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 June 30, 2011

or

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

For the transition period from __________ to __________

Commission File Number: 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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☑	Non-accelerated filer ☐ (Do not check if a 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 August 2, 2011, there were 46,245,233 shares of the issuer's common stock outstanding.

AMERICAN REPROGRAPHICS COMPANY

Quarterly Report on Form 10-Q

For the Quarter Ended June 30, 2011

Table of Contents

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains statements that are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. 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 United States 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***

AMERICAN REPROGRAPHICS COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except per share amounts) (Unaudited)	June 30, 2011	December 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	**$ 21,907**	$ 26,293
Accounts receivable, net of allowances for accounts receivable of **$3,597** and $4,030	**61,045**	52,619
Inventories, net	**11,350**	10,689
Deferred income taxes	**—**	7,157
Prepaid expenses	**4,223**	4,074
Other current assets	**20,775**	6,870
Total current assets	**119,300**	107,702
Property and equipment, net of accumulated depreciation of **$184,497** and $211,875	**56,140**	59,036
Goodwill	**271,424**	294,759
Other intangible assets, net	**53,799**	62,643
Deferred financing costs, net	**4,669**	4,995
Deferred income taxes	**1,442**	37,835
Other assets	**2,219**	2,115
Total assets	**$ 508,993**	$ 569,085
Liabilities and Equity		
Current liabilities:		
Accounts payable	**$ 23,167**	$ 23,593
Accrued payroll and payroll-related expenses	**8,040**	7,980
Accrued expenses	**19,497**	30,134
Current portion of long-term debt and capital leases	**32,365**	23,608
Total current liabilities	**83,069**	85,315
Long-term debt and capital leases	**213,288**	216,016
Deferred income taxes	**29,486**	—
Other long-term liabilities	**3,298**	5,072
Total liabilities	**329,141**	306,403
Commitments and contingencies (Note 6)		
Stockholders' equity:		
American Reprographics Company stockholders' equity:		
Preferred stock, $0.001 par value, 25,000 shares authorized; **0** and 0 shares issued and outstanding	**—**	—
Common stock, $0.001 par value, 150,000 shares authorized; **46,215** and 46,183 shares issued, and **46,215** and 45,736 shares outstanding	**46**	46
Additional paid-in capital	**99,396**	96,251
Retained earnings	**77,477**	173,459
Accumulated other comprehensive loss	**(3,219)**	(5,541)
	173,700	264,215
Less cost of common stock in treasury, **0** and 447 shares	**—**	7,709
Total American Reprographics Company stockholders' equity	**173,700**	256,506
Noncontrolling interest	**6,152**	6,176
Total equity	**179,852**	262,682
Total liabilities and equity	**$ 508,993**	$ 569,085

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

AMERICAN REPROGRAPHICS COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts) (Unaudited)	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Reprographics services	$ 70,460	$ 78,453	$ 140,482	$ 154,710
Facilities management	25,596	22,627	49,799	45,030
Equipment and supplies sales	13,534	14,008	25,813	27,509
Total net sales	109,590	115,088	216,094	227,249
Cost of sales	73,895	75,633	147,013	150,943
Gross profit	35,695	39,455	69,081	76,306
Selling, general and administrative expenses	26,804	28,169	54,636	55,300
Amortization of intangible assets	4,721	2,557	9,465	5,193
Goodwill impairment	23,335	—	23,335	—
(Loss) income from operations	(19,165)	8,729	(18,355)	15,813
Other income	(35)	(34)	(61)	(77)
Interest expense, net	7,699	5,754	15,866	11,642
(Loss) income before income tax provision	(26,829)	3,009	(34,160)	4,248
Income tax provision	57,913	1,276	54,264	1,806
Net (loss) income	(84,742)	1,733	(88,424)	2,442
Loss (income) attributable to noncontrolling interest	112	(54)	151	(46)
Net (loss) income attributable to American Reprographics Company	$ (84,630)	$ 1,679	$ (88,273)	$ 2,396
(Loss) earnings per share attributable to American Reprographics Company shareholders:				
Basic	$ (1.87)	$ 0.04	$ (1.95)	$ 0.05
Diluted	$ (1.87)	$ 0.04	$ (1.95)	$ 0.05
Weighted average common shares outstanding:				
Basic	45,360	45,196	45,341	45,174
Diluted	45,360	45,512	45,341	45,422

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

AMERICAN REPROGRAPHICS COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
AND COMPREHENSIVE INCOME (LOSS)

	American Reprographics Company Shareholders							
	Common Stock				Accumulated			
(In thousands) (Unaudited)	Shares	Par Value	Additional Paid-in Capital	Retained Earnings	Other Comprehensive Loss	Common Stock in Treasury	Noncontrolling Interest	Total
Balance at December 31, 2009	45,665	$ 46	$ 89,982	$200,961	$ (7,273)	$ (7,709)	$ 6,017	$282,024
Stock-based compensation	29	—	2,918	—	—	—	—	2,918
Issuance of common stock under Employee Stock Purchase Plan	5	—	36	—	—	—	—	36
Stock options exercised	23	—	125	—	—	—	—	125
Tax benefit from stock-based compensation	—	—	21	—	—	—	—	21
Comprehensive income:								
Net income	—	—	—	2,396	—	—	46	2,442
Foreign currency translation adjustments	—	—	—	—	50	—	—	50
Loss on derivative, net of tax effect	—	—	—	—	(174)	—	—	(174)
Comprehensive income:								2,318
Balance at June 30, 2010	45,722	$ 46	$ 93,082	$ 203,357	$ (7,397)	$ (7,709)	$ 6,063	$287,442

	American Reprographics Company Shareholders							
	Common Stock				Accumulated			
(In thousands) (Unaudited)	Shares	Par Value	Additional Paid-in Capital	Retained Earnings	Other Comprehensive Loss	Common Stock in Treasury	Noncontrolling Interest	Total
Balance at December 31, 2010	**45,736**	**$ 46**	**$ 96,251**	**$ 173,459**	**$ (5,541)**	**$ (7,709)**	**$ 6,176**	**$262,682**
Stock-based compensation	**459**	—	**3,258**	—	—	—	—	**3,258**
Issuance of common stock under Employee Stock Purchase Plan	**3**	—	**20**	—	—	—	—	**20**
Stock options exercised	**17**	—	**108**	—	—	—	—	**108**
Tax deficiency from stock-based compensation, net of tax benefit	—	—	**(241)**	—	—	—	—	**(241)**
Retirement of 447 treasury shares	—	—	—	**(7,709)**	—	**7,709**	—	-
Comprehensive loss:								
Net loss	—	—	—	**(88,273)**	—	—	**(151)**	**(88,424)**
Foreign currency translation adjustments	—	—	—	—	**456**	—	**127**	**583**
Amortization of derivative, net of tax effect	—	—	—	—	**1,866**	—	—	**1,866**
Comprehensive loss:								**(85,975)**
Balance at June 30, 2011	**46,215**	**$ 46**	**$ 99,396**	**$ 77,477**	**$ (3,219)**	**$ —**	**$ 6,152**	**$179,852**

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

AMERICAN REPROGRAPHICS COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands) (Unaudited)	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Cash flows from operating activities		
Net (loss) income	**$ (88,424)**	$ 2,442
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Allowance for accounts receivable	**417**	317
Depreciation	**15,187**	17,571
Amortization of intangible assets	**9,465**	5,193
Amortization of deferred financing costs	**437**	770
Amortization of bond discount	**267**	—
Goodwill impairment	**23,335**	—
Stock-based compensation	**3,258**	2,918
Excess tax benefit related to stock-based compensation	**(31)**	(38)
Deferred income taxes	**8,515**	164
Deferred tax valuation allowance	**64,340**	—
Amortization of derivative, net of tax effect	**1,866**	—
Other non-cash items, net	**(177)**	(314)
Changes in operating assets and liabilities, net of effect of business acquisitions:		
Accounts receivable	**(8,705)**	(5,784)
Inventory	**(1,048)**	(1,285)
Prepaid expenses and other assets	**(14,047)**	(1,934)
Accounts payable and accrued expenses	**(2,782)**	7,726
Net cash provided by operating activities	**11,873**	27,746
Cash flows from investing activities		
Capital expenditures	**(7,622)**	(2,777)
Payment for swap transaction	**(9,729)**	—
Other	**647**	845
Net cash used in investing activities	**(16,704)**	(1,932)
Cash flows from financing activities		
Proceeds from stock option exercises	**108**	125
Proceeds from issuance of common stock under Employee Stock Purchase Plan	**23**	16
Excess tax benefit related to stock-based compensation	**31**	38
Payments on long-term debt agreements and capital leases	**(14,101)**	(21,596)
Net borrowings (repayments) under revolving credit facilities	**14,620**	(123)
Payment of loan fees	**(541)**	—
Net cash provided by (used in) financing activities	**140**	(21,540)
Effect of foreign currency translation on cash balances	**305**	22
Net change in cash and cash equivalents	**(4,386)**	4,296
Cash and cash equivalents at beginning of period	**26,293**	29,377
Cash and cash equivalents at end of period	**$ 21,907**	$ 33,673
Supplemental disclosure of cash flow information		
Noncash investing and financing activities		
Noncash transactions include the following:		
Capital lease obligations incurred	**$ 5,453**	$ 4,394
Accrued liabilities in connection with the acquisition of businesses	**$ —**	$ 500
Net loss on derivative, net of tax effect	**$ —**	$ (174)

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

AMERICAN REPROGRAPHICS COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Description of Business and Basis of Presentation

American Reprographics Company ("ARC" or the "Company") is the largest reprographics company in the United States providing business-to-business document management services primarily to the architectural, engineering and construction ("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 United States 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. The operating results for the three and six months ended June 30, 2011 are not necessarily indicative of the results that may be expected for the year ending December 31, 2011.

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.

The Company reclassified certain amounts in the prior year financial statements to conform to the current presentation. This reclassification had no effect on the Condensed Consolidated Statement of Operations, as previously reported. The Company reclassified $4,074 from prepaid expenses and other current assets at December 31, 2010, as a separate prepaid expenses caption, to conform to the current presentation.

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 2010 Annual Report on Form 10-K.

Recently Adopted Accounting Pronouncements

In December 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2010-29. The amendments in this update affect any public entity as defined by ASC 805, *Business Combinations,* that enters into business combinations that are material on an individual or aggregate basis. The objective in this update is to address diversity in practice about the interpretation of the pro forma revenue and earnings disclosure requirements for business combinations. ASU 2010-29 is effective prospectively for 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, 2010. The Company adopted provisions of ASU 2010-29 effective January 1, 2011, which did not have a material effect on its Consolidated Financial Statements. The Company has not had any business combinations in 2011.

In December 2010, the FASB issued ASU 2010-28. This update provides amendments to the criteria of ASC 350, *Intangibles-Goodwill and Other*. The amendments to this update affect all entities that have recognized goodwill and have one or more reporting units whose carrying amount for purposes of performing step one of the goodwill impairment test is zero or negative. ASU 2010-28 is effective for financial statements issued for years beginning after December 15, 2010. Early adoption is not permitted. The Company adopted the provisions of ASU 2010-28 effective January 1, 2011, which did not have a material effect on its Consolidated Financial Statements.

In October 2009, the FASB issued 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 adopted the provisions of ASU 2010-06 effective January 1, 2011, which did not have a material effect on its Consolidated Financial Statements.

Recent Accounting Pronouncements Not Yet Adopted

In June 2011, the FASB issued ASU 2011-05. The new guidance eliminates the current option to report other comprehensive income and its components in the statement of changes in equity. Instead, an entity will be required to present either a continuous statement of net income and other comprehensive income or in two separate but consecutive statements. The new guidance will be effective for the Company beginning January 1, 2012 and will have presentation changes only.

In May 2011, the FASB issued ASU 2011-04 which amends the accounting and disclosure requirements on fair value measurements. The new guidance limits the highest-and-best-use measure to nonfinancial assets, permits certain financial assets and liabilities with offsetting positions in market or counterparty credit risks to be measured at a net basis, and provides guidance on the applicability of premiums and discounts. Additionally, the new guidance expands the disclosures on Level 3 inputs by requiring quantitative disclosure of the unobservable inputs and assumptions, as well as description of the valuation processes and the sensitivity of the fair value to changes in unobservable inputs. The new guidance will be effective for the Company beginning January 1, 2012. Other than requiring additional disclosures, the Company does not anticipate material impacts to its Consolidated Financial Statements upon adoption.

Segment Reporting

The provisions of ASC 280, *Disclosures about Segments of an Enterprise and Related Information* , require public companies to report financial and descriptive information about their reportable operating segments. The Company identifies operating segments based on the various business activities that earn revenue and incur expense, whose operating results are reviewed by the chief operating decision maker. Based on the fact that operating segments have similar products and services, classes of customers, production processes and performance objectives, the Company is deemed to operate as a single reportable segment.

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, unemployment rates, office vacancy rates, and government expenditures. The effects of the recent recession and current economic environment in the United States have resulted in a significant downturn in the non-residential and residential portions of the AEC industry. The AEC industry generally experiences a downturn several months after a downturn in the general economy and 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 continue to 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.

2. 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 for 2.2 million common shares for the three and six months ended June 30, 2011, were excluded from the calculation of diluted net income attributable to ARC per common share because they were anti-dilutive. Stock options for 1.4 million common shares and 1.5 million common shares for the three and six months ended June 30, 2010, respectively, were excluded from the calculation of diluted net income attributable to ARC per common share because they were anti-dilutive.

Basic and diluted earnings per share were calculated using the following common shares for the three and six months ended June 30, 2011 and 2010:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	**2011**	**2010**	**2011**	**2010**
Weighted average common shares outstanding during the period — basic	**45,360**	45,196	**45,341**	45,174
Effect of dilutive impact on equity based compensation awards	—	316	—	248
Weighted average common shares outstanding during the period — diluted	**45,360**	45,512	**45,341**	45,422

3. Goodwill and Other Intangibles Resulting from Business Acquisitions

Goodwill

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

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. At June 30, 2011, the Company determined that there were sufficient indicators to trigger an interim goodwill impairment analysis. The indicators included, among other factors: (1) the current economic environment, (2) the performance against plan of reporting units which previously had goodwill impairment, and (3) revised forecasted future earnings. The results of the Company's analysis indicated that six of its reporting units, all of which are located in the United States, had a goodwill impairment as of June 30, 2011. Accordingly, the Company recorded a pretax, non-cash charge for the three and six months ended June 30, 2011 to reduce the carrying value of goodwill by $23.3 million.

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

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

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

Given the current economic environment and the uncertainties regarding the impact on the Company's business, there can be no assurance that the estimates and assumptions regarding the duration of the lack of significant new construction activity in the AEC industry, or the period or strength of recovery, made for purposes of the Company's goodwill impairment testing as of June 30, 2011, will prove to be accurate predictions of the future. If the Company's assumptions regarding forecasted EBITDA 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 2011, or following that, if any such change constitutes a triggering event outside of the quarter when the Company regularly performs its annual goodwill impairment test. It is not possible at this time to determine if any such future impairment charge would result or, if it does, whether such charge would be material.

The changes in the carrying amount of goodwill from January 1, 2010 through June 30, 2011 are summarized as follows:

(In thousands)	Gross Goodwill	Accumulated Impairment Loss	Net Carrying Amount
January 1, 2010	$ 405,054	$ 72,536	$ 332,518
Additions	500	—	500
Goodwill impairment	—	38,263	(38,263)
Translation adjustment	4	—	4
December 31, 2010	405,558	110,799	294,759
Additions	—	—	—
Goodwill impairment	—	**23,335**	**(23,335)**
Translation adjustment	—	—	—
June 30, 2011	**$ 405,558**	**$ 134,134**	**$ 271,424**

The additions to goodwill include the excess purchase price over fair value of net assets acquired, purchase price adjustments, 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, *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. The Company groups its assets at the lowest level for which identifiable cash flows are largely independent of the cash flows of the other assets and liabilities. The Company has determined that the lowest level for which identifiable cash flows are available is the divisional level.

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

The reporting units of the Company have been negatively impacted by the decline in commercial and residential construction. Before assessing the Company's goodwill for impairment, the Company evaluated, as described above, the long-lived assets in its reporting units for impairment as of June 30, 2011 given the reduced level of expected sales, profits and cash flows. Based on this assessment, there was no impairment as of June 30, 2011.

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

During the fourth quarter of 2010, the Company decided to consolidate the various brands that previously represented the Company's market presence around the country. Beginning in January 2011, each of the Company's operating segments and their respective locations began to adopt ARC, the Company's overall brand name. Original brand names will be used in conjunction with the new ARC brand name to reinforce the Company's continuing presence in the business communities it serves, and ongoing relationships with its customers. Accordingly, the remaining estimated useful lives of the trade name intangible assets were revised down to 18 months. This change in estimate is accounted for on a prospective basis, resulting in increased amortization expense over the revised useful life of each trade name. The impact of this change in the three and six months ended June 30, 2011 was an increase in amortization expense of approximately $2.4 million and $4.7 million, respectively. Trade names are amortized using the straight-line method. The latest the Company expects to fully retire original trade names is April 2012.

Non-competition agreements are amortized over their term on a straight-line basis.

The following table sets forth the Company's other intangible assets resulting from business acquisitions as of June 30, 2011 and December 31, 2010 which continue to be amortized:

	June 30, 2011			December 31, 2010		
(In thousands)	**Gross Carrying Amount**	**Accumulated Amortization**	**Net Carrying Amount**	**Gross Carrying Amount**	**Accumulated Amortization**	**Net Carrying Amount**
Amortizable other intangible assets						
Customer relationships	**$ 96,994**	**$ 52,538**	**$ 44,456**	$ 96,359	$ 48,301	$ 48,058
Trade names and trademarks	**20,309**	**10,983**	**9,326**	20,294	5,736	14,558
Non-competition agreements	**100**	**83**	**17**	100	73	27
	$ 117,403	**$ 63,604**	**$ 53,799**	$ 116,753	$ 54,110	$ 62,643

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

(In thousands)	
2011	$ 9,245
2012	10,879
2013	6,465
2014	5,636
2015	5,105
Thereafter	16,469
	$ 53,799

4. Income Taxes

On a quarterly basis, the Company estimates its effective tax rate 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 increased to 215.9% and 158.9% for the three and six months ended June 30, 2011 from 42.4% and 42.5% for the same periods in 2010. The increase is primarily due to the establishment of a $64.3 million non-cash valuation allowance against certain of the Company's deferred tax assets during the three and six months ended June 30, 2011, as discussed below.

During the first quarter of 2011, the audit of the Company's 2008 federal income tax return by the Internal Revenue Service was finalized and resulted in no adjustments. Due to this final result and other pertinent factors, the Company derecognized its liability for an uncertain tax position of $1.5 million and related accrued interest of $0.1 million.

In accordance with ASC 740-10, *Income Taxes,* the Company evaluates its deferred tax assets to determine if a valuation allowance is required based on the consideration of all available evidence using a "more likely than not" standard, with significant weight being given to evidence that can be objectively verified. This assessment considers, among other matters, the nature, frequency and severity of current and cumulative losses, forecasts of future profitability; the length of statutory carryforward periods for operating losses and tax credit carryforwards; and available tax planning alternatives. As of June 30, 2011, the Company determined that cumulative losses for the preceding twelve quarters constituted sufficient objective evidence (as defined by ASC 740-10) that a valuation allowance was needed, and therefore established a $64.3 million valuation allowance against certain of its deferred tax assets.

Based on the Company's assessment, the remaining net deferred tax assets of $1.4 million as of June 30, 2011 are considered to be more likely than not to be realized. The valuation allowance of $64.3 million may be increased or decreased as conditions change or if the Company is unable to implement certain available tax planning strategies. The realization of the Company's net deferred tax assets ultimately depend on future taxable income, reversals of existing taxable temporary differences or through a loss carry back. The Company currently has $74.9 million and $264 thousand of federal taxable income available in 2008 and 2009, respectively, for carry back of federal tax losses generated in 2010 and 2011, respectively. The Company has income tax receivables of $18.2 million as of June 30, 2011 included in other current assets in its consolidated balance sheet primarily relating to 2010 losses that will be carried back to 2008.

5. Long-Term Debt

Long-term debt consists of the following:

(In thousands)	June 30, 2011	December 31, 2010
Borrowings from foreign revolving credit facility; **6.0**% interest rate at June 30, 2011	**$ 831**	$ —
Borrowings from a domestic revolving credit facility; **2.3**% interest rate at June 30, 2011	**13,800**	—
10.5% Senior Notes due 2016, net of bond discount of **$4,041** and $4,308	**195,959**	195,692
Various subordinated notes payable; weighted average interest rate of **6.2%** and 6.2%; principal and interest payable monthly through November 2013	**3,949**	8,635
Various capital leases; weighted average interest rate of **8.7%** and 8.8%; principal and interest payable monthly through August 2016	**31,114**	35,297
	245,653	239,624
Less current portion	**(32,365)**	(23,608)
	$ 213,288	$ 216,016

10.5% Senior Notes due 2016

On December 1, 2010 (the "Closing Date"), the Company completed a private placement of 10.5% senior unsecured notes due 2016 (the "Notes").

The Notes have an aggregate principal amount of $200 million. The Notes are general unsecured senior obligations of the Company and are subordinate to all existing and future senior secured debt of the Company to the extent of the assets securing such debt. The Company's obligations under the Notes are jointly and severally guaranteed by all of the Company's domestic subsidiaries. The issue price was 97.824% with a yield to maturity of 11.0%. Interest on the Notes accrues at a rate of 10.5% per annum and is payable semiannually in arrears on June 15 and December 15 of each year, commencing on June 15, 2011. The Company will make each interest payment to the holders of record of the Notes on the immediately preceding June 1 and December 1.

The Company received gross proceeds of $195.6 million from the Notes offering. In connection with the issuance of the Notes, the Company entered into an indenture, dated as of the Closing Date (the "Indenture"), among the Company, certain subsidiaries of the Company named therein, as guarantors (the "Guarantors"), and Wells Fargo Bank, National Association, as Trustee; and a Registration Rights Agreement, dated as of the Closing Date (the "Registration Rights Agreement"), among the Company, the Guarantors, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representatives of the initial purchasers of the Notes (the "Initial Purchasers"). The Notes were offered only to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"), and outside the United States to non-U.S. persons pursuant to Regulation S under the Securities Act.

Optional Redemption. At any time prior to December 15, 2013, the Company may redeem all or part of the Notes upon not less than 30 nor more than 60 days' prior notice at a redemption price equal to the sum of (i) 100% of the principal amount thereof, plus (ii) a make-whole premium as of the date of redemption, plus (iii) accrued and unpaid interest, if any, to the date of redemption. In addition, the Company may redeem some or all of the Notes on or after December 15, 2013, at redemption prices set forth in the Indenture, together with accrued and unpaid interest, if any, to the date of redemption. At any time prior to December 15, 2013, the Company may use the proceeds of certain equity offerings to redeem up to 35% of the aggregate principal amount of the Notes, including any permitted additional notes, at a redemption price equal to 110.5% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to the date of redemption.

Repurchase upon Change of Control. Upon the occurrence of a change in control (as defined in the Indenture), each holder of the Notes may require the Company to repurchase all of the then-outstanding Notes in cash at a price equal to 101% of the aggregate principal amount of the Notes to be repurchased, plus accrued and unpaid interest, if any, to the date of repurchase.

Other Covenants. The Indenture contains covenants that limit, among other things, the Company's and certain of its subsidiaries' ability to (1) incur additional debt and issue preferred stock, (2) make certain restricted payments, (3) consummate specified asset sales, (4) enter into certain transactions with affiliates, (5) create liens, (6) declare or pay any dividend or make any other distributions, (7) make certain investments, and (8) merge or consolidate with another person.

Events of Default. The Indenture provides for customary events of default (subject in certain cases to customary grace and cure periods), which include non-payment, breach of covenants in the Indenture, cross default and acceleration of other indebtedness, a failure to pay certain judgments and certain events of bankruptcy and insolvency. Generally, if an event of default occurs, the Trustee or holders of at least 25% in principal amount of the then outstanding Notes may declare the principal of and accrued but unpaid interest on all of the then-outstanding Notes to be due and payable.

Exchange Offer. Pursuant to a registered exchange offer in May 2011, the Company offered to exchange up to $200 million aggregate principal amount of the Notes, for new notes that were registered under the Securities Act of 1933, as amended. The terms of such registered notes are the same as the terms of the Notes, except that they are now registered under the Securities Act and the transfer restrictions, registration rights and additional interest provisions are not applicable to the registered notes. The Company accepted the exchange of $200 million aggregate principal amounts of the Notes that were properly tendered.

2010 Credit Agreement

On the Closing Date, the Company and certain of its subsidiaries also entered into a $50 million credit agreement (the "2010 Credit Agreement") and paid off in full amounts outstanding under its prior credit agreement.

The 2010 Credit Agreement provides for a $50 million senior secured revolving line of credit, of which up to $20 million is available for the issuance of letters of credit. The line of credit is available on a revolving basis during the period commencing after the Closing Date and ending on December 1, 2015 and is secured by substantially all of the assets of the Company and certain of its subsidiaries. Advances under the revolving line of credit are subject to customary borrowing conditions, including the accuracy of representations and warranties and the absence of events of default. The Company may borrow, partially or wholly repay its outstanding borrowings and reborrow, subject to the terms and conditions contained in the 2010 Credit Agreement.

The Company's obligations under the 2010 Credit Agreement are guaranteed by its domestic subsidiaries and, subject to certain exceptions, are secured by security interests granted in all of the Company's and the domestic subsidiaries' personal and real property.

Advances under the 2010 Credit Agreement bear interest at LIBOR plus the "applicable rate." The initial applicable rate is 2.00%. The applicable rate is determined based upon the consolidated leverage ratio for the Company with a minimum and maximum applicable rate of 1.50% and 2.00%, respectively. During the continuation of certain events of default, all amounts due under the 2010 Credit Agreement bear interest at 4.0% above the rate otherwise applicable. In addition, the Company is required to pay an unused commitment fee on the average daily unused amount of the line of credit at the applicable rate, calculated and payable quarterly in arrears, as follows: if the consolidated leverage ratio is (i) greater than or equal to 3.00x, the unused commitment fee is 0.20%, (ii) less than or equal to 2.99x but greater than or equal to 2.00x, 0.15%, and (iii) less than 2.00x, 0.10%.

The 2010 Credit Agreement contains the following financial covenants:

- Maximum consolidated leverage ratio as follows:
  - 4.35:1.00 for quarters ending December 31, 2010 through September 30, 2011
  - 4.25:1.00 for quarters ending December 31, 2011 through September 30, 2012
  - 4.15:1.00 for quarters ending December 31, 2012 through September 30, 2013
  - 4.00:1.00 for quarters ending December 31, 2013 through maturity;
- Maximum consolidated senior secured debt leverage ratio not greater than 1.50:1.00, determined on the last day of each fiscal quarter through maturity;
- Minimum consolidated interest coverage ratio as follows:
  - 1.70:1.00 for quarters ending December 31, 2010 through September 30, 2011
  - 1.75:1.00 for quarters ending December 31, 2011 through maturity;

The 2010 Credit Agreement also contains covenants which, subject to certain exceptions as set forth in the 2010 Credit Agreement, restrict the Company's ability to incur additional debt, grant liens or guaranty other indebtedness, pay dividends, redeem stock, pay or redeem subordinated indebtedness, make investments or capital expenditures, dispose or acquire assets, dispose of equity interests in subsidiaries, enter into any merger, sale of assets, consolidation or liquidation transaction, or engage in transactions with stockholders and affiliates. Covenants in the 2010 Credit Agreement also require that the Company provide periodic financial reports to the lender, observe certain practices and procedures with respect to the collateral pledged as security, comply with applicable laws and maintain and preserve the Company and its subsidiaries' properties and maintain insurance.

As of June 30, 2011 the Company was in compliance with the financial incurrence-based covenants under the Notes and financial maintenance-based covenants under the 2010 Credit Agreement. The Company's trailing twelve months key financial covenant ratios under the 2010 Credit Agreement as of June 30, 2011 were 1.82:1.00 for minimum interest coverage, 3.76:1.00 for maximum total leverage and 0.69:1.00 for maximum senior secured leverage.

The Company expects to be in compliance with the financial covenants in the 2010 Credit Agreement through the term of the agreement. However, it is possible that a default under certain financial covenants may occur in the future, should the minimum required profitability levels not be achieved. If the Company defaults on the covenants under the 2010 Credit Agreement and is unable to obtain waivers from its lenders, the lenders will be able to exercise their rights and remedies under the 2010 Credit Agreement, including a call provision on outstanding debt, which would have a material adverse effect on the Company's business and financial condition.

As of June 30, 2011, standby letters of credit aggregated to $3.9 million. The standby letters of credit and borrowings under the 2010 Credit Agreement reduced the Company's borrowing availability under its 2010 Credit Agreement to $32.3 million.

Foreign Credit Facility

In the second quarter of 2011, in conjunction with its Chinese operations, UNIS Document Solutions Co. Ltd. ("UDS") entered into a one-year revolving credit facility. This facility provides for a maximum credit amount of 8.0 million Chinese Yuan Renminbi. This translates to U.S. $1.2 million as of June 30, 2011. Draws on the facility are limited to 30 day periods and incur a fee of 0.5% of the amount drawn and no additional interest is charged.

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 was 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 obligated to make quarterly floating rate payments to the Company based on the three month LIBOR. The notional amount of the Swap Transaction was scheduled to decline over the term of the then existing term loan facility consistent with the scheduled principal payments. The Swap Transaction had an effective date of March 31, 2008 and an original termination date of December 6, 2012.

On October 2, 2009, the Company amended the Swap Transaction ("the Amended Swap Transaction"). 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 Company's previous credit agreement.

In connection with the issuance of the Notes, the Amended Swap Transaction no longer qualified as a cash flow hedge and was de-designated.

As of December 31, 2010, the Amended Swap Transaction had a negative fair value of $9.7 million, all of which was recorded in accrued expenses. On January 3, 2011, the Amended Swap Transaction was terminated and settled. For further information, see Note 9 "Derivatives and Hedging Transactions".

6. 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 June 30, 2011, the Company has potential future earnout obligations for acquisitions consummated before the adoption of ASC 805 in the total amount of approximately $1.5 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.

Legal Proceedings. On October 21, 2010, a former employee, individually and on behalf of a purported class consisting of all non-exempt employees who work or worked for American Reprographics Company, LLC and American Reprographics Company in the State of California at any time from October 21, 2006 through October 21, 2010, filed an action against the Company in the Superior Court of California for the County of Orange. The complaint alleges, among other things, that the Company violated the California Labor Code by failing to (i) provide meal and rest periods, or compensation in lieu thereof, (ii) timely pay wages due at termination, and (iii) that those practices also violate the California Business and Professions Code. The relief sought includes damages, restitution, penalties, interest, costs, and attorneys' fees and such other relief as the court deems proper. The Company has not included any liability in its Consolidated Financial Statements in connection with this matter. The Company cannot reasonably estimate the amount or range of possible loss, if any, at this time.

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

7. Comprehensive Loss

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

The differences between net (loss) income and comprehensive (loss) income attributable to ARC for the three and six months ended June 30, 2011 and 2010 are as follows:

(In thousands)	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Net (loss) income	**$ (84,742)**	$ 1,733	**$ (88,424)**	$ 2,442
Foreign currency translation adjustments	**294**	(66)	**583**	50
Gain (loss) on derivative, net of tax effect	**912**	139	**1,866**	(174)
Comprehensive (loss) income	**(83,536)**	1,806	**(85,975)**	2,318
Comprehensive loss (income) attributable to noncontrolling interest	**17**	(54)	**24**	(46)
Comprehensive (loss) income attributable to American Reprographics Company	**$ (83,519)**	$ 1,752	**$ (85,951)**	$ 2,272

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

8. Stock-Based Compensation

The Company adopted the American Reprographics Company 2005 Stock Plan (the "Stock Plan") in February 2005. 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. This amount automatically increased annually on the first day of the Company's fiscal year, from 2006 through and including 2010, by the lesser of (i) 1.0% of the Company's outstanding shares on the date of the increase; (ii) 300,000 shares; or (iii) such smaller number of shares determined by the Company's board of directors. As of June 30, 2011, 2,309,753 shares remain available for issuance under the Stock Plan.

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

In February 2011, the Company granted options to acquire a total of 9,587 shares of the Company's common stock to certain key employees with an exercise price equal to the fair market value of the Company's common stock on the date of grant. The stock options granted to those key employees vest at a rate of 33 1/3% on each of the first three anniversaries from the date of grant and expire 10 years after the date of grant.

In March 2011, the Company granted an option to acquire 45,249 shares of the Company's common stock to its Chief Operating Officer with an exercise price equal to the fair market value of the Company's common stock on the date of grant. The stock option granted to the Company's Chief Operating Officer vests at a rate of 25% on each of the first four anniversaries from the date of grant and expires 10 years after the date of grant. The Company also granted 1,444 shares of restricted stock to its President and Chief Executive Officer at a price per share of $8.66, which was the closing price of the Company's common stock on the New York Stock Exchange ("NYSE") on the date the restricted stock was granted. The shares of restricted stock will vest at a rate of 25% on each of the first four anniversaries from the date of grant.

In April 2011, the Company granted 15,000 shares of restricted stock to each of the Company's Chief Accounting Officer and Chief Technology Officer at a price per share of $9.94 and $8.95, respectively, which was the closing price of the Company's common stock on the NYSE on the date the restricted stock was granted. The shares of restricted stock will vest at a rate of 25% on each of the first four anniversaries of the date of grant. The Company also granted 404,000 shares of restricted stock to certain key employees at a price per share of $8.77, which was the closing price of the Company's common stock on the NYSE on the date the restricted stock was granted. The shares of restricted stock will vest at a rate of 25% on each of the first four anniversaries from the date of grant. In addition, the Company granted 5,587 shares of restricted stock to each of the Company's six non-employee members of its Board of Directors at a price per share of $8.95, which was the closing price of the Company's common stock on the NYSE on the date the restricted stock was granted. The shares of restricted stock will vest on the one year anniversary from the date of grant.

The impact of stock-based compensation on the interim Condensed Consolidated Statements of Operations for the three months ended June 30, 2011 and 2010, before income taxes, was $1.8 million and $1.5 million, respectively.

The impact of stock-based compensation on the interim Condensed Consolidated Statements of Operations for the six months ended June 30, 2011 and 2010, before income taxes, was $3.3 million and $2.9 million, respectively.

As of June 30, 2011, total unrecognized compensation cost related to unvested stock-based payments totaled $5.6 million and is expected to be recognized over a weighted-average period of 3.5 years.

9. Derivatives and Hedging Transactions

As of June 30, 2011, the Company was not party to any derivative or hedging transactions.

As of December 31, 2010, the Company was party to the Amended Swap Transaction, in which the Company exchanged its floating-rate payments for fixed-rate payments. As of December 1, 2010, the Amended Swap Transaction was de-designated upon issuance of the Notes and payoff of the Company's previous credit agreement. The Amended Swap Transaction no longer qualified as a cash flow hedge under ASC 815, as all the floating-rate debt was extinguished. The Amended Swap Transaction qualified as a cash flow hedge up to November 30, 2010. On January 3, 2011, the Company terminated and settled the Amended Swap Transaction.

As of June 30, 2011, $6.2 million is deferred in Accumulated Other Comprehensive Loss ("AOCL") and will be recognized in earnings over the remainder of the original term of the Amended Swap Transaction which was scheduled to end in December 2012, but was terminated in January 2011. Over the next 12 months, the Company will amortize $5.0 million from AOCL to interest expense.

The following table summarizes the fair value and classification on the interim Condensed Consolidated Balance Sheets of the Amended Swap Transaction as of December 31, 2010:

(In thousands)	Balance Sheet Classification	Fair Value December 31, 2010
Derivative not designated as hedging instrument under ASC 815		
Amended Swap Transaction	Accrued expenses	$ 9,729

The following table summarizes the loss recognized in AOCL of derivatives, designated and qualifying as cash flow hedges for the three and six months ended June 30, 2010:

	Amount of Gain or (Loss) Recognized in AOCL on Derivative	
(In thousands)	Three Months Ended June 30, 2010	Six Months Ended June 30, 2010
Derivative in ASC 815 cash flow hedging relationship		
Amended Swap Transaction	$ 222	$ (326)
Tax effect	(83)	152
Amended Swap Transaction, net of tax effect	$ 139	$ (174)

The following table summarizes the effect of the Amended Swap Transaction on the interim Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2011 and 2010:

	Amount of Gain or (Loss) Reclassified from AOCL into Income							
	(effective portion)				(ineffective portion)			
	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2011	2010	2011	2010	2011	2010	2011	2010
Location of Gain or (Loss) Reclassified from AOCL into Income								
Interest expense	**$ (1,457)**	$ (1,968)	**$ (2,980)**	$ (3,934)	**$ —**	$ (34)	**$ —**	$ (106)

The following table summarizes the loss recognized in income of derivatives, not designated as hedging instruments under ASC 815 for the three and six months ended June 30, 2011:

(In thousands)	Amount of Loss Recognized in Income on Derivative	
	Three Months Ended June 30, 2011	Six Months Ended June 30, 2011
Derivative not designated as hedging instrument under ASC 815		
Amended Swap Transaction	$ —	$ (120)
Tax effect	—	45
Amended Swap Transaction, net of tax effect	$ —	$ (75)

10. Fair Value Measurements

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 December 31, 2010. 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.

(In thousands)	Significant Other Observable Inputs Level 2 December 31, 2010
Recurring Fair Value Measure	
Amended Swap Transaction	$ 9,729

The Company has also included additional required disclosures about the Company's Amended Swap Transaction in Note 9 "Derivatives and Hedging Transactions."

The Amended Swap Transaction is valued at fair value with the use of an income approach based on current market interest rates using a discounted cash flow model and an adjustment for counterparty risk. This model reflects the contractual terms of the derivative instrument, including the time 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 terminated and settled the Amended Swap Transaction on January 3, 2011.

The following table summarizes the bases used to measure certain assets and liabilities at fair value on a nonrecurring basis in the consolidated financial statements as of June 30, 2011:

(In thousands)	Significant Other Unobservable Inputs June 30, 2011 Level 3	Total Losses
Nonrecurring Fair Value Measure		
Goodwill	$ 271,424	$ 23,335

In accordance with the provisions of ASC 350, goodwill was written down to its implied fair value of $271.4 million as of June 30, 2011, resulting in an impairment charge of $23.3 million during the three and six months ended June 30, 2011. See Note 3, "Goodwill and Other Intangibles Resulting from Business Acquisitions" for further information regarding the process of determining the implied fair value of goodwill.

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 equivalents: Cash equivalents are time deposits with maturity of three months or less when purchased, which are highly liquid and readily convertible to cash. Cash equivalents reported in the Company's Consolidated Balance Sheets were $10.8 million as of June 30, 2011, and are carried at cost and approximate fair value, due to the relatively short period to maturity of these instruments.

Short- and long-term debt: The carrying amount of the Company's capital leases reported in the Consolidated Balance Sheets approximates fair value based on the Company's current incremental borrowing rate for similar types of borrowing arrangements. The carrying amount reported in the Company's Consolidated Balance Sheet as of June 30, 2011 for its Notes is $200.0 million and $3.9 million for its subordinated notes payable. Using a discounted cash flow technique that incorporates a market interest rate which assumes adjustments for duration, optionality, and risk profile, the Company has determined the fair value of its Notes is $221.8 million as of June 30, 2011 and the fair value and for its subordinated notes payable is $3.8 million as of June 30, 2011.

Interest rate hedge agreements: The fair value of the interest rate swap is based on market interest rates using a discounted cash flow model and an adjustment for counterparty risk.

11. Condensed Consolidating Financial Statements

The Notes are fully and unconditionally guaranteed, on a joint and several basis, by all of the Company's domestic subsidiaries (the "Guarantor Subsidiaries"). The Company's foreign subsidiaries have not guaranteed the Notes (the "Non-Guarantor Subsidiaries"). Each of the Guarantor Subsidiaries is 100% owned, directly or indirectly, by the Company. There are no significant restrictions on the ability of the Company to obtain funds from any of the Guarantor Subsidiaries by dividends or loan. In lieu of providing separate audited financial statements for the Guarantor Subsidiaries, condensed consolidating financial information is presented below.

Condensed Consolidating Balance Sheet
June 30, 2011

(In thousands) (Unaudited)	American Reprographics Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Assets					
Current assets:					
Cash and cash equivalents	$ —	$ 9,527	$ 12,380	$ —	$ 21,907
Accounts receivable, net	—	54,899	6,146	—	61,045
Intercompany operations	295	4,529	(4,824)	—	—
Inventories, net	—	8,072	3,278	—	11,350
Deferred income taxes	—	—	—	—	—
Prepaid expenses	33	3,235	955	—	4,223
Other current assets	—	19,825	950	—	20,775
Total current assets	328	100,087	18,885	—	119,300
Property and equipment, net	—	48,914	7,226	—	56,140
Goodwill	—	271,424	—	—	271,424
Investment in subsidiaries	186,373	12,725	—	(199,098)	—
Other intangible assets, net	—	51,827	1,972	—	53,799
Deferred financing costs, net	4,669	—	—	—	4,669
Deferred income taxes	—	—	1,442	—	1,442
Other assets	—	1,938	281	—	2,219
Total assets	$ 191,370	$ 486,915	$ 29,806	$ (199,098)	$ 508,993
Liabilities and Equity					
Current liabilities:					
Accounts payable	$ 45	$ 21,135	$ 1,987	$ —	$ 23,167
Accrued payroll and payroll-related expenses	—	7,752	288	—	8,040
Accrued expenses	875	16,553	2,069	—	19,497
Intercompany loans	(193,009)	191,487	1,522	—	—
Current portion of long-term debt and capital leases	13,800	16,841	1,724	—	32,365
Total current liabilities	(178,289)	253,768	7,590	—	83,069
Long-term debt and capital leases	195,959	15,793	1,536	—	213,288
Deferred income taxes	—	29,486	—		29,486
Other long-term liabilities	—	1,495	1,803	—	3,298
Total liabilities	17,670	300,542	10,929	—	329,141
Commitments and contingencies					
Total equity	173,700	186,373	18,877	(199,098)	179,852
Total liabilities and equity	$ 191,370	$ 486,915	$ 29,806	$ (199,098)	$ 508,993

Condensed Consolidating Balance Sheet
December 31, 2010

(In thousands) (Unaudited)	American Reprographics Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Assets					
Current assets:					
Cash and cash equivalents	$ —	$ 12,587	$ 13,706	$ —	$ 26,293
Accounts receivable, net	—	48,283	4,336	—	52,619
Intercompany operations	295	2,717	(3,012)	—	—
Inventories, net	—	8,090	2,599	—	10,689
Deferred income taxes	—	7,157	—	—	7,157
Prepaid expenses	72	2,799	1,203	—	4,074
Other current assets	—	5,942	928	—	6,870
Total current assets	367	87,575	19,760	—	107,702
Property and equipment, net	—	52,376	6,660	—	59,036
Goodwill	—	294,759	—	—	294,759
Investment in subsidiaries	257,838	16,065	—	(273,903)	—
Other intangible assets, net	—	60,585	2,058	—	62,643
Deferred financing costs, net	4,995	—	—	—	4,995
Deferred income taxes	708	34,453	2,674	—	37,835
Other assets	—	1,978	137	—	2,115
Total assets	$ 263,908	$ 547,791	$ 31,289	$ (273,903)	$ 569,085
Liabilities and Equity					
Current liabilities:					
Accounts payable	$ —	$ 21,137	$ 2,456	$ —	$ 23,593
Accrued payroll and payroll-related expenses	—	7,643	337	—	7,980
Accrued expenses	2,210	25,563	2,361	—	30,134
Intercompany loans	(190,500)	190,241	259	—	—
Current portion of long-term debt and capital leases	—	22,787	821	—	23,608
Total current liabilities	(188,290)	267,371	6,234	—	85,315
Long-term debt and capital leases	195,692	19,201	1,123	—	216,016
Other long-term liabilities	—	3,381	1,691	—	5,072
Total liabilities	7,402	289,953	9,048	—	306,403
Commitments and contingencies					
Total equity	256,506	257,838	22,241	(273,903)	262,682
Total liabilities and equity	$ 263,908	$ 547,791	$ 31,289	$ (273,903)	$ 569,085

Condensed Consolidating Statement of Operations
Three Months Ended
June 30, 2011

(In thousands) (Unaudited)	American Reprographics Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net sales	$ —	$ 99,106	$ 10,484	$ —	$ 109,590
Cost of sales	—	65,315	8,580	—	73,895
Gross profit	—	33,791	1,904	—	35,695
Selling, general and administrative expenses	—	24,746	2,058	—	26,804
Amortization of intangible assets	—	4,655	66	—	4,721
Goodwill impairment	—	23,335	—	—	23,335
Loss from operations	—	(18,945)	(220)	—	(19,165)
Other income	—	(35)	—	—	(35)
Interest expense (income), net	5,602	2,114	(17)	—	7,699
Loss before equity earnings of subsidiaries and income tax provision	(5,602)	(21,024)	(203)	—	(26,829)
Equity in earnings of subsidiaries	76,175	1,446	—	(77,621)	—
Income tax provision	2,853	53,705	1,355	—	57,913
Net (loss) income	(84,630)	(76,175)	(1,558)	77,621	(84,742)
Loss attributable to noncontrolling interest	—	—	112	—	112
Net (loss) income attributable to American Reprographics Company	$ (84,630)	$ (76,175)	$ (1,446)	$ 77,621	$ (84,630)

Consolidating Condensed Statement of Operations
Three Months Ended
June 30, 2010

(In thousands) (Unaudited)	American Reprographics Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net sales	$ —	$ 106,504	$ 8,584	$ —	$ 115,088
Cost of sales	—	69,136	6,497	—	75,633
Gross profit	—	37,368	2,087	—	39,455
Selling, general and administrative expenses	—	26,404	1,765	—	28,169
Amortization of intangible assets	—	2,484	73	—	2,557
Income from operations	—	8,480	249	—	8,729
Other income, net	—	(34)	—	—	(34)
Interest expense (income), net	—	5,757	(3)	—	5,754
Income before equity earnings of subsidiaries and income tax provision	—	2,757	252	—	3,009
Equity in earnings of subsidiaries	(1,679)	(141)	—	1,820	—
Income tax provision	—	1,219	57	—	1,276
Net income (loss)	1,679	1,679	195	(1,820)	1,733
Income attributable to noncontrolling interest	—	—	(54)	—	(54)
Net income (loss) attributable to American Reprographics Company	$ 1,679	$ 1,679	$ 141	$ (1,820)	$ 1,679

Table of Contents

Consolidating Condensed Statement of Operations
Six Months Ended
June 30, 2011

(In thousands) (Unaudited)	American Reprographics Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net sales	$ —	$ 197,096	$ 18,998	$ —	$ 216,094
Cost of sales	—	131,930	15,083	—	147,013
Gross profit	—	65,166	3,915	—	69,081
Selling, general and administrative expenses	—	50,573	4,063	—	54,636
Amortization of intangible assets	—	9,333	132	—	9,465
Goodwill impairment	—	23,335	—	—	23,335
Loss from operations	—	(18,075)	(280)	—	(18,355)
Other income	—	(61)	—	—	(61)
Interest expense (income), net	11,342	4,556	(32)	—	15,866
Loss before equity earnings of subsidiaries and income tax provision	(11,342)	(22,570)	(248)	—	(34,160)
Equity in earnings of subsidiaries	76,225	1,444	—	(77,669)	—
Income tax provision	706	52,211	1,347	—	54,264
Net (loss) income	(88,273)	(76,225)	(1,595)	77,669	(88,424)
Loss attributable to noncontrolling interest	—	—	151	—	151
Net (loss) income attributable to American Reprographics Company	$ (88,273)	$ (76,225)	$ (1,444)	$ 77,669	$ (88,273)

Consolidating Condensed Statement of Operations
Six Months Ended
June 30, 2010

(In thousands) (Unaudited)	American Reprographics Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net sales	$ —	$ 210,593	$ 16,656	$ —	$ 227,249
Cost of sales	—	138,160	12,783	—	150,943
Gross profit	—	72,433	3,873	—	76,306
Selling, general and administrative expenses	—	51,831	3,469	—	55,300
Amortization of intangible assets	—	5,049	144	—	5,193
Goodwill impairment	—	—	—	—	—
Income from operations	—	15,553	260	—	15,813
Other income, net	—	(77)	—	—	(77)
Interest expense, net	—	11,638	4	—	11,642
Income before equity earnings of subsidiaries and income tax provision	—	3,992	256	—	4,248
Equity in earnings of subsidiaries	(2,396)	(141)	—	2,537	—
Income tax provision	—	1,737	69	—	1,806
Net income (loss)	2,396	2,396	187	(2,537)	2,442
Income attributable to noncontrolling interest	—	—	(46)	—	(46)
Net income (loss) attributable to American Reprographics Company	$ 2,396	$ 2,396	$ 141	$ (2,537)	$ 2,396

Consolidating Condensed Statement of Cash Flows
Six Months Ended
June 30, 2011

(In thousands) (Unaudited)	American Reprographics Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Cash flows from operating activities					
Net cash (used in) provided by operating activities	$ (10,750)	$ 22,939	$ (316)	$ —	$ 11,873
Cash flows from investing activities					
Capital expenditures	—	(6,968)	(654)	—	(7,622)
Payment for swap transaction	—	(9,729)	—	—	(9,729)
Other	—	803	(156)	—	647
Net cash used in investing activities	—	(15,894)	(810)	—	(16,704)
Cash flows from financing activities					
Proceeds from stock option exercises	—	108	—	—	108
Proceeds from issuance of common stock under Employee Stock Purchase Plan	—	23	—	—	23
Excess tax benefit related to stock-based compensation	—	31	—	—	31
Payments on long-term debt agreements and capital leases	—	(13,325)	(776)	—	(14,101)
Net borrowings under revolving credit facilities	13,800	—	820	—	14,620
Payment of deferred loan fees	(541)	—	—	—	(541)
Advances to/from subsidiaries	(2,509)	3,058	(549)	—	-
Net cash provided by (used in) financing activities	10,750	(10,105)	(505)	—	140
Effect of foreign currency translation on cash balances	—	—	305	—	305
Net change in cash and cash equivalents	—	(3,060)	(1,326)	—	(4,386)
Cash and cash equivalents at beginning of period	—	12,587	13,706	—	26,293
Cash and cash equivalents at end of period	$ —	$ 9,527	$ 12,380	$ —	$ 21,907

Consolidating Condensed Statement of Cash Flows
Six Months Ended
June 30, 2010

(In thousands) (Unaudited)	American Reprographics Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Cash flows from operating activities					
Net cash provided by operating activities	$ —	$ 27,427	$ 319	$ —	$ 27,746
Cash flows from investing activities					
Capital expenditures	—	(2,349)	(428)	—	(2,777)
Payment for swap transaction	—	—	—	—	—
Other	—	811	34	—	845
Net cash used in investing activities	—	(1,538)	(394)	—	(1,932)
Cash flows from financing activities					
Proceeds from stock option exercises	—	125	—	—	125
Proceeds from issuance of common stock under Employee Stock Purchase Plan	—	16	—	—	16
Excess tax benefit related to stock-based compensation	—	38	—	—	38
Payments on long-term debt agreements and capital leases	—	(20,947)	(649)	—	(21,596)
Net repayments under revolving credit facility	—	—	(123)	—	(123)
Payment of loan fees	—	—	—	—	—
Advances to/from subsidiaries	—	573	(573)	—	—
Net cash used in financing activities	—	(20,195)	(1,345)	—	(21,540)
Effect of foreign currency translation on cash balances	—	—	22	—	22
Net change in cash and cash equivalents	—	5,694	(1,398)	—	4,296
Cash and cash equivalents at beginning of period	—	15,319	14,058	—	29,377
Cash and cash equivalents at end of period	$ —	$ 21,013	$ 12,660	$ —	$ 33,673

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 2010 Annual Report on Form 10-K and our Quarterly Report on Form 10-Q for the first quarter of fiscal year 2011.

Executive Summary

American Reprographics Company ("ARC," the "Company," "we" or "us") is the largest 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 service centers.

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 management involves storing, tracking and providing authorized access to documents we maintain on our customers' behalf. This is largely accomplished through digital database management as documents enter our digital infrastructure and are maintained on our production workstations, servers and networks.
- *Document distribution and logistics*. Document distribution and logistics involves transferring digital documents throughout our local and wide-area computer networks, and over the internet, as well as the pickup, delivery and shipping of hardcopy documents to and from locations around the world.
- *Print-on-demand*. Print-on-demand involves quick-turnaround digital printing in black and white and color, and in a wide variety of sizes and formats.
- *Facilities management*. On-site services, frequently referred to as FMs, is any combination of the above services supplied at a customer's location. On-site services involve placing equipment, technology applications, and sometimes staff in our customers' location to provide convenience printing and other reprographics services. Our FM service offering is evolving to include the management of entire print networks in our customers' offices, which we refer to as "managed print services" or "MPS."

We deliver these services through our specialized technology, more than 550 sales and customer service employees, and more than 5,800 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 120,000 U.S. customers who purchased goods and services from us in the past 24 months.

In the past, industry conventions led us to maintain acquired brands wherever practical due to the local nature of construction activity. Therefore, historically, our operating segments functioned under local brand names. Each brand name typically represents a business or group of businesses that has been acquired by us. Over the past several years, however, many large construction companies have grown through mergers and acquisitions, creating a market in which we believe that regional or national service providers have a greater marketing advantage. Beginning in January 2011, each of our operating segments and their respective locations began to adopt the acronym "ARC." This single brand will highlight the scope and scale of our services, which we believe will offer certain business advantages with respect to our customers that have a national presence. Original brand names will continue to be used in conjunction with the single ARC brand to reinforce our continuing presence in the business communities we serve, and ongoing relationships with our customers. The latest date we expect to fully retire original trade names is April 2012.

A significant component of our historical growth has been from acquisitions. Acquisition activity has not been a meaningful part of our 2011 and 2010 operations due to the potential risks inherent in an economy recovering from a recession. In 2010, we acquired one Chinese business acquisition through UNIS Document Solutions Co. Ltd., ("UDS"), our business venture with Unisplendour Corporation Limited ("Unisplendour") for $0.6 million.

Evaluating our Performance. We believe we are able to deliver value to our stockholders by:

- Creating consistent, profitable growth, or in the absence of growth due to market conditions beyond our control, margins superior to commonly understood industry benchmarks;
- Maintaining our industry leadership position as measured by our geographical footprint, market share and revenue generation capabilities;

- 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, among other measurements, 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 assess the performance of our business.

We identify operating segments based on the various business activities that earn revenue and incur expense, whose operating results are reviewed by the chief operating decision maker. Because our operating segments have similar products and services, classes of customers, production processes and economic characteristics, we are deemed to operate as a single reportable segment.

Please refer to our 2010 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 and labor costs as a percentage of net sales;
- Days sales outstanding/days sales inventory/days payable outstanding; and
- Cash flows from operations.

We evaluate these and other financial measures on a consolidated basis to evaluate corporate trends and performance. In addition, we monitor some of these measures on a daily basis 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 from a current customer segment mix perspective, approximately 77% of revenue is derived from the AEC industry, and 23% is 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 affecting the AEC industry, therefore, we plan to increasingly focus our business on the non-AEC industry.

Not all of these financial measurements are represented directly on our 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 in the past has led us to acquire reprographics businesses that (1) fit our profile for performance potential, (2) can be acquired for a price that fits our parameters, and (3) meet our strategic criteria for gaining market share.

None of our individual acquisitions in the past three years have added a material percentage of sales to our overall business. In the aggregate, however, our acquisitions have fueled the bulk of our historical annual sales growth. Acquisition activity has not been a meaningful part of our 2011 and 2010 operations due to the potential risks of such activity inherent in an economy recovering from a recession. See Note 3 "Goodwill and Other Intangibles Resulting from Business Acquisitions" to our interim Condensed Consolidated Financial Statements for further information.

Economic Factors Affecting Financial Performance.

Based on a compilation of approximately 90% of revenues from our operating segments and certain assumptions derived from data relating to AEC and non-AEC customers, we estimate that sales to the AEC industry accounted for 77% of our net sales for the period ended June 30, 2011, with the remaining 23% consisting of sales to non-AEC industries. As a result, our operating results and financial condition is 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, unemployment rates, commercial vacancy rates, and government expenditures. The effects of the current economic environment in the United States, and weakness in global economic conditions, have resulted in a significant reduction of activity in the non-residential and residential portions of the AEC industry, which in turn, has produced a decline in our revenues over the past two years. 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.

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 $1.8 million and $3.3 million of stock-based compensation expense recorded in selling, general and administrative expenses, for the three and six months ended June 30, 2011, respectively. Amortization does not include $1.5 million and $2.9 million of stock-based compensation expense recorded in selling, general and administrative expenses, for the three and six months ended June 30, 2010, 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 debt and taxation which are managed at the corporate level for U.S. operating segments. As a result, EBIT is the best measure of operating segment profitability and the most useful metric by which to measure and compare the performance of our operating segments. We also use EBIT to measure performance for determining operating segment-level compensation and we use EBITDA to measure performance for determining consolidated-level compensation. In addition, we use EBIT and EBITDA to evaluate potential acquisitions and potential capital expenditures.

EBIT, EBITDA and related ratios have limitations as analytical tools, and should not be considered in isolation, or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are as follows:

- They do not reflect our cash expenditures, or future requirements for capital expenditures and contractual commitments;
- They do not reflect changes in, or cash requirements for, our working capital needs;
- They do not reflect the significant interest expense, or the cash requirements necessary, to service interest or principal payments on our debt;
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA does not reflect any cash requirements for such replacements; and
- Other companies, including companies in our industry, may calculate these measures differently than we do, limiting their usefulness as comparative measures.

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

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

Specifically, we have presented adjusted net income (loss) attributable to ARC and adjusted earnings (loss) per share attributable to ARC shareholders for the three and six months ended June 30, 2011 to reflect the exclusion of the goodwill impairment charge, amortization impact related to the change in useful lives of trade names, interest rate swap related costs, the valuation allowance related to certain deferred tax assets and other discrete tax items. This presentation facilitates a meaningful comparison of our operating results for the three and six months ended June 30, 2011 and 2010. We believe these charges were the result of the current macroeconomic environment, our capital restructuring, or other items which are not indicative of our actual operating performance.

We presented adjusted EBITDA in the three and six months ended June 30, 2011 to exclude the non-cash goodwill impairment charge of $23.3 million (which was taken at the end of the second quarter), and stock-based compensation expense of $1.8 million and $3.3 million, respectively. We presented adjusted EBITDA in the three and six months ended June 30, 2010 to exclude stock-based compensation expense of $1.5 million and $2.9 million, respectively. We believe that the goodwill impairment charge was a result of the current macroeconomic environment and not indicative of our operations. The exclusion of the goodwill impairment charges and stock-based compensation expense to arrive at adjusted EBITDA is consistent with the definition of adjusted EBITDA in our previous and current credit agreements; 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 June 30,		Six Months Ended June 30,	
(In thousands)	**2011**	**2010**	**2011**	**2010**
Cash flows provided by operating activities	**$ 7,284**	$ 18,278	**$ 11,873**	$ 27,746
Changes in operating assets and liabilities, net of effect of business acquisitions	**17,216**	(3,806)	**26,582**	1,277
Non-cash (expenses) income, including depreciation and amortization	**(109,242)**	(12,739)	**(126,879)**	(26,581)
Income tax provision	**57,913**	1,276	**54,264**	1,806
Interest expense, net	**7,699**	5,754	**15,866**	11,642
Loss (income) attributable to the noncontrolling interest	**112**	(54)	**151**	(46)
EBIT	**(19,018)**	8,709	**(18,143)**	15,844
Depreciation and amortization	**12,166**	11,108	**24,652**	22,764
EBITDA	**(6,852)**	19,817	**6,509**	38,608
Interest expense, net	**(7,699)**	(5,754)	**(15,866)**	(11,642)
Income tax provision	**(57,913)**	(1,276)	**(54,264)**	(1,806)
Depreciation and amortization	**(12,166)**	(11,108)	**(24,652)**	(22,764)
Net (loss) income attributable to ARC	**$ (84,630)**	$ 1,679	**$ (88,273)**	$ 2,396

Table of Contents

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

(In thousands)	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Net (loss) income attributable to ARC	$ (84,630)	$ 1,679	$ (88,273)	$ 2,396
Interest expense, net	7,699	5,754	15,866	11,642
Income tax provision	57,913	1,276	54,264	1,806
EBIT	(19,018)	8,709	(18,143)	15,844
Depreciation and amortization	12,166	11,108	24,652	22,764
EBITDA	(6,852)	19,817	6,509	38,608
Goodwill impairment	23,335	—	23,335	—
Stock-based compensation	1,769	1,457	3,258	2,918
Adjusted EBITDA	$ 18,252	$ 21,274	$ 33,102	$ 41,526

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

	Three Months Ended June 30, 2011(1)	Three Months Ended June 30, 2010(1)	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Net (loss) income margin attributable to ARC	(77.2)%	1.5%	(40.8)%	1.1%
Interest expense, net	7.0	5.0	7.3	5.1
Income tax provision	52.8	1.1	25.1	0.8
EBIT margin	(17.4)	7.6	(8.4)	7.0
Depreciation and amortization	11.1	9.7	11.4	10.0
EBITDA margin	(6.3)	17.2	3.0	17.0
Goodwill impairment	21.3	—	10.8	—
Stock-based compensation	1.6	1.3	1.5	1.3
Adjusted EBITDA margin	16.7%	18.5%	15.3%	18.3%

(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 (loss) attributable to ARC and earnings per share to adjusted earnings per share:

(In thousands, except per share amounts)	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Net (loss) income attributable to ARC	**$ (84,630)**	$ 1,679	**$ (88,273)**	$ 2,396
Goodwill impairment	**23,335**	—	**23,335**	—
Change in trade name impact to amortization	**2,369**	—	**4,738**	—
Interest rate swap related costs	**1,457**	—	**2,980**	—
Income tax benefit related to above items	**(6,497)**	—	**(7,879)**	—
Deferred tax valuation allowance and other discrete tax items	**64,186**	—	**63,208**	—
Unaudited adjusted net income (loss) attributable to ARC	**$ 220**	$ 1,679	**$ (1,891)**	$ 2,396
Actual:				
(Loss) earnings per share attributable to ARC shareholders:				
Basic	**$ (1.87)**	$ 0.04	**$ (1.95)**	$ 0.05
Diluted	**$ (1.87)**	$ 0.04	**$ (1.95)**	$ 0.05
Weighted average common shares outstanding:				
Basic	**45,360**	45,196	**45,341**	45,174
Diluted	**45,360**	45,512	**45,341**	45,422
Adjusted:				
Earnings (loss) per share attributable to ARC shareholders:				
Basic	**$ 0.00**	$ 0.04	**$ (0.04)**	$ 0.05
Diluted	**$ 0.00**	$ 0.04	**$ (0.04)**	$ 0.05
Weighted average common shares outstanding:				
Basic	**45,360**	45,196	**45,341**	45,174
Diluted	**45,696**	45,512	**45,341**	45,422

Results of Operations for the Three and Six Months Ended June 30, 2011 and 2010

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 June 30,		As Percentage of Net Sales Six Months Ended June 30,	
	2011	2010	2011	2010
Net Sales	**100.0%**	100.0%	**100.0%**	100.0%
Cost of sales	**67.4**	65.7	**68.0**	66.4
Gross profit	**32.6**	34.3	**32.0**	33.6
Selling, general and administrative expenses	**24.5**	24.5	**25.3**	24.3
Amortization of intangibles	**4.3**	2.2	**4.4**	2.3
Goodwill impairment	**21.3**	—	**10.8**	—
(Loss) income from operations	**(17.5)**	7.6	**(8.5)**	7.0
Interest expense, net	**7.0**	5.0	**7.3**	5.1
(Loss) income before income tax provision	**(24.5)**	2.6	**(15.8)**	1.9
Income tax provision	**52.8**	1.1	**25.1**	0.8
Net (loss) income	**(77.3)**	1.5	**(40.9)**	1.1
Loss attributable to the noncontrolling interest	**0.1**	—	**0.1**	—
Net (loss) income attributable to ARC	**(77.2)%**	1.5%	**(40.8)%**	1.1%

Three and Six Months Ended June 30, 2011 Compared to Three and Six Months Ended June 30, 2010

(In millions, except percentages)	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Increase (decrease) $	Increase (decrease) %	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010	Increase (decrease) $	Increase (decrease) %
Reprographics services	**$ 70.5**	$ 78.5	$ (8.0)	(10.2)%	**$ 140.5**	$ 154.7	$ (14.2)	(9.2)%
Facilities management	**25.6**	22.6	3.0	13.3%	**49.8**	45.0	4.8	10.7%
Equipment and supplies sales	**13.5**	14.0	(0.5)	(3.6)%	**25.8**	27.5	(1.7)	(6.2)%
Total net sales	**$ 109.6**	$ 115.1	$ (5.5)	(4.8)%	**$ 216.1**	$ 227.2	$ (11.1)	(4.9)%
Gross profit	**$ 35.7**	$ 39.5	$ (3.8)	(9.6)%	**$ 69.1**	$ 76.3	$ (7.2)	(9.4)%
Selling, general and administrative expenses	**$ 26.8**	$ 28.2	$ (1.4)	(5.0)%	**$ 54.6**	$ 55.3	$ (0.7)	(1.3)%
Amortization of intangibles	**$ 4.7**	$ 2.6	$ 2.1	80.8%	**$ 9.5**	$ 5.2	$ 4.3	82.7%
Goodwill impairment	**$ 23.3**	$ —	$ 23.3	100%	**$ 23.3**	$ —	$ 23.3	100%
Interest expense, net	**$ 7.7**	$ 5.8	$ 1.9	32.8%	**$ 15.9**	$ 11.6	$ 4.3	37.1%
Income tax provision	**$ 57.9**	$ 1.3	$ 56.6	*	**$ 54.3**	$ 1.8	$ 52.5	*
Net (loss) income attributable to ARC	**$ (84.6)**	$ 1.7	$ (86.3)	*	**$ (88.3)**	$ 2.4	$ (90.7)	*
EBITDA	**$ (6.9)**	$ 19.8	$ (26.7)	(134.8)%	**$ 6.5**	$ 38.6	$ (32.1)	(83.2)%

* Not meaningful

Net Sales

Net sales decreased by 4.8% and 4.9% for the three and six months ended June 30, 2011, respectively, compared to the same periods in 2010.

The decrease in net sales was primarily due to an overall decrease in construction industry spending, especially in the non-residential building segment.

Reprographics services. Reprographic services sales decreased by $8.0 million, or 10.2%, and $14.2 million, or 9.2%, during the three and six months ended June 30, 2011, respectively, compared to the same periods in 2010.

Overall reprographics services sales nationwide were negatively affected by the lack of significant new construction activity in the AEC industry. The revenue category that was most affected was large-format black-and-white printing, as this revenue category is more closely tied to non-residential and residential construction activity. Large-format black-and-white printing revenues represented approximately 33% of reprographics services for the three and six months ended June 30, 2011; large-format black-and-white printing revenues decreased by approximately 19% and 18% for the three and six months ended June 30, 2011, respectively, compared to the three and six months ended June 30, 2010.

Large and small-format color printing in both the AEC market, and in the non-AEC market, comprised approximately 29% and 28% of our overall reprographics services sales for the three and six months ended June 30, 2011, respectively, as compared to approximately 25% during the same periods of 2010. Despite the weakness in the AEC industry, net sales of digital color printing services have increased approximately 3% and 4% for the three and six months ended June 30, 2011 compared to the same periods in 2010. We partly attribute this growth in digital color printing to the continuing marketing activity by our non-AEC customers and our focus in the non-AEC market.

We believe there is a growing demand for digital color printing services across all market segments due to increased equipment availability and lower production prices. We have branded a portion of our operations to address this growing demand for digital color printing. As of June 30, 2011, our new marketing unit, Riot Creative Imaging, features 11 dedicated production facilities in major metropolitan areas around the United States.

Facilities management. FM, or "on-site," sales for the three and six months ended June 30, 2011, increased $3.0 million, or 13.3%, and $4.8 million, or 10.7%, respectively, as compared to the same periods in 2010. The number of FM accounts has remained stable at approximately 5,800 for the past 12 months, however we have experienced higher volumes from our stable customer base and attracted new large high volume customers, even as contracts have been cancelled or not renewed. FM revenue is derived from a single cost per square foot of printed material, similar to our traditional reprographics services sales. 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. By placing 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 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.

In addition, much of the growth in our FM business can be attributed to the increase in our managed print services ("MPS") business, specifically from engagements with our larger clients. MPS is an expanded variation of our traditional FM services; FM's serve the onsite reprographic needs of the customer, whereas MPS provides both the reprographic and non-reprographic onsite print needs of the customer.

Equipment and supplies sales. Equipment and supplies sales for the three and six months ended June 30, 2011 decreased $0.5 million, or 3.6% and $1.7 million, or 6.2%, respectively, as compared to the same periods in 2010. The decrease in equipment and supplies sales was primarily due to our Chinese operations, which experienced a reduction in year-over-year sales volume of $1.4 million for the six months ended June 30, 2011, partially due to increased competition for a major manufacturer's reselling channel.

Gross Profit

Our gross profit and gross profit margin were $35.7 million, or 32.6%, respectively, during the three months ended June 30, 2011, during which time we experienced a year-over-year sales decline of $5.5 million. This compares to $39.5 million, or 34.3%, during the same period in 2010.

Our gross profit and gross profit margin were $69.1 million, or 32.0%, respectively, during the six months ended June 30, 2011, during which time we experienced a year-over-year sales decline of $11.1 million. This compares to $76.3 million, or 33.6%, during the same period in 2010.

Gross margins declined primarily due to higher materials costs as a percentage of color sales, the booking of a one-time inventory reserve, and a change in our product and service mix. Specifically, material costs as a percentage of sales for the three and six months ended June 30, 2011 as compared to the same period in 2010 increased by 210 basis points and 130 basis points, respectively. We believe the increase in material cost as a percentage of color sales is due in part, to our acceptance of some lower margin work to help gain market share in support of our new color Riot Creative Imaging brand. The inventory reserve was booked for aging equipment in China, and our business mix was affected by decreasing demand for large-format black and white printing, increasing demand for our color printing services, and FM and MPS revenue making up a larger portion of our overall sales than has been the case over the past three years.

In addition, unabsorbed labor costs resulting from the sales decline also resulted in lower margins for the six months ended June 30, 2011 compared to the same period in 2010. Specifically, labor as a percentage of revenue increased by 40 basis points during the six months ended June 30, 2011, as compared to the same period in 2010. In response to the overall decline in sales, we began reconfiguring our labor force to increase utilization in our operating regions and individual production locations in the later part of the first quarter of 2011. We benefited from these initiatives in the second quarter of 2011 resulting in a decrease of 30 basis points in labor as a percentage of revenue in the three months ended June 30, 2011, compared to the same period in 2010. We anticipate continued cost savings in future quarters.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased $1.4 million, or 5.0%, during the three months ended June 30, 2011, compared to the same period in 2010.

Selling, general and administrative expenses decreased $0.7 million, or 1.3%, during the six months ended June 30, 2011, compared to the same period in 2010.

The decrease was primarily due to cost cutting initiatives implemented in 2011. General and administrative expenses in total decreased $1.3 million, or 7%, and $1.5 million, or 4%, for the three and six months ended June 30, 2011, respectively, compared to the same periods in 2010. This decrease was primarily driven by the reconfiguration of our labor force to increase utilization in our operating regions and individual production locations as noted above. The result was lower general and administrative compensation, which decreased by $0.8 million and $1.3 million for the three and six months ended June 30, 2011, compared to the same periods in 2010.

Despite the decrease in sales, sales compensation increased by $0.6 million during the six months ended June 30, 2011, as compared to the same period in 2010 as we hired additional sales personnel to implement new sales initiatives, such as Riot Creative Imaging, and our MPS offering.

Selling, general and administrative expenses as a percentage of net sales increased from 24.3% in the six months ended June 30, 2010 to 25.3% in the six months ended June 30, 2011. This increase was primarily due to the increase in sales compensation costs noted above, coupled with the sales decline.

Amortization of Intangibles

Amortization of intangibles increased by $2.1 million and $4.3 million for the three and six months ended June 30, 2011, compared to the same periods in 2010. This increase is due to the revised useful lives assigned to trade names during the fourth quarter of 2010.

Goodwill Impairment

We assess goodwill at least annually for impairment as of September 30 or more frequently if events and circumstances indicate that goodwill might be impaired. Goodwill impairment testing is performed at the reporting unit level. At June 30, 2011, we determined that there were sufficient indicators to trigger an interim goodwill impairment analysis. The indicators included, among other factors, the current economic environment; the performance against plan of reporting units which previously had goodwill impairment; and revised forecasted future earnings. The results of our analysis indicated that six of our reporting units, all of which are located in the United States, had a goodwill impairment as of June 30, 2011. Accordingly, we recorded a pretax, non-cash charge for the three and six months ended June 30, 2011 to reduce the carrying value of goodwill by $23.3 million. See “Critical Accounting Policies” section for further information related to our goodwill impairment test.

Interest Expense, Net

Net interest expense was $7.7 million and $15.9 million during the three and six months ended June 30, 2011, compared to $5.8 million and $11.6 million in the same periods in 2010. The increase in interest expense was primarily driven by the amortization of the amended interest rate swap (“The Amended Swap Transaction”), which was reclassified out of Accumulated Other Comprehensive Loss into earnings as a result of the de-designation from hedge accounting on December 1, 2010, which totaled $1.5 million and $3.0 million for the three and six months ended June 30, 2011, respectively. We also incurred a higher effective interest rate due to the issuance of the 10.5% senior unsecured notes (the “Notes”) on December 1, 2010, resulting in additional interest expense of $1.2 million and $2.3 million for the three and six months ended June 30, 2011. These increases were partially offset by a reduction in the average debt balance of $22.8 million from the six months ended June 30 2010 to the six months ended June 30, 2011.

Income Taxes

Our effective income tax rate increased to 215.9% and 158.9% for the three and six months ended June 30, 2011 from 42.4% and 42.5% for the same periods in 2010. The increase is primarily due to the establishment of a $64.3 million valuation allowance against certain of our deferred tax assets during the three and six months ended June 30, 2011. The valuation allowance represents a non-cash tax expense in our Statement of Operations. The deferred tax assets remain available to us for use in future profitable quarters.

During the first quarter of 2011, the audit of our 2008 federal income tax return by the Internal Revenue Service was finalized and resulted in no adjustments. Due to this final result and other pertinent factors, we derecognized our liability for an uncertain tax position of $1.5 million and related accrued interest of $0.1 million, which had an impact on our income tax provision for the six months ended June 30, 2011.

Noncontrolling Interest

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

Net Loss Attributable to ARC

Net loss attributable to ARC was $84.6 million and $88.3 million during the three and six months ended June 30, 2011, respectively, compared to net income attributable to ARC of $1.7 million and $2.4 million in the same periods in 2010. The net loss attributable to ARC in 2011 is primarily due to the establishment of a valuation allowance on deferred tax assets, the goodwill impairment as of June 30, 2011 and the decrease in sales and gross margins described above.

EBITDA

EBITDA margin decreased to (6.3)% and 3.0% during the three and six months ended June 30, 2011, respectively, compared to 17.2% and 17.0% during the same periods in 2010. Excluding the impact of the goodwill impairment and stock based compensation, our adjusted EBITDA margin was 16.7% and 15.3% for the three and six months ended June 30, 2011, respectively. Adjusted EBITDA margin for the three and six months ended June 30, 2011 compared to 2010 was negatively affected by the decrease in gross profit described above.

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 operations and borrowings under our debt agreements. Our historical uses of cash have been for acquisitions of reprographics businesses, payment of principal and interest on outstanding debt obligations, and capital expenditures. Total cash as of June 30, 2011 was $21.9 million. Of this amount, $12.4 million was held in foreign countries. Specifically, $12.0 million was held in China and is considered a permanent investment in UDS.

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

	Six Months Ended June 30,	
(In thousands)	**2011**	**2010**
Net cash provided by operating activities	**$ 11,873**	$ 27,746
Net cash used in investing activities	**$ (16,704)**	$ (1,932)
Net cash provided by (used in) financing activities	**$ 140**	$ (21,540)

Operating Activities

Cash flows from operations are primarily driven by sales and net profit generated from these sales, excluding non-cash charges. The decrease in cash flows from operations was due to the decline in sales and related profits, a decrease in accrued liabilities, an increase in interest expense, and an increase in accounts receivable. The decrease in accrued liabilities was primarily driven by the fact that accrued payroll expense for June 2011 consisted of four days, compared to 13 days in June 2010. The increase in accounts receivable was driven by the increase in sales in the second quarter of 2011 compared to the fourth quarter of 2010, and an increase in days sales outstanding (“DSO”) from 46 days as of June 30, 2010 to 50 days as of June 30, 2011. With the continued slowdown in the AEC industry, we will continue to focus on our accounts receivable collections and DSO. If the recent negative sales trends continue throughout 2011 and 2012, it will significantly impact our cash flows from operations in the future. Inventory balances primarily increased due to timing of equipment sales in our Chinese operations.

Investing Activities

Net cash used in investing activities of $16.7 million for the six months ended June 30, 2011 relates to capital expenditures of $7.6 million plus payment to terminate the Amended Swap Transaction of $9.7 million, partially offset by $0.6 million of cash inflows from other investing activities. Cash flows from other investing activities primarily relate to the cash proceeds generated from the sale of fixed assets.

Financing Activities

Net cash of $0.1 million provided by financing activities during the six months ended June 30, 2011 primarily relates to borrowings under our revolving credit facilities of $14.6 million, which included $13.8 million under the $50 million credit agreement (the “2010 Credit Agreement”), offset by scheduled payments under capital leases and seller notes of $14.1 million. Borrowings under the 2010 Credit Agreement were used in part, to terminate the Amended Swap Transaction of $9.7 million.

Our cash position, working capital, and debt obligations as of June 30, 2011 and December 31, 2010 are shown below and should be read in conjunction with our Consolidated Balance Sheets and notes thereto contained elsewhere in this report.

(In thousands)	June 30, 2011	December 31, 2010
Cash and cash equivalents	**$ 21,907**	$ 26,293
Working capital	**$ 36,231**	$ 22,387
Borrowings from senior secured credit facility and Notes (1)	**$ 209,759**	$ 195,692
Other debt obligations	**35,894**	43,932
Total debt obligations	**$ 245,653**	$ 239,624

(1) Notes, net of discount of **$4,041** and $4,308 at June 30, 2011 and December 31, 2010, respectively.

The increase of $13.8 million in working capital in 2011 was due to an increase in other current assets of $13.9 million, an increase in accounts receivable of $8.4 million, a decrease in accrued liabilities of $10.6 million, partially offset by an increase in the current portion of long-term debt of $8.8 million and a decrease in deferred income taxes of $7.2 million. The increase in other current assets is primarily attributed to an increase in income taxes receivable related to our intent to carryback 2010 tax losses. The increase in accounts receivable is due to the increase in sales in May and June 2011, as compared to November and December 2010, as well as the increase in DSO from 45 days as of December 31, 2010 to 50 days as of June 30, 2011. The decrease in accrued liabilities is primarily related to the payment upon termination of the Amended Swap Transaction, which was paid using borrowings from the 2010 Credit Agreement. Borrowings under the 2010 Credit Agreement are offset by the $4.2 million decrease in the current portion of seller notes. 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 $21.9 million, availability under our revolving credit facility 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 the issuance of additional debt which is dependent on availability of third party financing. See "Debt Obligations" section for further information related to the 2010 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 downturn in the residential and non-residential construction activity in the AEC industry, has adversely affected our operating results. The current diminished liquidity and credit availability in financial markets and a general economic environment 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, 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 downturn in the construction industry or its effects on our business and results of operations.

Debt Obligations

10.5% Senior Notes due 2016

On December 1, 2010 (the "Closing Date"), we completed a private placement of 10.5% senior unsecured notes due 2016.

The Notes have an aggregate principal amount of $200 million. The Notes are general unsecured senior obligations and are subordinate to all of our existing and future senior secured debt to the extent of the assets securing such debt. Our obligations under the Notes are jointly and severally guaranteed by all of our domestic subsidiaries. The issue price was 97.824% with a yield to maturity of 11.0%. Interest on the Notes accrues at a rate of 10.5% per annum and is payable semiannually in arrears on June 15 and December 15 of each year, commencing on June 15, 2011. We will make each interest payment to the holders of record of the Notes on the immediately preceding June 1 and December 1.

We received gross proceeds of $195.6 million from the Notes offering. In connection with the issuance of the Notes, we entered into an indenture, dated as of the Closing Date (the "Indenture"), among our company, certain of our subsidiaries are named therein, as guarantors (the "Guarantors"), and Wells Fargo Bank, National Association, as Trustee; and a Registration Rights Agreement, dated as of the Closing Date (the "Registration Rights Agreement"), among our company, the Guarantors, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representatives of the initial purchasers of the Notes (the "Initial Purchasers"). The Notes were offered only to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"), and outside the United States to non-U.S. persons pursuant to Regulation S under the Securities Act.

Optional Redemption. At any time prior to December 15, 2013, we may redeem all or part of the Notes upon not less than 30 nor more than 60 days' prior notice at a redemption price equal to the sum of (i) 100% of the principal amount thereof, plus (ii) a make-whole premium as of the date of redemption, plus (iii) accrued and unpaid interest, if any, to the date of redemption. In addition, we may redeem some or all of the Notes on or after December 15, 2013, at redemption prices set forth in the Indenture, together with accrued and unpaid interest, if any, to the date of redemption. At any time prior to December 15, 2013, we may use the proceeds of certain equity offerings to redeem up to 35% of the aggregate principal amount of the notes, including any permitted additional notes, at a redemption price equal to 110.5% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to the date of redemption.

Repurchase upon Change of Control. Upon the occurrence of a change in control (as defined in the Indenture), each holder of the Notes may require us to repurchase all of the then-outstanding Notes in cash at a price equal to 101% of the aggregate principal amount of the Notes to be repurchased, plus accrued and unpaid interest, if any, to the date of repurchase.

Other Covenants. The Indenture contains covenants that limit, among other things, our company's and certain of our subsidiaries' ability to (1) incur additional debt and issue preferred stock, (2) make certain restricted payments, (3) consummate specified asset sales, (4) enter into certain transactions with affiliates, (5) create liens, (6) declare or pay any dividend or make any other distributions, (7) make certain investments, and (8) merge or consolidate with another person.

Events of Default. The Indenture provides for customary events of default (subject in certain cases to customary grace and cure periods), which include non-payment, breach of covenants in the Indenture, cross default and acceleration of other indebtedness, a failure to pay certain judgments and certain events of bankruptcy and insolvency. Generally, if an event of default occurs, the Trustee or holders of at least 25% in principal amount of the then outstanding Notes may declare the principal of and accrued but unpaid interest on all of the then-outstanding Notes to be due and payable.

Exchange Offer. Pursuant to a registered exchange offer in May 2011, the Company offered to exchange up to $200 million aggregate principal amount of the Notes, for new notes that were registered under the Securities Act of 1933, as amended. The terms of such registered notes are the same as the terms of the Notes, except that they are now registered under the Securities Act and the transfer restrictions, registration rights and additional interest provisions are not applicable to the registered notes. The Company accepted the exchange of $200 million aggregate principal amounts of the Notes that were properly tendered.

2010 Credit Agreement

On the Closing Date, our company and certain of our subsidiaries also entered into the 2010 Credit Agreement and paid off in full amounts outstanding under our prior credit agreement.

The 2010 Credit Agreement provides for a $50 million senior secured revolving line of credit, of which up to $20 million is available for the issuance of letters of credit. The revolving line of credit is available on a revolving basis during the period commencing after the Closing Date and ending on December 1, 2015 and is secured by substantially all of our assets and certain of our subsidiaries. Advances under the revolving line of credit are subject to customary borrowing conditions, including the accuracy of representations and warranties and the absence of events of default. We may borrow, partially or wholly repay its outstanding borrowings and reborrow, subject to the terms and conditions contained in the 2010 Credit Agreement.

The obligations under the 2010 Credit Agreement are guaranteed by our domestic subsidiaries and, subject to certain exceptions, are secured by security interests granted in all of our and domestic subsidiaries' personal and real property.

Advances under the 2010 Credit Agreement bear interest at LIBOR plus the "applicable rate." The initial applicable is 2.00%. The applicable rate is determined based upon our consolidated leverage ratio with a minimum and maximum applicable rate of 1.50% and 2.00%, respectively. During the continuation of certain events of default, all amounts due under the 2010 Credit Agreement bear interest at 4.0% above the rate otherwise applicable. In addition, we are required to pay an unused commitment fee on the average daily unused amount of the line of credit at the applicable rate, calculated and payable quarterly in arrears, as follows: if the consolidated leverage ratio is (i) greater than or equal to 3.00x, the unused commitment fee is 0.20%, (ii) less than or equal to 2.99x but greater than or equal to 2.00x, 0.15%, and (iii) less than 2.00x, 0.10%.

The 2010 Credit Agreement contains the following financial covenants:

- Maximum consolidated leverage ratio:
  - 4.35:1.00 for quarters ending December 31, 2010 through September 30, 2011
  - 4.25:1.00 for quarters ending December 31, 2011 through September 30, 2012
  - 4.15:1.00 for quarters ending December 31, 2012 through September 30, 2013

  - 4.00:1.00 for quarters ending December 31, 2013 through maturity;
- Maximum consolidated senior secured debt leverage ratio not greater than 1.50:1.00, determined on the last day of each fiscal quarter through maturity;
- Minimum consolidated interest coverage ratio:
  - 1.70:1.00 for quarters ending December 31, 2010 through September 30, 2011
  - 1.75:1.00 for quarters ending December 31, 2011 through maturity;

The 2010 Credit Agreement also contains covenants which, subject to certain exceptions as set forth in the 2010 Credit Agreement, restrict our ability to incur additional debt, grant liens or guaranty other indebtedness, pay dividends, redeem stock, pay or redeem subordinated indebtedness, make investments or capital expenditures, dispose or acquire assets, dispose of equity interests in subsidiaries, enter into any merger, sale of assets, consolidation or liquidation transaction, or engage in transactions with stockholders and affiliates. Covenants in the 2010 Credit Agreement also require that we provide periodic financial reports to the lender, observe certain practices and procedures with respect to the collateral pledged as security, comply with applicable laws and maintain and preserve our company's and our subsidiaries' properties and maintain insurance.

As of June 30, 2011, we were in compliance with the financial incurrence-based covenants under the Notes and financial maintenance-based covenants under the 2010 Credit Agreement. Our trailing twelve months key financial covenant ratios under the 2010 Credit Agreement as of June 30, 2011 were 1.82:1.00 for minimum interest coverage, 3.76:1.00 for maximum total leverage and 0.69:1.00 for maximum senior secured leverage.

As of June 30, 2011, we expect to remain in compliance through the respective terms of our Notes and 2010 Credit Agreement. However, it is possible that a default under certain financial covenants may occur in the future, should the minimum required profitability levels not be achieved. If we default on the covenants under the 2010 Credit Agreement and are unable to obtain waivers from our lenders, the lenders will be able to exercise their rights and remedies under the 2010 Credit Agreement, which would have a material adverse effect on our business and financial condition.

As of June 30, 2011, standby letters of credit aggregated to $3.9 million. The standby letters of credit under the 2010 Credit Agreement and borrowing of $13.8 million reduced our borrowing availability under the 2010 Credit Agreement to $32.3 million.

Foreign Credit Facility

In the second quarter of 2011, in conjunction with its Chinese operations, UNIS Document Solutions Co. Ltd. ("UDS") entered into one-year revolving credit facility. The facility provides for a maximum credit amount of 8.0 million Chinese Yuan Renminbi. This translates to U.S. $1.2 million as of June 30, 2011. Draws on the facility are limited to 30 day periods and incur a fee of 0.5% of the amount drawn and no additional interest is charged.

Interest Rate Swap Transaction

On December 19, 2007, we entered into an interest rate swap transaction (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 were 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 obligated to make quarterly floating rate payments to us based on the three month LIBOR. The notional amount of the Swap Transaction was scheduled to decline over the term of the then existing term loan facility consistent with the scheduled principal payments. The Swap Transaction had an effective date of March 31, 2008 and an original termination date of December 6, 2012.

On October 2, 2009, we amended the Swap Transaction. We 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 our then-existing variable interest rate debt under our previous credit agreement.

In connection with the issuance of the Notes, the Amended Swap Transaction no longer qualified as a cash flow hedge and was de-designated.

As of December 31, 2010, the Amended Swap Transaction had a negative fair value of $9.7 million of which all was recorded in accrued expenses. On January 3, 2011, the Amended Swap Transaction was terminated and settled. For further information, see Note 9 "Derivatives and Hedging Transactions".

Capital Leases

As of June 30, 2011, we had $31.1 million of capital lease obligations outstanding, with a weighted average interest rate of 8.7% and maturities between 2011 and 2016.

Seller Notes

As of June 30, 2011, we had $3.9 million of seller notes outstanding, with a weighted average interest rate of 6.2% and maturities between 2011 and 2013. These notes were issued in connection with prior acquisitions.

Off-Balance Sheet Arrangements

As of June 30, 2011 and December 31, 2010, 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 have entered into earnout obligations in connection with prior acquisitions. If the acquired businesses generate sales and/or operating profits in excess of predetermined targets, we are obligated to make additional cash payments in accordance with the terms of such earnout obligations. As of June 30, 2011, we had potential future earnout obligations for acquisitions consummated before the adoption of ASC 805 in the total amount of approximately $1.5 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.

Legal Proceedings. On October 21, 2010, a former employee, individually and on behalf of a purported class consisting of all non-exempt employees who work or worked for American Reprographics Company, LLC and American Reprographics Company in the State of California at any time from October 21, 2006 through October 21, 2010, filed an action against us in the Superior Court of California for the County of Orange. The complaint alleges, among other things, that we violated the California Labor Code by failing to (i) provide meal and rest periods, or compensation in lieu thereof, (ii) timely pay wages due at termination, and (iii) that those practices also violate the California Business and Professions Code. The relief sought includes damages, restitution, penalties, interest, costs, and attorneys' fees and such other relief as the court deems proper. We have not included any liability in our Consolidated Financial Statements in connection with this matter. We cannot reasonably estimate the amount or range of possible loss, if any, at this time.

In addition to the matter described above, we are involved in various additional legal proceedings and other legal matters from time to time in the normal course of business. We do not believe that the outcome of any of these matters will have a material adverse effect on its 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.

Goodwill Impairment

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

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. At June 30, 2011, we determined that there were sufficient indicators to trigger an interim goodwill impairment analysis. The indicators included, among other factors: (1) the current economic environment, (2) the performance against plan of reporting units which previously had goodwill impairment, and (3) revised forecasted future earnings. The results of our analysis indicated that six of our reporting units, all of which are located in the United States, had a goodwill impairment as of June 30, 2011. Accordingly, we recorded a pretax, non-cash charge for the three and six months ended June 30, 2011 to reduce the carrying value of goodwill by $23.3 million.

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

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

We determine the fair value of our reporting units using an income approach. Under the income approach, we determined fair value based on estimated discounted future cash flows of each reporting unit. Determining the fair value of a reporting unit is judgmental in nature and requires the use of significant estimates and assumptions, including revenue growth rates and EBITDA margins, discount rates and future market conditions, among others. The estimated fair value of our reporting units were based upon a projected EBITDA margin, which is anticipated to have a slight increase from 2011 to 2012, followed by year over year increases of approximately 150 — 300 basis points in 2013 through 2015, with stabilization in 2016. These projections are driven, in part, by anticipated industry growth rates, anticipated GDP, customer composition and historical performance. These cash flows are discounted using a weighted average cost of capital ranging from 12% to 14%, depending upon the size and risk profile of the reporting unit. We considered market information in assessing the reasonableness of the fair value under the income approach outlined above.

The results of step one of the goodwill impairment test, as of June 30, 2011, were as follows:

(Dollars in thousands)	Number of Reporting Units	Representing Goodwill of
No goodwill balance	12	$ —
Reporting units failing step one that continue to carry a goodwill balance	6	29,436
Fair value of reporting unit exceeds its carrying value by 5% - 20%	3	88,654
Fair value of reporting unit exceeds its carrying value by 20% - 40%	7	59,988
Fair value of reporting unit exceeds its carrying value by more than 40%	8	93,346
	36	$ 271,424

Based upon a sensitivity analysis, a reduction of approximately 50 basis points of projected EBITDA in 2011 and beyond, assuming all other assumptions remain constant, would not result in any additional reporting units proceeding to step two of the analysis. However, the decrease of projected EBITDA in 2011 and subsequent years would have resulted in an additional impairment charge of $2.4 million for those reporting units that were evaluated in step two.

Based upon a separate sensitivity analysis, a 50 basis point increase to the weighted average cost of capital would result in one additional reporting unit proceeding to step two of the analysis, and a further impairment of approximately $22.6 million.

Given the current economic environment and the uncertainties regarding the impact on our business, there can be no assurance that the estimates and assumptions regarding the duration of the lack of significant new construction activity in the AEC industry, or the period or strength of recovery, made for purposes of our goodwill impairment testing as of June 30, 2011, will prove to be accurate predictions of the future. If our assumptions regarding forecasted EBITDA 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 2011, or following that, if any such change constitutes a triggering event outside of the quarter when we regularly perform our annual goodwill impairment test. It is not possible at this time to determine if any such future impairment charge would result or, if it does, whether such charge would be material.

Income Taxes

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

When establishing a valuation allowance, we consider future sources of taxable income such as future reversals of existing taxable temporary differences, future taxable income exclusive of reversing temporary differences and carryforwards and tax planning strategies. A tax planning strategy is an action that: is prudent and feasible; an enterprise ordinarily might not take, but would take to prevent an operating loss or tax credit carryforward from expiring unused; and would result in realization of deferred tax assets. In the event we determine the deferred tax assets, more likely than not, will not be realized in the future, the valuation adjustment to the deferred tax assets will be charged to earnings in the period in which we make such a determination. As of June 30, 2011, we determined that cumulative losses for the preceding twelve quarters constituted sufficient objective evidence that a valuation allowance was needed, and therefore established a $64.3 million valuation allowance on certain of our deferred tax assets.

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

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

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

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

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 2010 Annual Report on Form 10-K, except for the adoption of Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2009-13, *Multiple-Deliverable Revenue Arrangements a consensus of the FASB Emerging Issues Task Force*, ("ASU 2009-13"), FASB ASU No. 2010-28, *Intangibles-Goodwill and Other*, ("ASU 2010-28") and FASB ASU No. 2010-29, *Business Combinations- Disclosure of Supplementary Pro Forma Information for Business Combinations,* ("ASU 2010-29") which are further described in Note 14, "Recent Accounting Pronouncements" to our interim Condensed Consolidated Financial Statements.

Recent Accounting Pronouncements

See Note 1, "Description of Business and Basis of Presentation" 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. Historically, we have entered into derivative instruments to manage our exposure to changes in interest rates. These instruments allow us to raise funds at floating rates and effectively swap them into fixed rates, without the exchange of the underlying principal amount.

As of June 30, 2011, we had $245.7 million of total debt, net of discount, and capital lease obligations, none of which bore interest at variable rates, except for the $13.8 million outstanding on our revolving credit facility.

We have not, and do not plan to, enter into any derivative financial instruments for trading or speculative purposes. As of June 30, 2011, 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 Securities and Exchange Act of 1934, as amended (the "Exchange Act") are recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of June 30, 2011. Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that, as of June 30, 2011, our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There were no changes to internal control over financial reporting during the quarter ended June 30, 2011 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*

On October 21, 2010, a former employee, individually and on behalf of a purported class consisting of all non-exempt employees who work or worked for American Reprographics Company, LLC and American Reprographics Company in the State of California at any time from October 21, 2006 through October 21, 2010, filed an action against us in the Superior Court of California for the County of Orange. The complaint alleges, among other things, that we violated the California Labor Code by failing to (i) provide meal and rest periods, or compensation in lieu thereof, (ii) timely pay wages due at termination, and (iii) that those practices also violate the California Business and Professions Code. The relief sought includes damages, restitution, penalties, interest, costs, and attorneys' fees and such other relief as the court deems proper. We have not included any liability in our Consolidated Financial Statements in connection with this matter. We cannot reasonably estimate the amount or range of possible loss, if any, at this time.

In addition to the matter described above, 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. We believe the amounts provided in our 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 Consolidated Financial Statements or will not have a material adverse effect on our 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, 2010. You should carefully consider those risks and uncertainties, which could materially affect our business, financial condition and results of operations. There have been no material changes to the risk factors disclosed in our Annual Report on Form 10-K for the year ended December 31, 2010.

Item 6. *Exhibits*

Exhibit Number	Description
10.1	Executive Employment Agreement, dated July 18, 2011, by and between American Reprographics Company and John Toth (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on July 18, 2011).
10.2	Indemnification Agreement by and between American Reprographics Company and John E.D. Toth (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on August 1, 2011).
10.3	Indemnification Agreement by and between American Reprographics Company and Jorge Avalos (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed on August 1, 2011).
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.*
101.INS	XBRL Instance Document *
101.SCH	XBRL Taxonomy Extension Schema *
101.CAL	XBRL Taxonomy Extension Calculation Linkbase *
101.DEF	XBRL Taxonomy Extension Definition Linkbase *
101.LAB	XBRL Taxonomy Extension Label Linkbase *
101.PRE	XBRL Taxonomy Extension Presentation Linkbase *

* Filed herewith

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: August 9, 2011

AMERICAN REPROGRAPHICS COMPANY

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

/s/ JORGE AVALOS
Jorge Avalos
Chief Accounting Officer

EXHIBIT INDEX

Exhibit Number	Description
10.1	Executive Employment Agreement, dated July 18, 2011, by and between American Reprographics Company and John Toth (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on July 18, 2011).
10.2	Indemnification Agreement by and between American Reprographics Company and John E.D. Toth (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on August 1, 2011).
10.3	Indemnification Agreement by and between American Reprographics Company and Jorge Avalos (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed on August 1, 2011).
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.*
101.INS	XBRL Instance Document *
101.SCH	XBRL Taxonomy Extension Schema *
101.CAL	XBRL Taxonomy Extension Calculation Linkbase *
101.DEF	XBRL Taxonomy Extension Definition Linkbase *
101.LAB	XBRL Taxonomy Extension Label Linkbase *
101.PRE	XBRL Taxonomy Extension Presentation Linkbase *

* Filed herewith

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(s) 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(s) 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: August 9, 2011

/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, John Toth, 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(s) 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(s) 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: August 9, 2011

/s/ JOHN TOTH
John Toth
Chief Financial Officer
(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

I, Kumarakulasingam Suriyakumar, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of American Reprographics Company (the "Company") on Form 10-Q for the period ended June 30, 2011 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such report fairly presents in all material respects the financial condition and results of operations of the Company.

Date: August 9, 2011

/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

I, John Toth, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of American Reprographics Company (the "Company") on Form 10-Q for the period ended June 30, 2011 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 9, 2011

/s/ JOHN TOTH
John Toth
Chief Financial Officer
(Principal Financial Officer)