs as a percentage of sales of 190 and 150 basis points for the three and nine months ended September 30, 2009, respectively. This was primarily due to an increase in lower margin equipment and supplies sales as a percentage of total sales. Specifically, lower margin equipment and supplies sales comprised 11.7% and 10.3% of total sales for the three and nine months ended September 30, 2009, respectively, compared to 9.3% and 8.4% for the same periods in 2008. The decrease in margins was partially offset by a favorable decrease as a percentage of sales of direct labor of 90 and 70 basis points for the three and nine months ended September 30 2009, respectively, that was driven by cost cutting initiatives that were implemented in 2009 in response to lower sales.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased by $11.5 million or 29.6% during the three months ended September 30, 2009 over the same period in 2008.

Selling, general and administrative expenses decreased by $29.5 million or 25.0% during the nine months ended September 30, 2009 over the same period in 2008.

The decrease is primarily due to the decline in sales and the implementation of cost reduction programs initiated in response to the decline in sales. Specifically, sales personnel compensation decreased by $2.9 million and $8.1 million for the three and nine months ended September 30, 2009, respectively, compared to the same periods in 2008, and general and administrative compensation decreased by $4.5 million and $12.6 million for the three and nine months ended September 30, 2009, respectively, compared to the same periods in 2008. The decrease in sales compensation, which includes commissions, is primarily attributed to the decline in sales volume explained above, and the decrease in general and administrative expense is primarily due to staff reductions and bonus performance targets not being met. The cost reduction programs have also resulted in a decrease in professional fees, consulting fees, advertising, and travel expenses. These expenses have decreased by approximately $1.4 million and $4.0 million for the three and nine months ended September 30, 2009, respectively, compared to the same periods in 2008.

Selling, general and administrative expenses as a percentage of net sales increased from 22.2% in the third quarter of 2008 to 22.9% in the third quarter of 2009 and from 21.5% in the nine months ended September 30, 2008 to 22.7% in the same period in 2009 primarily due to the significant decline in sales resulting in unabsorbed administrative costs.

On April 22, 2009, we commenced a stock option exchange program to allow certain of our employees the opportunity to exchange all or a portion of their eligible outstanding stock options for an equivalent number of new, replacement options. In connection with the exchange program, we issued 1,479,250 nonstatutory stock options with an exercise price of $8.20, equal to the closing price of our common stock on the New York Stock Exchange on May 21, 2009. Generally, all employees who held options upon expiration of the exchange program, other than our board members, were eligible to participate in the program. The number of shares of our common stock subject to outstanding options did not change as a result of the exchange offer. New options issued as part of the exchange offer are subject to a two-year vesting schedule, with 50% of the shares subject to an option vesting on the one-year anniversary of the date of grant, and the remaining 50% of the shares subject to an option vesting on the second anniversary of the date of grant. The total incremental cost of the repriced options is approximately $2.4 million of which $0.3 million and $0.4 million has been recognized in our interim Condensed Statements of Operations for the three and nine months ended September 30, 2009. For further information see Note 2, “Stock-based Compensation” to our interim Condensed Consolidated Financial Statements.

Amortization of Intangibles

Amortization of intangibles of $2.8 million and $8.7 million for the three and nine months ended September 30, 2009 remained consistent with the amount in the same periods in prior year due to the fact that acquisition activity and the size of acquisitions decreased significantly since September 30, 2008. In 2009, we have only completed two acquisitions, as compared to 13 in 2008 and 19 in 2007.

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. We concluded that, in the absence of the annual goodwill impairment test, there were sufficient indicators to require us to perform a goodwill impairment analysis as of September 30, 2009. The indicators were based on a combination of factors, including the current economic recession and revised forecasted future earnings. Goodwill impairment testing is performed at the operating segment (or "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. Based on our annual goodwill impairment assessment, we recorded a $37.4 million impairment as of September 30, 2009.

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 fair value of the reporting unit 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 results of our analysis indicated that 11 of our reporting units, nine in the United States, one in the United Kingdom and one in Canada, had a goodwill impairment as of September 30, 2009. Accordingly, we recorded a pretax, non-cash charge for the nine months ended September 30, 2009 to reduce the carrying value of goodwill by $37.4 million.

We determined the fair market value of our reporting units using an income approach. Under the income approach, we determined fair value based on estimated future cash flows of each reporting unit. The cash flows are discounted by an estimated weighted-average cost of capital, which reflects 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 operating margins, discount rates and future market conditions, among others. We considered market information in assessing the reasonableness of the fair market value under the income approach outlined above.

Given the current economic environment and the uncertainties regarding the impact on our business, there can be no assurance that our estimates and assumptions regarding the duration of the ongoing economic downturn, or the period or strength of recovery, made for purposes of our goodwill impairment testing during the nine months ended September 30, 2009 will prove to be accurate predictions of the future. If our assumptions regarding forecasted revenue or gross margins 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 2010 or prior to that, if any such change constitutes a triggering event outside of the quarter from when the annual goodwill impairment test is performed. 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.

Impairment of Long-Lived Assets

We periodically assess potential impairments of long-lived assets in accordance with the provisions of ASC 360, formerly SFAS No. 144 , *"Accounting for the Impairment or Disposal of Long-lived Assets"*. An impairment review is performed whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. Factors we considered 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 market value, if available, or discounted cash flows, if not.

Our operating segments are being negatively impacted by the drop in commercial and residential construction resulting from the current economic recession. Before assessing our goodwill for impairment, we evaluated, as described above, the long-lived assets of our operating segments for impairment as of September 30, 2009 given the reduced level of expected sales, profits and cash flows. Based on this assessment, we determined that there was an impairment of long-lived assets of our operating segment in the United Kingdom. Accordingly, we recorded a pretax, non-cash charge as of September 30, 2009 to reduce the carrying value of other intangible assets by $0.8 million.

Other Income

Other income of $0.3 million for the nine months ended September 30, 2008 was primarily related to the sale of the Auto Desk sales department of our Imaging Technologies Services operating segment. In 2009, we have not sold any departments, hence the decrease in other income.

Interest Expense, Net

Net interest expense decreased $1.8 million during the nine months ended September 30, 2009, compared to the same period in 2008. The decrease is primarily due to our reduction of our principal balances of bank debt, capital leases and seller notes payable. Our total debt has decreased by over $43.0 million in 2009. Our interest expense for the three and nine months ended September 30, 2009 includes a $1.0 million expense due to the ineffective portion of our interest rate swap ("Swap Transaction").

Income Taxes

Our effective income tax rate for the three and nine months ended September 30, 2009 was impacted by the goodwill impairment, long-lived asset impairment and the ineffective portion of the Swap Transaction in the three months ended September 30, 2009. The impairment and ineffective portion of the Swap Transaction of $39.1 million resulted in a tax benefit of $8.1 million, a 20.7% benefit. Our effective tax rates for the three and nine months ended September 30, 2009 were negatively impacted by the fact that $17.5 million of the impairment charges related to stock basis goodwill, which is not tax deductible until the stock is disposed of and is treated as a permanent item for financial reporting purposes. Additionally, there was a one-time discrete item benefit of $1.4 million in the three and nine months ended September 30, 2008.

Barring discrete items, our effective income tax rate increased to 48.4% and 40.9% for the three and nine months ended September 30, 2009, respectively, from 38.0% for the three and nine months ended September 30, 2008. These increases are primarily due to a lower federal tax benefit in relation to our domestic production activities deduction in 2009 as allowed by Internal Revenue Code Section 199. The amount of deduction and related tax benefit is directly impacted by our expected federal taxable income for the fiscal year 2009, which has dropped significantly in light of the recent decrease in sales and the corresponding pretax income.

Noncontrolling Interest

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

Net (Loss) Income Attributable to ARC

Net loss attributable to ARC was $28.2 million and $14.3 million during the three and nine months ended September 30, 2009, compared to net income of $15.1 million and $52.4 million in the same periods in 2008. The decrease is primarily due to the $37.4 million goodwill impairment charge described above, decrease in sales and gross margins, partially offset by the decrease in selling, general and administrative expenses described above.

EBITDA

EBITDA margin was (12.5)% and 11.5% during the three and nine months ended September 30, 2009, respectively, compared to 23.6% and 25.5%, during the same periods in 2008. EBITDA margin for the three and nine months ended September 30, 2009 compared to the same periods in 2008 was negatively impacted primarily due to the goodwill impairment charge, the decrease in gross profit, excluding the impact of depreciation, and the increase in selling, general and administrative expenses as a percentage of sales described above. Excluding the impact of the non-cash $37.4 million goodwill impairment and $0.8 million long-lived assets impairment charges, our adjusted EBITDA margin was 19.5% and 21.3% for the three and nine months ended September 30, 2009, respectively.

Impact of Inflation

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 from operations and borrowings under our Credit and Guaranty Agreement (the "Credit Agreement"). Our historical uses of cash have been for acquisitions of reprographics businesses, payment of principal and interest on outstanding debt obligations, and capital expenditures. Supplemental information pertaining to our historical sources and uses of cash is presented as follows and should be read in conjunction with our Condensed Consolidated Statements of Cash Flows and notes thereto included elsewhere in this report.

	Nine Months Ended September 30,	
	2009	2008
	(Dollars in thousands)	
Net cash provided by operating activities	$ 75,364	$ 95,263
Net cash used in investing activities	$ (7,159)	$ (24,651)
Net cash used in financing activities	$ (55,685)	$ (60,927)

Operating Activities

Our cash flows from operations are primarily driven by sales and net profit generated from these sales. The overall decrease in cash flows from operations in 2009 was due to the decline in sales and corresponding EBITDA. Our strong cash flows from operations in 2009 despite the decrease in profitability was partially due to our improved accounts receivable collection efforts and the utilization of $1.9 million of prepaid taxes. As evidence of our improved collection efforts, our days sales outstanding decreased to 48 days as of September 30, 2009, as compared to 50 days as of September 30, 2008. With the downturn in the general economy, we will continue to focus on our accounts receivable collections. If the recent negative sales trends continue throughout 2009 and 2010, this will significantly impact our cash flows from operations in the future.

Investing Activities

Net cash used in investing activities of $7.2 million for the nine months ended September 30, 2009, primarily relates to capital expenditures of $5.9 million at all of our operating segments. Payments for businesses acquired, net of cash acquired and including other cash payments and earnout payments associated with acquisitions, amounted to $2.0 million during the nine months ended September 30, 2009, compared to $18.2 million for the same period in 2008. The decrease is due to the significant decrease in acquisition activity in 2009 that we expect to continue in the near future and fewer earnout payments made in 2009. Cash used in investing activities will vary depending on the timing and the size of acquisitions. Funds required to finance our business expansion will come from operating cash flows and additional borrowings.

Financing Activities

Net cash of $55.7 million used in financing activities during the nine months ended September 30, 2009, primarily relates to scheduled payments of $45.1 million under the Amended Credit Agreement and capital leases and approximately $11.0 million in early pay down of capital lease obligations.

Our cash position, working capital, and debt obligations as of September 30, 2009, and December 31, 2008 are shown below and should be read in conjunction with our Consolidated Balance Sheets and notes thereto contained elsewhere in this report.

	September 30, 2009	December 31, 2008
	(Dollars in thousands)	
Cash and cash equivalents	$ 59,179	$ 46,542
Working capital	13,442	29,798
Borrowings from senior secured credit facilities	$ 245,782	$ 261,250
Other debt obligations	71,803	99,790
Total debt obligations	$ 317,585	$ 361,040

The decrease of $16.4 million in working capital in 2009 was primarily due a $25.8 million net increase in the short-term portion of our Amended Credit Agreement and a $13.5 million reduction in accounts receivable, partially offset by an increase in cash of $12.6 million generated from our operations and a $5.9 million decrease in the current portion of capital leases. To manage our working capital, we 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 balance of $59.2 million and additional cash flows provided by operations should be adequate to cover the next twelve months working capital needs, debt service requirements which consists 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 September 30, 2009, or the issuance of additional debt which is dependent on availability of third party financing. See "Debt Obligations" section for further information related to our Amended Credit Agreement.

We generate the majority of our revenue from sales of products and services provided 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. The effects of the current economic recession in the United States, and weakness in global economic conditions, have resulted in a downturn in the residential and non-residential construction spending of the AEC industry, which have adversely affected our operating results. The current diminished liquidity and credit availability in financial markets and the general economic recession 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 the credit constraints in the financial markets are resulting in a decrease in, or cancellation of, existing business, and could limit new business, and could negatively impact our ability to collect our accounts receivable on a timely basis. We are unable to predict the duration and severity of the current economic recession and disruption in financial markets or their effects on our business and results of operations, but the consequences may be materially adverse and more severe than other recent economic slowdowns.

Based on our 2009 and 2010 projected revenue, we have been implementing operational plans that we believe will enable us to achieve EBITDA and the related operating expenses at such levels that will allow us to remain in compliance with the financial covenants under our Amended Credit Agreement. However, our ability to further reduce expenses becomes more challenging as sales decline. As of September 30, 2009, we were in compliance with the financial covenants in our Amended Credit Agreement and we expect to be in compliance through the term of the agreement. However due to uncertainties described, above, it is possible that a default under certain financial covenants may occur in the future. We believe that further cost reductions could be implemented in the event that projected revenue levels are not achieved. If actual sales for the remainder of 2009 and 2010 are lower than our current projections and/or we do not successfully implement cost reduction plans, we could be at risk of default under the financial covenants under our Amended Credit Agreement during 2009 and 2010. Our ability to maintain compliance under the financial covenants under our Amended Credit Agreement is highly sensitive to, and dependent upon, achieving projected levels of EBITDA and related operating expenses for 2009 and 2010. If we default on the covenants under the Amended Credit Agreement and are unable to obtain waivers from our lenders, the lenders will be able to exercise their rights and remedies under the Amended Credit Agreement, including a call provision on outstanding debt, which would have a material adverse effect on our business, financial condition and liquidity. Because our Amended Credit Agreement contains cross-default provisions, triggering a default provision under our Amended Credit Agreement may require us to repay all debt outstanding under the credit facilities, including any amounts outstanding under our revolving credit facility (which currently has no debt outstanding), and may also temporarily or permanently restrict our ability to draw additional funds under the revolving credit facility. There is no assurance that we would receive waivers should we not meet our financial covenant requirements. Even if we are able to obtain a waiver, we may be required to agree to other changes in our Amended Credit Agreement, including increased interest rates, amended covenants or lower availability thresholds and to pay a fee for such waiver. If we are not able to comply with revised terms and conditions under our Amended Credit Agreement and we are unable to obtain waivers, we would need to obtain additional sources of liquidity. Given the unprecedented instability in worldwide credit markets, however, there can be no assurance that we will be able to obtain additional sources of liquidity on terms acceptable to us, or at all, which would have a material adverse effect on our business and financial condition.

During December 2007, we repurchased 447,654 shares for $7.7 million which were funded through cash flows from operations. During 2008 and the first nine months of 2009, we did not repurchase any common stock. Our Amended Credit Agreement allows us to repurchase stock and/or pay cash dividends in an amount not to exceed $15.0 million in aggregate over the term of the facility. As of September 30, 2009, we had $7.3 million available to repurchase stock and/or pay cash dividends under the credit facility. Additional share repurchases, if any, will be made in such amounts and at such times as we deem appropriate based upon prevailing market and business conditions and would be primarily purchased using subordinated debt in accordance with our credit facility.

We continually evaluate potential acquisitions. Absent a compelling strategic reason, we target potential acquisitions that would be cash flow accretive within six months. Currently, we are not a party to any agreements, or engaged in any negotiations regarding a material acquisition. We expect to fund future acquisitions through cash flows provided by operations and additional borrowings. The extent to which we will be willing or able to use our equity or a mix of equity and cash payments to make acquisitions will depend on the market value of our shares from time to time, and the willingness of potential sellers to accept equity as full or partial payment. We expect that the decreased level of acquisition activity during the first three quarters of 2009 will continue in the near future.

Debt Obligations

Senior Secured Credit Facilities. On December 6, 2007, we entered into our Credit Agreement. The Credit Agreement provides for senior secured credit facilities aggregating up to $350 million, consisting of a $275 million term loan facility and a $75 million revolving credit facility.

As of September 30, 2009, we were in compliance with the financial covenants in our Credit Agreement. Refer to our discussion above regarding our projected compliance with 2009 and 2010 debt covenants.

The Credit Agreement contains financial covenants which, among other things, require us to maintain a minimum interest coverage ratio of 2.50:1.00, minimum fixed charge coverage ratio of 1.10:1.00, and maximum leverage ratio of 3.00:1.00. The minimum interest coverage ratio increases to 2.75:1.00 in 2010, and 3.00:1.00 in 2011 and 2012. The covenant ratios are assessed quarterly and calculated on a trailing 12 months basis. The Credit Agreement also contains customary events of default, including failure to make payments when due under the Credit Agreement; payment default under and cross-default to other material indebtedness; breach of covenants; breach of representations and warranties; bankruptcy; material judgments; dissolution; ERISA events; change of control; invalidity of guarantees or security documents or repudiation by our obligations thereunder. The Credit Agreement is secured by substantially all of our assets.

As of September 30, 2009, under the revolving facility under our Credit Agreement, we were required to pay a fee, on a quarterly basis, for the total unused commitment amount under the Credit Agreement. This fee ranges from 0.30% to 0.50% based on our leverage ratio at the time. We may also draw upon this credit facility through letters of credit, which carries a fee of 0.25% of the outstanding letters of credit.

On October 5, 2009 we entered into our Amended Credit Agreement to, among other things:

- Add a new definition of “Creditable Excess Cash” and amend the definition of “Fixed Charge Coverage Ratio” to allow for an adjustment of Creditable Excess Cash;
- Defer to December 6, 2012 the $36.1 million in amortization payments that would have been due in 2011 to consenting lenders that have agreed to provide new Class B term loan commitments under the Amended Credit Agreement;
- Increase the applicable rate by 200 basis points for initial term loans and 300 basis points for Class B term loans for purposes of calculating interest on loans outstanding under the Amended Credit Agreement;
- Reduce the total revolving commitments under the Credit Agreement from $74.5 million to $49.5 million;
- Provide for a $35.0 million prepayment to be applied on the business day following the effective date of the Amended Credit Agreement to reduce initial term loan installments due on March 31, 2010, June 30, 2010 and September 30, 2010 on a pro rata basis;

- Amend the interest coverage ratio under the Credit Agreement as follows:
  - 2.00:1.00 for fiscal quarter ending December 31, 2009
  - 1.75:1.00 for quarters ending March 31, 2010 through September 30, 2010
  - 2.00:1.00 for quarters ending December 31, 2010 through September 30, 2011
  - 2.50:1.00 for quarter ending December 31, 2011
  - 3.00:1.00 for quarters ending March 31, 2012 through maturity;
- Amend the fixed charge coverage ratio under the Credit Agreement to be 1.00:1.00 for the fiscal quarter ending December 31, 2009 through maturity;
- Amend the maximum leverage ratio under the Credit Agreement as follows:
  - 3.25:1.00 for fiscal quarter ending December 31, 2009
  - 3.50:1.00 for fiscal quarter ending March 31, 2010
  - 3.85:1.00 for fiscal quarters ending June 30, 2010 through September 30, 2010
  - 3.25:1.00 for fiscal quarter ending December 31, 2010
  - 3.00:1.00 for fiscal quarters ending March 31, 2011 through maturity;
- Amend the maximum senior secured leverage ratio under the Credit Agreement as follows:
  - 3.00:1.00 for fiscal quarter ending December 31, 2009
  - 3.25:1.00 for fiscal quarter ending March 31, 2010
  - 3.65:1.00 for fiscal quarters ending June 30, 2010 through September 30, 2010
  - 3.00:1.00 for fiscal quarters ending December 31, 2010 through March 31, 2011
  - 2.50:1.00 for fiscal quarters ending June 30, 2011 through maturity.

The Amended Credit Agreement allows us to borrow incremental term loans to the extent our senior secured leverage ratio (as defined in the Amended Credit Agreement) remains below 2.50:1.00.

In exchange for the terms set forth in the Amended Credit Agreement, we agreed to pay to each consenting lender an amendment fee equal to 50 basis points of the amount of each consenting lender's revolving commitment and outstanding term loans as of the effective date of the Amended Credit Agreement (as determined on a pro forma basis after giving effect to the $35.0 million prepayment and reduction of total revolving commitments to $49.5 million). In addition, we agreed to pay to each consenting lender that has a Class B term loan commitment under the Amended Credit Agreement an amortization deferral fee of 100 basis points of such consenting lender's Class B term loan amount. We also paid customary arrangement and service fees in connection with the Amended Credit Agreement.

Term loans under the Amended Credit Agreement are amortized over the term with the final payment due on December 6, 2012. Amounts borrowed under the revolving credit facility under the Amended Credit Agreement must be repaid by December 6, 2012. Outstanding obligations under the Amended Credit Agreement may be prepaid in whole or in part without premium or penalty.

On December 19, 2007, we entered into the Swap Transaction in order to hedge the floating interest rate risk on our long term variable rate debt. Under the terms of the Swap Transaction, we are required to make quarterly fixed rate payments to the counterparty calculated based on an initial notional amount of $271.6 million at a fixed rate of 4.1%, while the counterparty is obligated to make quarterly floating rate payments to us based on the three month LIBO rate. The notional amount of the Swap Transaction is scheduled to decline over the term of the term loan facility consistent with the scheduled principal payments. The Swap Transaction has an effective date of March 31, 2008 and a termination date of December 6, 2012. At September 30, 2009, the Swap Transaction had a negative fair value of $13.2 million of which $6.0 million was recorded in accrued expenses and $7.2 million was recorded in other long-term liabilities.

On October 2, 2009, we amended our Swap Transaction (the "Amended Swap Transaction") to reduce our initial notional amount from $271.6 million to $210.8 million to hedge our then existing variable interest rate debt.

Capital Leases . As of September 30, 2009, we had $46.8 million of capital lease obligations outstanding, with a weighted

average interest rate of 9.4% and maturities between 2009 and 2015.

Seller Notes . As of September 30, 2009, we had $25.0 million of seller notes outstanding, with a weighted average interest rate of 6.2% and maturities between 2009 and 2012. These notes were issued in connection with prior acquisitions.

Off-Balance Sheet Arrangements

As of September 30, 2009 and December 31, 2008, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Contractual Obligations and Other Commitments

Operating Leases. We have entered into various non-cancelable operating leases primarily related to facilities, equipment and vehicles used in the ordinary course of business.

Contingent Transaction Consideration. We are subject to earnout obligations entered into 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 September 30, 2009, we have potential future earnout obligations for acquisitions consummated before the adoption of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 805, formerly Statement of Financial Accounting Standards ("SFAS") No. 141 (Revised 2007), *Business Combinations,* in the total amount of approximately $3.5 million through 2014 if predetermined financial targets are met or exceeded. Earnout payments are recorded as additional purchase price (as goodwill) when the contingent payments are earned and become payable.

Uncertain Tax Position Liability. We have a $1.6 million contingent liability for uncertain tax positions as of September 30, 2009.

Legal Proceedings. We are involved in various legal proceedings and claims from time to time in the normal course of business. We do not believe, based on currently available facts and circumstances, that the final outcome of any of these matters, taken individually or as a whole, will have a material adverse effect on our consolidated financial position, results of operations or cash flows. We believe the amounts provided in our interim Condensed Consolidated Financial Statements, which are not material, are adequate in light of the probable and estimable liabilities. However, because such matters are subject to many uncertainties, the ultimate outcomes are not predictable and there can be no assurances that the actual amounts required to satisfy alleged liabilities will not exceed the amounts reflected in our interim Condensed Consolidated Financial Statements or will not have a material adverse 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.

For further information regarding the accounting policies that we believe to be critical accounting policies and that affect our more significant judgments and estimates used in preparing our interim Condensed Consolidated Financial Statements see our December 31, 2008 Annual Report on Form 10-K. We do not believe that the two acquisitions completed in 2009 or new accounting standards implemented during 2009 have changed our critical accounting policies, except for the adoption of ASC 805, which is further described in Note 5, "Goodwill and Other Intangibles Resulting from Business Acquisitions" to our interim Condensed Consolidated Financial Statements, ASC 820-10, formerly FASB Staff Position No. SFAS 157-2, *Effective Date of FASB Statement No. 157* , which is further described in Note 8, "Fair Value Measurements" to our interim Condensed Consolidated Financial Statements, ASC 810-10-65, formerly SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements — an Amendment of ARB No. 51* , and ASC 815-10, formerly SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities — an amendment of FASB Statement No.133* , ASC 855, formerly SFAS No. 165, *Subsequent Events* , and ASC 105-10, formerly SFAS No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles,* which are further described in Note 14, "Recent Accounting Pronouncements" to our interim Condensed Consolidated Financial Statements.

Recent Accounting Pronouncements

See Note 14, “Recent Accounting Pronouncements” to our interim Condensed Consolidated Financial Statements for disclosure on recent accounting pronouncements.

Item 3. 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.

On December 19, 2007, we entered into the Swap Transaction in order to hedge the floating interest rate risk on our long term variable rate debt. Under the terms of the Swap Transaction, we are required to make quarterly fixed rate payments to the counterparty calculated based on an initial notional amount of $271.6 million at a fixed rate of 4.1%, while the counterparty is obligated to make quarterly floating rate payments to us based on the three month LIBO rate. The Swap Transaction was amended on October 2, 2009 in order to reduce the notional amount of Swap Transaction, as described above, and is scheduled to decline over the term of the term loan facility consistent with the original and amended scheduled principal payments.

The Swap Transaction has a termination date of December 6, 2012. At September 30, 2009, the Swap Transaction had a negative fair value of $13.2 million of which $6.0 million was recorded in accrued expenses and $7.2 million was recorded in other long-term liabilities.

As of September 30, 2009, we had $317.6 million of total debt and capital lease obligations, of which $35.0 million bore interest at prime rate and is subject to variability. This debt was paid off on October 5, 2009 in conjunction with the amendment of our credit agreement. See “Debt Obligations” above for further information.

We have not, and do not plan to, enter into any derivative financial instruments for trading or speculative purposes. As of September 30, 2009, we had no other significant material exposure to market risk, including foreign exchange risk and commodity risks.

Item 4. 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 is 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 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 September 30, 2009. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2009, our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There were no significant changes to internal control over financial reporting during the third quarter ended September 30, 2009 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

We are involved in various legal proceedings and claims from time to time in the normal course of business. We do not believe, based on currently available information, that the final outcome of any of these matters, taken individually or as a whole, will have a material adverse effect on our consolidated financial position, results of operations or cash flows. The Company believes the amounts provided in its interim Condensed Consolidated Financial Statements, which are not material, are adequate in light of the probable and estimable liabilities. However, because such matters are subject to many uncertainties, the ultimate outcomes are not predictable and there can be no assurances that the actual amounts required to satisfy alleged liabilities will not exceed the amounts reflected in the Company's interim Condensed Consolidated Financial Statements or will not have a material adverse effect on its consolidated financial position, results of operations or cash flows.

Item 1A. Risk Factors

Information concerning certain risks and uncertainties appears in Part I, Item 1A "Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2008. You should carefully consider those risks and uncertainties, which could materially affect our business, financial condition and results of operations. The Company has identified the following risk factors to supplement the risks and uncertainties set forth in our 2008 Annual Report on Form 10-K:

Downgrades in our credit rating may adversely affect our business, financial condition and results of operations.

From time to time, independent credit rating agencies rate our creditworthiness. Credit market deterioration and its actual or perceived effects on our business, financial condition and results of operation, along with deterioration in general economic conditions, may increase the likelihood that major independent credit agencies will downgrade our credit rating. Any downgrade in our credit rating could increase our cost of borrowing, which would adversely affect our financial condition and results of operations, perhaps materially. Any downgrade in our credit rating may also cause a decline in the market price of our common stock.

Although we have adjusted certain financial ratio covenants in our credit agreement, we may not be able to comply with the adjusted covenants in the future.

On October 5, 2009, we entered into the Amended Credit Agreement. Pursuant to the Amended Credit Agreement, our Credit Agreement was amended to, among other things, adjust certain financial ratio covenants in the Credit Agreement. Our ability to meet the adjusted financial covenants under the Amendment Credit Agreement may be affected by a number of events, including events beyond our control, and we may not be able to continue to meet those ratios in the future. There can be no assurance that we will be able to comply in the future with the financial ratio covenants, as adjusted pursuant to the Amended Credit Agreement. If we fail to comply with the financial covenants under the Amended Credit Agreement, we would be in default which could have a material adverse effect on our business operations and our financial condition.

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Item 6. Exhibits

Exhibit Number	Description
10.1*†	American Reprographics Company 2005 Employee Stock Purchase Plan, amended and restated as of July 30, 2009.
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) under 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 Rule 13a-14(a) and Rule 15d-14(a) under 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. *

* Filed herewith

† Indicates management contract or compensatory plan or arrangement

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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 thereunto duly authorized.

Date: November 9, 2009

AMERICAN REPROGRAPHICS COMPANY

By: /s/ Kumarakulasingam Suriyakumar
Kumarakulasingam Suriyakumar
Chairman, President and Chief Executive Officer

By: /s/ Jonathan R. Mather
Jonathan R. Mather
Chief Financial Officer and Secretary

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* Filed herewith

† Indicates management contract or compensatory plan or arrangement

Exhibit 10.1

AMERICAN REPROGRAPHICS COMPANY

2005 EMPLOYEE STOCK PURCHASE PLAN

Adopted By the Board of Directors January 10, 2005
Approved By Shareholders February 3, 2005
Amended and Restated as of July 30, 2009

1. PURPOSE .

(a) The purpose of the Plan is to provide a means by which Employees of the Company and certain designated Related Corporations may be given an opportunity to purchase shares of the Common Stock of the Company. This Plan includes two components: a Code Section 423 Component and a Non-423 Component. This Plan shall govern the terms and conditions of grants made under both the Code Section 423 Component and the Non-423 Component. Except as otherwise indicated, the Non-423 Component will operate and be administered in the same manner as the Code Section 423 Component.

(b) The Company, by means of the Plan, seeks to secure and retain the services of current and new Employees and to provide incentives for such persons to exert maximum efforts for the success of the Company and its Related Corporations.

(c) The Company intends that the Purchase Rights granted under the Code Section 423 Component be considered options issued under an employee stock purchase plan qualifying under Section 423 of the Code although the Company makes no undertaking or representation to maintain such qualification.

2. DEFINITIONS .

As used in the Plan and any Offering, unless otherwise specified, the following terms have the meanings set forth below:

(a) ***"Board"*** means the Board of Directors of the Company.

(b) ***"Code"*** means the Internal Revenue Code of 1986, as amended.

(c) ***"Code Section 423 Component"*** means the component of this Plan that is intended to meet the requirements set forth in Section 423(b) of the Code, as amended, to qualify as an "employee stock purchase plan" under Section 423 of the Code. The provisions of the Code Section 423 Component shall be construed, administered and enforced in accordance with Section 423(b), so as to extend and limit Plan participation in a uniform and nondiscriminatory basis consistent with the requirements of Section 423 of the Code.

(d) ***"Committee"*** means a committee appointed by the Board in accordance with Section 3(c) of the Plan.

(e) ***"Common Stock"*** means the common stock of the Company.

(f) ***"Company"*** means American Reprographics Company, a Delaware corporation.

(g) ***"Contributions"*** means the payroll deductions and other additional payments that a Participant contributes to fund the exercise of a Purchase Right.

(h) ***"Corporate Transaction"*** means the occurrence, in a single transaction or in a series of related transactions, of any one or more of the following events:

(i) a sale, lease, license or other disposition of all or substantially all of the consolidated assets of the Company;

(ii) a sale or other disposition of at least ninety percent (90%) of the outstanding securities of the Company;

(iii) a merger, consolidation or similar transaction following which the Company is not the surviving corporation; or

(iv) a merger, consolidation or similar transaction following which the Company is the surviving corporation but the shares of Common Stock outstanding immediately preceding the merger, consolidation or similar transaction are converted or exchanged by virtue of the merger, consolidation or similar transaction into other property, whether in the form of securities, cash or otherwise.

(i) ***"Director"*** means a member of the Board.

(j) ***"Eligible Employee"*** means an Employee who meets the requirements set forth in the Offering for eligibility to participate in the Offering, provided that such Employee also meets the requirements for eligibility to participate set forth in Section 6 of the Plan.

(k) ***"Employee"*** means any person, including Officers and Directors, who is employed for purposes of Section 423(b)(4) of the Code by the Company or a Related Corporation. Neither service as a Director nor payment of a director's fee shall be sufficient to make an individual an Employee of the Company or a Related Corporation.

(l) ***"Exchange Act"*** means the Securities Exchange Act of 1934, as amended.

(m) ***"Fair Market Value"*** means the value of a security, as determined in good faith by the Board. If the security is listed on any established stock exchange or traded on the New York Stock Exchange, the Fair Market Value of a share of Common Stock shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange (or the exchange or market with the greatest volume of trading in the Common Stock) on the last Trading Day prior to the relevant determination date, as reported in The Wall Street Journal or such other source as the Board deems reliable.

(n) ***"IPO Date"*** means the effective date of the initial public offering of the Common Stock.

(o) ***"Non-423 Component"*** means a component of this Plan that is not intended to meet the requirements set forth in Section 423(b) of the Code, as amended. Options may be granted under the Non-423 Component pursuant to rules, procedures or sub-plans adopted by the Board (or the Committee) that are designed to achieve tax, securities laws or other objectives for Eligible Employees and/or the Company.

(p) ***"Offering"*** means the grant of Purchase Rights to purchase shares of Common Stock under the Plan to Eligible Employees.

(q) ***"Offering Date"*** means a date selected by the Board for an Offering to commence.

(r) ***"Officer"*** means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(s) ***"Participant"*** means an Eligible Employee who holds an outstanding Purchase Right granted pursuant to the Plan.

(t) ***"Plan"*** means this American Reprographics Company 2005 Employee Stock Purchase Plan, which includes a Code Section 423 Component and a Non-423 Component.

(u) ***"Purchase Date"*** means one or more dates during an Offering established by the Board on which Purchase Rights shall be exercised and as of which purchases of shares of Common Stock shall be carried out in accordance with such Offering.

(v) ***"Purchase Period"*** means a period of time specified within an Offering beginning on the Offering Date or on the next day following a Purchase Date within an Offering and ending on a Purchase Date. An Offering may consist of one or more Purchase Periods.

(w) ***"Purchase Right"*** means an option to purchase shares of Common Stock granted pursuant to the Plan.

(x) ***"Related Corporation"*** means any parent corporation or subsidiary corporation, whether now or hereafter existing, as those terms are defined in Sections 424(e) and (f), respectively, of the Code.

(y) ***"Securities Act"*** means the Securities Act of 1933, as amended.

(z) ***"Trading Day"*** means any day on which the exchange(s) or market(s) on which shares of Common Stock are listed, whether it be an established stock exchange, the New York Stock Exchange or otherwise, is open for trading.

3. ADMINISTRATION .

(a) The Board shall administer the Plan unless and until the Board delegates administration to a Committee, as provided in Section 3(c). Whether or not the Board has delegated administration, the Board shall have the final power to determine all questions of policy and expediency that may arise in the administration of the Plan.

(b) The Board (or the Committee) shall have the power, subject to, and within the limitations of, the express provisions of the Plan:

(i) To determine when and how Purchase Rights to purchase shares of Common Stock shall be granted and the provisions of each Offering of such Purchase Rights (which need not be identical).

(ii) To designate from time to time which Related Corporations of the Company shall be eligible to participate in the Plan and designate which Related Corporations should participate in the Non-423 Component of the Plan.

(iii) To construe and interpret the Plan and Purchase Rights, and to establish, amend and revoke rules and regulations for the administration of the Plan. The Board, in the exercise of this power, may correct any defect, omission or inconsistency in the Plan, in a manner and to the extent it shall deem necessary or expedient to make the Plan fully effective.

(iv) To amend the Plan as provided in Section 15.

(v) To terminate or suspend the Plan as provided in Section 16.

(vi) Generally, to exercise such powers and to perform such acts as it deems necessary or expedient to promote the best interests of the Company and its Related Corporations and to carry out the intent that Offerings made under the 423 Component of the Plan be treated as qualifying under Section 423(b) of the Code.

(vii) To adopt such procedures and sub-plans as are necessary or appropriate to permit participation in the Non-423 Component of the Plan by Employees who are foreign nationals or employed outside the United States.

(c) The Board may delegate administration of the Plan to a Committee of the Board composed of one (1) or more members of the Board. If administration of the Plan is delegated to a Committee, the Committee shall have, in connection with the administration of the Plan, the powers theretofore possessed by the Board, subject, however, to such resolutions, not inconsistent with the provisions of the Plan, as may be adopted from time to time by the Board. The Board may abolish the Committee at any time and revest in the Board some or all of the powers previously delegated. If administration is delegated to a Committee, references to the Board in this Plan and in the Offering document shall thereafter be deemed to be to the Board or the Committee, as the case may be.

(d) All determinations, interpretations and constructions made by the Board in good faith shall not be subject to review by any person and shall be final, binding and conclusive on all persons.

4. Shares of Common Stock Subject to the Plan.

Subject to the provisions of Section 14(a) relating to adjustments upon changes in Common Stock, the stock that may be sold pursuant to Purchase Rights granted under the Plan shall not exceed in the aggregate seven hundred fifty thousand (750,000) shares of Common Stock.

5. GRANT OF PURCHASE RIGHTS; OFFERING.

(a) The Board may from time to time grant or provide for the grant of Purchase Rights to purchase shares of Common Stock under the Plan to Eligible Employees in an Offering (consisting of one or more Purchase Periods) on an Offering Date or Offering Dates selected by the Board. Each Offering under the Code Section 423 Component shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate, which shall comply with the requirement of Section 423 (b)(5) of the Code that all Employees granted Purchase Rights shall have the same rights and privileges. The terms and conditions of an Offering shall be incorporated by reference into the Plan and treated as part of the Plan. The provisions of separate Offerings need not be identical, but each Offering shall include (by reference to the provisions of this Plan or otherwise) the period during which the Offering shall be effective, which period shall not exceed twenty-seven (27) months beginning with the Offering Date, and the substance of the provisions contained in Sections 6 through 9, inclusive. The Board may from time to time grant or provide for the grant of rights to purchase Common Stock of the Company under the Non-423 Component. If such grants are intended to be made under the Non-423 Component, they will be designated as such at the time of grant and such grants may not comply with the requirements set forth under Section 423 of the Code.

(b) If a Participant has more than one Purchase Right outstanding under the Plan, unless he or she otherwise indicates in agreements or notices delivered hereunder: (i) each agreement or notice delivered by that Participant shall be deemed to apply to all of his or her Purchase Rights under the Plan, and (ii) a Purchase Right with a lower exercise price (or an earlier-granted Purchase Right, if different Purchase Rights have identical exercise prices) shall be exercised to the fullest possible extent before a Purchase Right with a higher exercise price (or a later-granted Purchase Right if different Purchase Rights have identical exercise prices) shall be exercised.

6. ELIGIBILITY.

(a) Purchase Rights may be granted only to Employees of the Company or, as the Board may designate as provided in Section 3(b), to Employees of a Related Corporation. Except as provided in Section 6(b), an Employee shall not be eligible to be granted Purchase Rights under the Plan unless, on the Offering Date, such Employee has been in the employ of the Company or the Related Corporation, as the case may be, for such continuous period preceding such Offering Date as the Board may require, but in no event shall the required period of continuous employment be greater than two (2) years. In addition, the Board may provide that no Employee shall be eligible to be granted Purchase Rights under the Plan unless, on the Offering Date, such Employee's customary employment with the Company or the Related Corporation is more than twenty (20) hours per week and/or more than five (5) months per calendar year.

(b) The Board may provide that each person who, during the course of an Offering, first becomes an Eligible Employee shall, on a date or dates specified in the Offering which coincides with the day on which such person becomes an Eligible Employee or which occurs thereafter, receive a Purchase Right under that Offering, which Purchase Right shall thereafter be deemed to be a part of that Offering. Such Purchase Right shall have the same characteristics as any Purchase Rights originally granted under that Offering, as described herein, except that:

(i) the date on which such Purchase Right is granted shall be the "Offering Date" of such Purchase Right for all purposes, including determination of the exercise price of such Purchase Right;

(ii) the period of the Offering with respect to such Purchase Right shall begin on its Offering Date and end coincident with the end of such Offering; and

(iii) the Board may provide that if such person first becomes an Eligible Employee within a specified period of time before the end of the Offering, he or she shall not receive any Purchase Right under that Offering.

(c) No Employee shall be eligible for the grant of any Purchase Rights under the Plan if, immediately after any such Purchase Rights are granted, such Employee owns stock possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Company or of any Related Corporation. For purposes of this Section 6(c), the rules of Section 424(d) of the Code shall apply in determining the stock ownership of any Employee, and stock which such Employee may purchase under all outstanding Purchase Rights and options shall be treated as stock owned by such Employee.

(d) As specified by Section 423(b)(8) of the Code, an Eligible Employee may be granted Purchase Rights under the Plan only if such Purchase Rights, together with any other rights granted under all employee stock purchase plans of the Company and any Related Corporations, do not permit such Eligible Employee's rights to purchase stock of the Company or any Related Corporation to accrue at a rate which exceeds twenty five thousand dollars ($25,000) of Fair Market Value of such stock (determined at the time such rights are granted, and which, with respect to the Plan, shall be determined as of their respective Offering Dates) for each calendar year in which such rights are outstanding at any time.

(e) Officers of the Company and any designated Related Corporation, if they are otherwise Eligible Employees, shall be eligible to participate in Offerings under the Plan. Notwithstanding the foregoing, the Board may provide in an Offering that Employees who are highly compensated Employees within the meaning of Section 423(b)(4)(D) of the Code shall not be eligible to participate.

7. Purchase Rights; Purchase Price.

(a) On each Offering Date, each Eligible Employee, pursuant to an Offering made under the Plan, shall be granted a Purchase Right to purchase up to that number of shares of Common Stock purchasable either with a percentage or with a maximum dollar amount, as designated by the Board, but in either case not exceeding fifteen percent (15%), of such Employee's Earnings (as defined by the Board in each Offering) during the period that begins on the Offering Date (or such later date as the Board determines for a particular Offering) and ends on the date stated in the Offering, which date shall be no later than the end of the Offering.

(b) The Board shall establish one (1) or more Purchase Dates during an Offering as of which Purchase Rights granted pursuant to that Offering shall be exercised and purchases of shares of Common Stock shall be carried out in accordance with such Offering.

(c) In connection with each Offering made under the Plan, the Board may specify a maximum number of shares of Common Stock that may be purchased by any Participant on any Purchase Date during such Offering. In connection with each Offering made under the Plan, the Board may specify a maximum aggregate number of shares of Common Stock that may be purchased by all Participants pursuant to such Offering. In addition, in connection with each Offering that contains more than one Purchase Date, the Board may specify a maximum aggregate number of shares of Common Stock that may be purchased by all Participants on any Purchase Date under the Offering. Notwithstanding anything to the contrary, during any calendar year, no Participant may purchase under this Plan in excess of the lesser of (i) two thousand five hundred (2,500) shares of Common Stock, or (ii) a number of shares of Common Stock having an aggregate Fair Market Value (determined on the date of the purchase(s)) of twenty-five thousand dollars ($25,000).

(d) If the number of shares of Common Stock which might be purchased by all Participants on a Purchase Date exceeds the number of shares of Common Stock available in the Plan as provided in Section 4 or the maximum aggregate number of shares of Common Stock that may be purchased on such Purchase Date pursuant to a limit established by the Board pursuant to Section 7.1(c), the Company shall make a pro rata allocation of the shares available in as uniform a manner as practicable and as the Company determines to be equitable. Any fractional share resulting from such pro rata allocation to any Participant shall be disregarded.

(e) The purchase price of shares of Common Stock acquired pursuant to Purchase Rights shall be not less than the lesser of:

(i) an amount equal to eighty-five percent (85%) of the Fair Market Value of the shares of Common Stock on the Offering Date; or

(ii) an amount equal to eighty-five percent (85%) of the Fair Market Value of the shares of Common Stock on the applicable Purchase Date.

(f) The purchase price of shares of Common Stock acquired pursuant to Purchase Rights under an Offering on or after June 30, 2009 shall be an amount equal to eighty-five percent (85%) of the Fair Market Value of the shares of Common Stock on the applicable Purchase Date, rounded up to the nearest whole cent per share.

8. PARTICIPATION; WITHDRAWAL; TERMINATION.

(a) A Participant may elect to authorize payroll deductions pursuant to an Offering under the Plan by completing and delivering to the Company, within the time specified in the Offering, an enrollment form (in such form as the Company may provide). Each such enrollment form shall authorize an amount of Contributions expressed as a percentage of the submitting Participant's Earnings (as defined in each Offering) during the Offering (not to exceed the maximum percentage specified by the Board). Each Participant's Contributions shall remain the property of the Participant at all times prior to the purchase of Common Stock, but such Contributions may be commingled with the assets of the Company and used for general corporate purposes except where applicable law requires that Contributions be deposited with an independent third party. To the extent provided in the Offering, a Participant may begin making Contributions after the beginning of the Offering. To the extent provided in the Offering, a Participant may thereafter reduce (including to zero) or increase his or her Contributions. To the extent specifically provided in the Offering, in addition to making Contributions by payroll deductions, a Participant may make Contributions through the payment by cash or check prior to each Purchase Date of the Offering, provided that payment through means other than payroll deductions shall be permitted only if the Participant has not already had the maximum permitted amount withheld through payroll deductions during the Offering.

(b) During an Offering, a Participant may cease making Contributions and withdraw from the Offering by delivering to the Company a notice of withdrawal in such form as the Company may provide. Such withdrawal may be elected at any time prior to the end of the Offering, except as provided otherwise in the Offering. Upon such withdrawal from the Offering by a Participant, the Company shall distribute to such Participant all of his or her accumulated Contributions (reduced to the extent, if any, such Contributions have been used to acquire shares of Common Stock for the Participant) under the Offering, and such Participant's Purchase Right in that Offering shall thereupon terminate. A Participant's withdrawal from an Offering shall have no effect upon such Participant's eligibility to participate in any other Offerings under the Plan, but such Participant shall be required to deliver a new enrollment form in order to participate in subsequent Offerings.

(c) Purchase Rights granted pursuant to any Offering under the Plan shall terminate immediately upon a Participant ceasing to be an Employee for any reason or for no reason (subject to any post-employment participation period required by law) or other lack of eligibility. The Company shall distribute to such terminated or otherwise ineligible Employee all of his or her accumulated Contributions (reduced to the extent, if any, such Contributions have been used to acquire shares of Common Stock for the terminated or otherwise ineligible Employee) under the Offering.

(d) Purchase Rights shall not be transferable by a Participant otherwise than by will, the laws of descent and distribution, or a beneficiary designation as provided in Section 13. During a Participant's lifetime, Purchase Rights shall be exercisable only by such Participant.

(e) Unless otherwise specified in an Offering, the Company shall have no obligation to pay interest on Contributions (except as may be required by applicable law, as determined by the Company, for Participants in the Non-423 Component of the Plan).

9. EXERCISE.

(a) On each Purchase Date during an Offering, each Participant's accumulated Contributions shall be applied to the purchase of shares of Common Stock up to the maximum number of shares of Common Stock permitted pursuant to the terms of the Plan and the applicable Offering, at the purchase price specified in the Offering. No fractional shares shall be issued upon the exercise of Purchase Rights unless specifically provided for in the Offering.

(b) If any amount of accumulated Contributions remains in a Participant's account after the purchase of shares of Common Stock and such remaining amount is less than the amount required to purchase one share of Common Stock on the final Purchase Date of an Offering, then such remaining amount shall be held in such Participant's account for the purchase of shares of Common Stock under the next Offering under the Plan, unless such Participant withdraws from such next Offering, as provided in Section 8(b), or is not eligible to participate in such Offering, as provided in Section 6, in which case such amount shall be distributed to such Participant after the final Purchase Date, without interest (except as may be required by applicable law, as determined by the Company, for Participants in the Non-423 Component of the Plan). If the amount of Contributions remaining in a Participant's account after the purchase of shares of Common Stock is at least equal to the amount required to purchase one (1) whole share of Common Stock on the final Purchase Date of the Offering, then such remaining amount shall be distributed in full to such Participant at the end of the Offering.

(c) No Purchase Rights may be exercised to any extent unless the shares of Common Stock to be issued upon such exercise under the Plan are covered by an effective registration statement pursuant to the Securities Act and the Plan is in material compliance with all laws applicable to the Plan. If on a Purchase Date during any Offering hereunder the shares of Common Stock are not so registered or the Plan is not in such compliance, no Purchase Rights or any Offering shall be exercised on such Purchase Date, and the Purchase Date shall be delayed until the shares of Common Stock are subject to such an effective registration statement and the Plan is in such compliance, except that the Purchase Date shall not be delayed more than twelve (12) months and the Purchase Date shall in no event be more than twenty-seven (27) months from the Offering Date. If, on the Purchase Date under any Offering hereunder, as delayed to the maximum extent permissible, the shares of Common Stock are not registered and the Plan is not in such compliance, no Purchase Rights or any Offering shall be exercised and all Contributions accumulated during the Offering (reduced to the extent, if any, such Contributions have been used to acquire shares of Common Stock) shall be distributed to the Participants.

10. COVENANTS OF THE COMPANY.

The Company shall seek to obtain from each federal, state, foreign or other regulatory commission or agency having jurisdiction over the Plan such authority as may be required to issue and sell shares of Common Stock upon exercise of the Purchase Rights. If, after commercially reasonable efforts, the Company is unable to obtain from any such regulatory commission or agency the authority that counsel for the Company deems necessary for the lawful issuance and sale of shares of Common Stock under the Plan, the Company shall be relieved from any liability for failure to issue and sell shares of Common Stock upon exercise of such Purchase Rights unless and until such authority is obtained.

11. Use of Proceeds from Shares of Common Stock.

Proceeds from the sale of shares of Common Stock pursuant to Purchase Rights shall constitute general funds of the Company.

12. Rights as a Shareholder.

A Participant shall not be deemed to be the holder of, or to have any of the rights of a holder with respect to, shares of Common Stock subject to Purchase Rights unless and until the Participant's shares of Common Stock acquired upon exercise of Purchase Rights are recorded in the books of the Company (or its transfer agent).

13. Designation of Beneficiary.

(a) A Participant may file a written designation of a beneficiary who is to receive any shares of Common Stock and/or cash, if any, from the Participant's account under the Plan in the event of such Participant's death subsequent to the end of an Offering but prior to delivery to the Participant of such shares of Common Stock or cash. In addition, a Participant may file a written designation of a beneficiary who is to receive any cash from the Participant's account under the Plan in the event of such Participant's death during an Offering. Any such designation shall be on a form provided by or otherwise acceptable to the Company. The Company may decide not to allow such designations by Participants outside the U.S.

(b) The Participant may change such designation of beneficiary at any time by written notice to the Company. In the event of the death of a Participant and in the absence of a beneficiary validly designated under the Plan who is living at the time of such Participant's death, the Company shall deliver such shares of Common Stock and/or cash to the executor or administrator of the estate of the Participant, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its sole discretion, may deliver such shares of Common Stock and/or cash to the spouse or to any one or more dependents or relatives of the Participant, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.

14. Adjustments Upon Changes in Securities; Corporate Transactions.

(a) If any change is made in the shares of Common Stock, subject to the Plan, or subject to any Purchase Right, without the receipt of consideration by the Company (through merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or other transaction not involving the receipt of consideration by the Company), the Plan shall be appropriately adjusted in the type(s), class(es) and maximum number of shares of Common Stock subject to the Plan pursuant to Section 4(a), and the outstanding Purchase Rights shall be appropriately adjusted in the type(s), class(es), number of shares and purchase limits of such outstanding Purchase Rights. The Board shall make such adjustments, and its determination shall be final, binding and conclusive. (Notwithstanding the foregoing, the conversion of any convertible securities of the Company shall not be treated as a "transaction not involving the receipt of consideration by the Company.")

(b) In the event of a Corporate Transaction, then: (i) any surviving or acquiring corporation may continue or assume Purchase Rights outstanding under the Plan or may substitute similar rights (including a right to acquire the same consideration paid to shareholders in the Corporate Transaction) for those outstanding under the Plan, or (ii) if any surviving or acquiring corporation does not continue or assume such Purchase Rights or does not substitute similar rights for Purchase Rights outstanding under the Plan, then, the Participants' accumulated Contributions shall be used to purchase shares of Common Stock prior to the Corporate Transaction under the ongoing Offering, and the Participants' Purchase Rights under the ongoing Offering shall terminate immediately after such purchase.

15. AMENDMENT OF THE PLAN.

(a) The Board at any time, and from time to time, may amend the Plan. However, except as provided in Section 14 relating to adjustments upon changes in securities and except as to amendments solely to benefit the administration of the Plan, to take account of a change in legislation or to obtain or maintain favorable tax, exchange control or regulatory treatment for Participants or the Company or any Related Corporation, no amendment shall be effective unless approved by the shareholders of the Company to the extent shareholder approval is necessary for the Plan to satisfy the requirements of Section 423 of the Code or other applicable laws or regulations.

(b) It is expressly contemplated that the Board may amend the Plan in any respect the Board deems necessary or advisable to provide Employees with the maximum benefits provided or to be provided under the provisions of the Code and the regulations promulgated thereunder relating to employee stock purchase plans that are intended to qualify under Section 423 of the Code or to bring the Plan and/or Purchase Rights into compliance therewith.

(c) The rights and obligations under any Purchase Rights granted before amendment of the Plan shall not be impaired by any amendment of the Plan except: (i) with the consent of the person to whom such Purchase Rights were granted, or (ii) as necessary to comply with any laws or governmental regulations (including, without limitation, the provisions of the Code and the regulations promulgated thereunder relating to employee stock purchase plans qualifying under Section 423 of the Code). Notwithstanding the foregoing, in the event that the Board determines that continuation of the Plan or an Offering would result in unfavorable financial accounting consequences to the Company as a result of a change after the IPO Date in the generally accepted accounting principles applicable to the Plan, the Board may, in its discretion and without the consent of any Participant, including with respect to an Offering then in progress: (a) terminate the Plan or any Offering, (b) accelerate the Purchase Date of any Offering, (c) reduce the discount applicable to any Purchase Right of any Offering, (d) reduce the maximum number of shares of Common Stock that may be purchased in any Offering or (e) take any combination of the foregoing actions.

16. TERMINATION OR SUSPENSION OF THE PLAN.

(a) The Board in its discretion may suspend or terminate the Plan at any time. Unless sooner terminated, the Plan shall terminate at the time that all of the shares of Common Stock reserved for issuance under the Plan, as increased and/or adjusted from time to time, have been issued under the terms of the Plan. No Purchase Rights may be granted under the Plan while the Plan is suspended or after it is terminated.

(b) Any benefits, privileges, entitlements and obligations under any Purchase Rights while the Plan is in effect shall not be impaired by suspension or termination of the Plan except (i) as expressly provided in the Plan or with the consent of the person to whom such Purchase Rights were granted, (ii) as necessary to comply with any laws, regulations, or listing requirements, or (iii) as necessary to ensure that the Code Section 423 Component of the Plan and/or Purchase Rights granted under the Code Section 423 Component of the Plan comply with the requirements of Section 423 of the Code.

17. Effective date of Plan.

The Plan shall become effective on the IPO Date, but no Purchase Rights shall be exercised unless and until the Plan has been approved by the shareholders of the Company within twelve (12) months before or after the date the Plan is adopted by the Board.

18. Miscellaneous Provisions.

(a) The Plan and Offering do not constitute an employment contract. Nothing in the Plan or in the Offering shall in any way alter the at will nature of a Participant's employment or be deemed to create in any way whatsoever any obligation on the part of any Participant to continue in the employ of the Company or a Related Corporation, or on the part of the Company or a Related Corporation to continue the employment of a Participant.

(b) The provisions of the Plan shall be governed by the law of the State of California without resort to that state's conflicts of laws rules.

Exhibit 31.1

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO RULE 13A-14(A) AND RULE 15D-14(A)
OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Kumarakulasingam Suriyakumar, certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Reprographics Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: November 9, 2009

/s/ Kumarakulasingam Suriyakumar
Kumarakulasingam Suriyakumar
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO RULE 13A-14(A) AND RULE 15D-14(A)
OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Jonathan R. Mather, certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Reprographics Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: November 9, 2009

/s/ Jonathan R. Mather
Jonathan R. Mather
Chief Financial Officer and Secretary
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of American Reprographics Company (the "Company") on Form 10-Q for the quarterly period ended September 30, 2009, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kumarakulasingam Suriyakumar, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents in all material respects, the financial condition and results of operations of the Company.

Date: November 9, 2009

/s/ Kumarakulasingam Suriyakumar
Kumarakulasingam Suriyakumar
Chairman, President and Chief Executive Officer

Exhibit 32.2

CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of American Reprographics Company (the “Company”) on Form 10-Q for the quarterly period ended September 30, 2009, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Jonathan R. Mather, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents in all material respects, the financial condition and results of operations of the Company.

Date: November 9, 2009

/s/ Jonathan R. Mather
Jonathan R. Mather
Chief Financial Officer and Secretary