American Reprographics CO
Form DEF 14A
March 23, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934 (Amendment No.)

Filed by the Registrant þ

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement
¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
þ Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material Pursuant to §240.14a-12

AMERICAN REPROGRAPHICS COMPANY

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):
þ No fee required.
¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

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

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

(4) Proposed maximum aggregate value of transaction:

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¨ Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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AMERICAN REPROGRAPHICS COMPANY

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held April 26, 2012

To Our Stockholders:

We cordially invite you to attend the 2012 Annual Meeting of Stockholders of American Reprographics Company. The annual meeting will take place at the Lafayette Park Hotel, 3287 Mount Diablo Boulevard, Lafayette, California 94549 on Thursday, April 26, 2012, at 9:00 a.m. PDT. We look forward to your attendance either in person or by proxy.

The purpose of the annual meeting is to:

1. Elect the seven directors named in the proxy statement for the 2012 annual meeting of stockholders, each for a term of one year or until their successors are elected and qualified;

2. Ratify the appointment of Deloitte & Touche LLP as American Reprographics Company s independent auditors for fiscal year 2012;

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

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

The foregoing items of business are more fully described in the proxy statement accompanying this notice of annual meeting of stockholders. Only stockholders of record at the close of business on March 9, 2012 will receive notice of, and be eligible to vote at, the annual meeting or any postponements or adjournments of the annual meeting. A list of such stockholders will be available at the annual meeting and during ordinary business hours ten days prior to the annual meeting at the principal executive offices of American Reprographics Company at 1981 North Broadway, Suite 385, Walnut Creek, California 94596. If you would like to review the stockholder list, please contact our principal executive offices at (925) 949-5100 to schedule an appointment.

A copy of American Reprographics Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2011 is included with this mailing. We are sending this proxy statement and related materials to stockholders on or about March 23, 2012.

By order of the Board of Directors,

John E.D. Toth
Chief Financial Officer and Secretary

March 23, 2012

Important Notice Regarding the Availability of Proxy Materials

for the Annual Meeting of Stockholders to Be Held on April 26, 2012

This proxy statement and our 2011 Annual Report on Form 10-K are available at www.proxyvote.com.

YOUR VOTE IS VERY IMPORTANT

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

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AMERICAN REPROGRAPHICS COMPANY

2012 ANNUAL MEETING OF STOCKHOLDERS

PROXY STATEMENT

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AMERICAN REPROGRAPHICS COMPANY

1981 North Broadway, Suite 385

Walnut Creek, California 94596

(925) 949-5100

March 23, 2012

PROXY STATEMENT

The Board of Directors of American Reprographics Company is furnishing you with this proxy statement in connection with the solicitation of proxies on its behalf for the 2012 annual meeting of stockholders. The meeting will take place at the Lafayette Park Hotel, 3287 Mount Diablo Boulevard, Lafayette, California 94549 on Thursday, April 26, 2012, at 9:00 a.m. PDT. In this proxy statement, we refer to American Reprographics Company as the Company , we , us , our or ARC.

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

We are first sending this proxy statement, form of proxy and accompanying materials to stockholders on or about March 23, 2012.

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

ANNUAL MEETING AND VOTING INFORMATION

The board seeks your proxy for use in voting at the annual meeting or any postponements or adjournments of the meeting. The annual meeting will be held at the Lafayette Park Hotel, 3287 Mount Diablo Boulevard, Lafayette, California 94549 on Thursday, April 26, 2012, at 9:00 a.m. PDT. We intend to begin mailing this proxy statement, the attached notice of annual meeting, the accompanying proxy card and our Annual Report on Form 10-K for the fiscal year ended December 31, 2011 on or about March 23, 2012 to all holders of our common stock entitled to vote at the meeting. Our Annual Report on Form 10-K for the fiscal year ended December 31, 2011 does not constitute a part of the proxy solicitation materials and is not incorporated by reference into this proxy statement.

Purpose of the Annual Meeting

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

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

2. Ratification of the appointment of Deloitte & Touche LLP as the Company s independent auditors for fiscal year 2012; and

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

Stockholders also will transact any other business that may properly come before the meeting. Members of ARC s management team and representatives of Deloitte & Touche LLP, the Company s independent auditors for fiscal year 2012, will be present at the meeting to respond to appropriate questions from stockholders.

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Admission to the Annual Meeting

All record or beneficial owners of ARC s common stock may attend the annual meeting in person. When you arrive at the annual meeting, please present photo identification, such as a valid driver s license. Beneficial owners must also provide evidence of stock holdings, such as a recent brokerage account or bank statement showing ownership of ARC common stock on the record date of March 9, 2012. ARC also has invited certain ARC employees and certain agents of the Company to attend the annual meeting.

Record Date

The record date for the annual meeting is March 9, 2012. Only stockholders of record at the close of business on that date are entitled to vote at the meeting. The only class of stock entitled to be voted at the meeting is ARC s common stock. Each outstanding share of common stock is entitled to one vote for all matters presented for a vote at the meeting. At the close of business on the record date, there were 46,225,847 shares of ARC common stock outstanding.

Quorum

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

Required Vote

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

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

Routine and Non-Routine Matters

Proposal 2 (ratification of the appointment of Deloitte & Touche LLP as our independent auditors for 2012) is a routine matter under the New York Stock Exchange rules. A broker or other nominee may vote in their discretion on behalf of clients that have not provided voting instructions.

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

Voting Shares Held in Street Name

If your shares are held by a broker or other nominee, you are considered the beneficial owner of shares held in street name. If your shares are held in street name, these proxy materials are being forwarded to you by your broker or nominee (the record holder), along with a voting instruction card. As the beneficial owner of shares held in street name, you have the right to instruct your broker or nominee how to vote your shares and your broker or nominee is required to vote your shares in accordance with your instructions. If you do not give instructions to your broker or nominee, your broker or nominee will nevertheless be entitled to vote your shares with respect to

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routine items, but will not be permitted to vote your shares with respect to non-routine items. See the item above entitled Routine and Non-Routine Matters for additional details on routine and non-routine matters.

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

Treatment of Abstentions, Withhold Votes and Broker Non-Votes

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

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

Voting Instructions

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

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

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

Revoking your Proxy

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

- by signing another proxy with a later date and delivering it prior to the annual meeting in accordance with the instructions set forth in this proxy statement;

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by giving written notice of your revocation to the corporate secretary of ARC prior to or at the meeting or by voting in person at the meeting; or

by attending the annual meeting and voting in person.

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

American Reprographics Company

1981 North Broadway, Suite 385

Walnut Creek, California 94596

Attention: John E.D. Toth, Secretary

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

Tabulating Votes

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

Solicitation of Proxies

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

Other Business

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

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PROPOSAL 1

ELECTION OF DIRECTORS

Nominees for Director

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

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

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

The following table sets forth, with respect to each nominee, his name, the year in which he first became a director of ARC, and his age as of March 1, 2012.

Name	Year Elected	Age
Kumarakulasingam Suriyakumar	1998(1)	58
Thomas J. Formolo	2000(2)	47
Dewitt Kerry McCluggage	2006	57
James F. McNulty	2009	69
Mark W. Mealy	2005	54
Manuel Perez de la Mesa	2002(3)	54
Eriberto R. Scocimara	2006	76

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

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

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

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

Kumarakulasingam (Suri) Suriyakumar has served as our President and Chief Executive Officer since June 1, 2007, and he served as our President and Chief Operating Officer from 1991 until his appointment as Chief Executive Officer. On July 24, 2008, Mr. Suriyakumar was appointed Chairman of our board of directors. Mr. Suriyakumar served as an advisor of Holdings from March 1998 until his appointment as a director of American Reprographics Company in October 2004. Mr. Suriyakumar joined Micro Device, Inc. (our predecessor company) in 1989. He became the Vice President of Micro Device, Inc. in 1990. Prior to joining the Company, Mr. Suriyakumar was employed with Aitken Spence & Co. LTD, a highly diversified conglomerate and one of the five largest corporations in Sri Lanka. Mr. Suriyakumar is an active member of the International Reprographics Association (IRgA).

Thomas J. Formolo served as an advisor of Holdings from April 2000 until his appointment as a director of American Reprographics Company in October 2004. Since 1997, Mr. Formolo has been a partner of CHS Capital LLC (formerly known as Code Hennessy & Simmons LLC), or CHS, a private equity firm based in Chicago,

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Illinois, that specializes in leveraged buyout and recapitalizations of middle market companies in partnership with company management through its private equity funds. He has been employed by CHS s affiliates since 1990 and has been a member of the management committee since 2001. Mr. Formolo is currently a director of the following companies: AMF Bowling Worldwide, Inc., QubicaAMF Worldwide, S.a.r.L., Heartland Dental Care, Inc., Web Service Company, LLC and Royall & Co. Holdings, Inc.

Dewitt Kerry McCluggage was appointed a director of American Reprographics Company in February 2006 and lead independent director in 2007. Mr. McCluggage currently serves as the President of Craftsman Films, Inc., which produces motion pictures and television programs, a company he started in January 2002. An active investor in media-related companies, Mr. McCluggage currently serves as a director of ContentFilm (AIM: CFL), a UK-based, publicly-traded distributor of film and television products, and is actively involved with Trifecta Entertainment, LLC, offering independent syndication sales and barter advertising in the U.S. From 1991 to 2003, Mr. McCluggage served as Chairman of the Paramount Television Group where he was responsible for overseeing television operations. Prior to that, Mr. McCluggage served as President of Universal Television from 1987 to 1991.

James F. McNulty was elected as a director of American Reprographics Company in March 2009 . Mr. McNulty served as Chief Executive Officer of Parsons Company (Parsons), an international engineering, construction and management services firm from April 1996 until May 2008 and as Chairman of the board of directors of Parsons from January 1998 until November 2008. Mr. McNulty currently serves as a director of American States Water Company (NYSE: AWR).

Mark W. Mealy was appointed as a director of American Reprographics Company in March 2005. Mr. Mealy has served as Managing Partner of Colville Capital LLC, a private equity firm, since October 2005. Mr. Mealy also served as the Managing Director and Group Head of Mergers and Acquisitions of Wachovia Securities, Inc., an investment banking firm, from March 2000 until October 2004. Mr. Mealy served as the Managing Director, Mergers and Acquisitions, of First Union Securities, Inc., an investment banking firm, from April 1998 to March 2000, and as the Managing Director of Bowles Hollowell Conner & Co., an investment banking firm, from April 1989 to April 1998. Mr. Mealy is currently a director of the following companies: Insource Performance Solutions, LLC and Motion & Flow Control Products, Inc.

Manuel Perez de la Mesa served as an advisor of Holdings from July 2002 until his appointment as a director of American Reprographics Company in October 2004. Mr. Perez de la Mesa has been Chief Executive Officer of Pool Corporation (NASDAQ: POOL), a wholesale distributor of swimming pool supplies and related equipment, since May 2001 and has also been the President of Pool Corporation since February 1999. Mr. Perez de la Mesa served as Chief Operating Officer of Pool Corporation from February 1999 to May 2001. Mr. Perez de la Mesa also serves as a director of Pool Corporation (NASDAQ: POOL).

Eriberto R. Scocimara was elected as a director of American Reprographics Company in May 2006. Mr. Scocimara served as the President and Chief Executive Officer of the Hungarian-American Enterprise Fund, a privately managed investment company created by the President and Congress of the United States and funded by the U.S. Government, from 1994 until 2011. Mr. Scocimara also has served as the President and Chief Executive Officer of Scocimara & Company, Inc., a financial consulting firm, since 1984. Mr. Scocimara has over 40 years of experience in corporate management, acquisitions and operational restructuring. Mr. Scocimara currently serves as a director of Euronet Worldwide, Inc. (NASDAQ: EEFT), Rockwood Holdings L.P. and Kane Manufacturing Co., Inc. and previously served as a director of Carlisle Companies Incorporated (NYSE: CSL).

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR

THE ELECTION OF EACH OF THE SEVEN DIRECTOR NOMINEES LISTED ABOVE

PROPOSAL 2

RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS

Appointment of Auditors

Deloitte & Touche LLP (Deloitte) was appointed as our independent auditors for the fiscal year ended December 31, 2011 and has audited our financial statements for the 2011 and 2010 fiscal years. The Audit

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Committee has appointed Deloitte to be our independent auditors for the fiscal year ending December 31, 2012. ARC stockholders are asked to ratify this appointment at the 2012 annual meeting.

Auditor Fees

A summary of the services provided by Deloitte, our independent auditors for the fiscal years ended December 31, 2011 and 2010, and fees billed for such services (in thousands), is as follows:

	2011	2010
Audit fees[a]	$ 900	$ 900
Audit related fees[b]	118	143
Tax fees	50	12
All other fees	0	350
Total	**$ 1,068**	**$ 1,405**

[a] Consists of aggregate fees billed or expected to be billed for professional services rendered for the audit of our annual consolidated financial statements for the fiscal years ended December 31, 2011 and 2010, reviews of condensed consolidated financial statements in the Company s quarterly reports on Form 10-Q for the fiscal years ended December 31, 2011 and 2010.

[b] Consists of aggregate fees billed or expected to be billed for assurance and related services reasonably related to the performance of the audit or review of the Company s financial statements for the fiscal years ended December 31, 2011 and 2010 and are not included in the audit fees listed above. This category includes fees related to consultations concerning financial accounting and reporting standards, and audit services not required by statute or regulation.

Pre-Approval of Audit and Non-Audit Services

The Audit Committee has adopted a pre-approval policy governing the engagement of the Company s independent registered public accounting firm for all audit and non-audit services. The Audit Committee s pre-approval policy provides that the Audit Committee must pre-approve all audit services and non-audit services to be performed for the Company by its independent registered public accounting firm prior to their engagement for such services. The Audit Committee pre-approval policy establishes pre-approved categories of certain non-audit services that may be performed by the Company s independent registered public accounting firm during the fiscal year, subject to dollar limitations that may be set by the Audit Committee. Pre-approved services include certain audit related services, tax services and various non-audit related services. The term of any pre-approval is 12 months from the date of pre-approval, unless the Audit Committee specifically provides for a different period. The Audit Committee may delegate pre-approval authority to one or more of its members. The member(s) to whom such authority is delegated must report any pre-approval decisions to the Audit Committee at its next meeting. One hundred percent of the services provided by Deloitte during 2011 and 2010 were approved by the Audit Committee in accordance with the pre-approval procedures described above.

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

The Audit Committee has sole authority to appoint ARC s independent auditors for fiscal year 2012 pursuant to the terms of the Audit Committee Charter. Accordingly, stockholder approval is not required to appoint Deloitte as ARC s independent auditors for fiscal year 2012. The board believes, however, that submitting the appointment of Deloitte to the stockholders for ratification is a matter of good corporate governance. If the

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stockholders do not ratify the appointment of Deloitte, the Audit Committee will review its future selection of independent auditors.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE

RATIFICATION OF DELOITTE & TOUCHE LLP AS ARC S

INDEPENDENT AUDITORS FOR FISCAL YEAR 2012

PROPOSAL 3

ADVISORY, NON-BINDING VOTE ON EXECUTIVE COMPENSATION

At our 2011 annual meeting, our stockholders voted (on a non-binding basis) in favor of submission of our executive compensation to our stockholders on an annual basis. Following consideration of the outcome of the say-on-pay frequency vote at our 2011 annual meeting, and subsequent communications with shareholders, the Company has decided to propose an advisory, non-binding stockholder vote on 2011 executive compensation at our 2012 annual meeting under The Dodd-Frank Wall Street Reform and Consumer Protection Act.

We were pleased to receive a favorable vote for our compensation program at our 2011 annual meeting, with approximately 88% of our stockholders who voted at the meeting approving our compensation practices. We consider these voting results to affirm stockholder support for our executive compensation program which is designed to attract, motivate, reward and retain our senior executives in order to achieve our corporate objectives and increase long-term stockholder value, while also focusing on a pay-for-performance philosophy.

The Compensation Discussion and Analysis section, beginning on page 25 of this proxy statement, describes our executive compensation program in greater detail. In particular, stockholders should note the following goals of our executive compensation program:

- To establish pay levels that attract, retain and motivate highly qualified executive officers, taking into account overall market competition for such talent;

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

- To recognize and reward superior individual performance;

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

- To provide compensation opportunities based on the Company s performance.

The Compensation Committee has also taken note of the particular economic and industry conditions that have challenged the Company over the past three years, especially in regard to the lack of private non-residential construction activity and the influences commercial credit, unemployment, vacancy rates and consumer confidence continue to have on our primary end market. Despite these challenges, which include a 40% drop in net sales since 2008:

- Gross margins for the company have generally remained at or above 30% over the past three years.

Annual EBITDA performance net of non-cash or one-time items has remained consistently robust.

In 2011, the Company generated cash flow from operations in excess of $49 million.

The Company has introduced new service lines most significantly Managed Print Services which have helped secure fifteen of the top 100 architecture, engineering and construction firms in the country and offer the potential to open new markets and attract customers outside of our traditional market.

The Company continues to maintain a healthy capital structure, comprised of patient capital in the form of our high-yield bond and most recently a $50 million asset-based revolving credit facility, both of which are designed to provide the Company with working capital and financial flexibility as the economy continues its slow recovery.

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

RESOLVED, that the compensation paid to the Company s named executive officers, as disclosed pursuant to the compensation rules of the United States Securities and Exchange Commission, including in the Compensation Discussion and Analysis, the compensation tables and the related narrative discussion contained in the Company s 2012 Proxy Statement, is approved.

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

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR

THE APPROVAL OF THE COMPENSATION OF OUR EXECUTIVE OFFICERS

DISCLOSED IN THE COMPENSATION DISCUSSION AND ANALYSIS AND RELATED DISCLOSURES IN THE 2012 PROXY STATEMENT

CORPORATE GOVERNANCE PROFILE

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

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

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

Director Independence

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

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

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

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

- Audit Committee members may not receive, directly or indirectly, any consulting, advisory or other compensatory fees from the Company or any of its subsidiaries (other than director fees paid for service on the Audit Committee, the board, or any other committee of the board).
- No member of the Audit Committee may be an affiliated person (as defined under applicable SEC rules) of the Company or any of its subsidiaries.

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

Director Qualifications

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

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

Board Diversity

The Company strives for diversity among its board members, management and employees. In keeping with this strategy, the primary goal of ARC board composition is to achieve a diverse and complementary set of back-

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

Board Leadership Structure and Risk Oversight

Board Leadership Structure

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

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

Risk Oversight

Senior management is responsible for assessing and managing the Company s exposure to risk on a day-to-day basis. Our board is responsible for general oversight of management in its assessment and management of day-to-day risks that affect the Company. The board fulfills its general risk oversight function periodically during board and board committee meetings. To supplement the board s general risk oversight function, the Audit Committee monitors the Company s financial statements and regularly reviews the Company s major financial risk exposures (and the steps management has taken to mitigate such exposures) and the Company s internal controls over financial reporting. The Audit Committee also provides general oversight to the Company s internal audit and compliance functions. The Compensation Committee monitors the design and implementation of the Company s executive compensation program, as well as compensation matters relating to certain non-executive employees. Although the board has established separate board committees, all board members are generally present at each board committee meeting, which facilitates dissemination of information and fulfillment of the board s overall risk oversight function.

Director Attendance at Annual Meeting and Board and Committee Meetings

All of the members of the board of directors who are standing for re-election attended our 2011 annual meeting of stockholders. Although we do not have a formal policy regarding the attendance of board members at our annual meetings of stockholders, we encourage board members to attend.

In 2011, each board member attended or participated in 75% or more of the aggregate of (i) the total number of board meetings (held during the period for which such person has been a director) and (ii) the total number of meetings held by all board committees on which such person served (during the periods that such person served).

Board Meetings

Our board of directors held four meetings and took action by unanimous written consent or electronic transmission without a meeting on four occasions in 2011.

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Board Committees

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

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

Audit Committee

The Audit Committee is governed by the Audit Committee Charter, which can be found in the Corporate Governance section under Investors on our website, *www.e-arc.com*, and is available, at no cost, to any stockholder who requests it by contacting Investor Relations at (925) 949-5100 or by sending a request by mail to 1981 North Broadway, Suite 385, Walnut Creek, California 94596, Attention: David Stickney, Vice President Corporate Communications.

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

The members of our Audit Committee are Eriberto R. Scocimara, Mark W. Mealy and Manuel Perez de la Mesa. Our board of directors has determined that all members of our Audit Committee meet the applicable tests for independence and the requirements for financial literacy that are applicable to audit committee members under the rules and regulations of the SEC and NYSE. Our board of directors also has determined that Mr. Scocimara is an audit committee financial expert as defined by the applicable rules of the SEC and NYSE, as a result of his substantial familiarity and experience with the use and analysis of financial statements of public companies. For more than 40 years, Mr. Scocimara has served in various positions in which he analyzed financial statements in connection with corporate management, financial consulting, acquisition and development of manufacturing companies, and operational restructuring. Mr. Scocimara has also served as audit committee chair for Roper Industries, Inc., Carlisle Companies Incorporated, each a publicly-traded company, and Quaker Fabric Company, formerly a publicly-traded company. Our board of directors has also determined that Mark W. Mealy is an audit committee financial expert as defined by the applicable rules of the SEC and NYSE, as a result of his substantial familiarity and experience with the use and analysis of financial statements of public companies. For the last 20 years, Mr. Mealy has served in various positions in which he analyzed financial statements in connection with the refinance, recapitalization and restructure of debt and equity securities and the evaluation of mergers and acquisitions. Our board of directors has determined that Manuel Perez de la Mesa also is an audit committee financial expert as defined by the applicable rules of the SEC and NYSE as a result of his education and experience actively supervising a principal financial officer and controller.

The Audit Committee held five meetings in 2011.

Compensation Committee

The Compensation Committee is governed by the Compensation Committee Charter, which can be found in the Corporate Governance Section under Investors on our website, *www.e-arc.com*, and is available, at no cost, to any stockholder who requests it by contacting Investor Relations at (925) 949-5100 or by sending a request by mail to 1981 North Broadway, Suite 385, Walnut Creek, California 94596, Attention: David

Stickney, Vice President Corporate Communications. The functions of the Compensation Committee are described in the

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Compensation Committee Charter and include, among other things, evaluating and approving director and officer compensation, benefit and perquisite plans, policies and programs and producing a compensation committee report on executive officer compensation.

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

The Compensation Committee held four meetings and took action by written consent or electronic transmission without a meeting on three occasions in 2011.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee is governed by the Nominating and Corporate Governance Committee Charter, which can be found in the Corporate Governance Section under Investors on our website, *www.e-arc.com*, and is available, at no cost, to any stockholder who requests it by contacting Investor Relations at (925) 949-5100 or by sending a request by mail to 1981 North Broadway, Suite 385, Walnut Creek, California 94596, Attention: David Stickney, Vice President Corporate Communications.

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

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

The Nominating and Corporate Governance Committee held one meeting in 2011.

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

Stockholder Recommendations of Director Nominees

Our stockholders may recommend director nominees, and the Nominating and Corporate Governance Committee will consider nominees recommended by stockholders. We have not received any recommendations from our stockholders requesting that the board or any of its committees consider a nominee for inclusion in the board s slate of nominees presented in this proxy statement for our 2012 annual meeting. A stockholder wishing to submit a director nominee recommendation for future annual meetings of stockholders must comply with the applicable provisions of our Second Amended and Restated Bylaws, as described under the heading Stockholder Proposals for the 2013 Annual Meeting. Nominees recommended by stockholders will be evaluated in the same manner as nominees recommended by the board and the Nominating and Corporate Governance Committee will consider all relevant qualifications, as well as the needs of the Company, in order to comply with NYSE and SEC rules.

Stockholder Communications with Directors

Stockholders seeking to communicate with the board should send correspondence to the attention of our corporate secretary at American Reprographics Company, 1981 North Broadway, Suite 385, Walnut Creek, California 94596. The corporate secretary will forward all such communications (excluding routine advertisements and business solicitations and communications which the corporate secretary, in his sole discretion, deems to be a security risk or for harassment purposes) to each member of the board, or if applicable, to the individual director(s) named in the correspondence.

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

The corporate secretary will determine the appropriate timing for forwarding stockholder communications to the directors. The corporate secretary will consider each communication to determine whether it should be

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forwarded promptly or compiled and sent with other communications and other board materials in advance of the next scheduled board meeting.

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

DIRECTOR COMPENSATION

Cash Compensation

We pay an annual cash fee of $40,000 to each of our non-employee directors, payable quarterly. In addition, non-employee directors receive $5,000 cash per year for duties as chairman of any board committee.

Equity Compensation

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

Reimbursements

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

The following table summarizes compensation earned by our non-employee directors during fiscal year 2011. Mr. Suriyakumar, the Chairman of our board of directors, and our President and Chief Executive Officer, does not receive compensation for serving on our board of directors.

Director Compensation

For Fiscal Year Ended December 31, 2011

Name	Fees Earned or Paid in Cash ($)	Stock Awards[(1)(2)] ($)	Total[(3)] ($)
Thomas J. Formolo[(4)]	45,000[(5)]	50,000	95,000
Dewitt Kerry McCluggage[(6)]	40,000	50,000	90,000
James F. McNulty[(7)]	40,000	50,000	90,000
Mark W. Mealy[(8)]	45,000[(9)]	50,000	95,000
Manuel Perez de la Mesa[(10)]	40,000	50,000	90,000
Eriberto R. Scocimara[(11)]	45,000[(12)]	50,000	95,000

(1) Reflects restricted stock awards granted under our Plan. One hundred percent of the shares subject to restricted stock awards granted in 2011 vest on the one-year anniversary of the date of grant.

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(2) The amounts shown in this column reflect the fair value at the time of grant in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 718, formerly SFAS 123R (Revised 2004), *Share-Based Payment*. For a discussion of the assumptions used in these calculations, see Note 2 of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

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

(4) As of December 31, 2011, options to purchase 13,851 shares and 23,805 shares of restricted stock, awarded to Mr. Formolo under our Plan, were outstanding.

(5) Includes cash compensation of $5,000 for serving as Chairman of the Compensation Committee for 2011.

(6) As of December 31, 2011, options to purchase 3,997 shares and 10,442 shares of restricted stock, awarded to Mr. McCluggage under our Plan, were outstanding.

(7) As of December 31, 2011, 18,189 shares of restricted stock awarded to Mr. McNulty, under our Plan, were outstanding.

(8) As of December 31, 2011, options to purchase 13,851 shares and 23,805 shares of restricted stock, awarded to Mr. Mealy under our Plan, were outstanding.

(9) Includes cash compensation of $5,000 for serving as Chairman of the Nominating and Corporate Governance Committee for 2011.

(10) As of December 31, 2011, options to purchase 39,351 shares and 23,805 shares of restricted stock, awarded to Mr. Perez de la Mesa under our Plan, were outstanding.

(11) As of December 31, 2011, options to purchase 3,997 shares and 23,805 shares of restricted stock, awarded to Mr. Scocimara under our Plan, were outstanding.

(12) Includes cash compensation of $5,000 for serving as Chairman of the Audit Committee in 2011.

EXECUTIVE OFFICERS

Our executive officers are appointed by our board of directors and serve at the discretion of our board of directors. The names, ages and positions of all of our executive officers as of March 1, 2012 are listed below:

Name	Age	Position
Kumarakulasingam Suriyakumar	58	Chairman, President and Chief Executive Officer Director
John E.D. Toth	42	Chief Financial Officer, Secretary
Rahul K. Roy	52	Chief Technology Officer
Dilantha Wijesuriya	50	Chief Operating Officer
Jorge Avalos	36	Chief Accounting Officer, Vice President Finance

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

John E.D. Toth was appointed Chief Financial Officer in July 2011. Prior to his appointment as the Company s Chief Financial Officer, Mr. Toth was a strategy consultant to Chiquita Brands International, Inc. (NYSE: CQB). From 2008 until 2010, Mr. Toth was Chief Financial Officer of Bell-Carter Foods, Inc., a $200 million privately-held company operating in the food industry, where he was primarily responsible for developing strategic finance and broad-based growth initiatives. Mr. Toth served as Chief Financial Officer of Fresh Express, Inc., a subsidiary of Chiquita Brands International, Inc., from 2006 until 2008. While at Chiquita Brands International, Inc., Mr. Toth also served as Vice President Finance of the Salads and Healthy Snacking division. From 2001 until 2006, Mr. Toth was Chief Financial Officer and Co-Founder of Tennyson West, LLC, a privately-held mergers and acquisitions advisory firm. Mr. Toth received a Master s Degree in Economics, and Bachelor s degree in Economics and Political Science, from Stanford University.

Rahul K. Roy joined Holdings as its Chief Technology Officer in September 2000. Prior to joining the Company, Mr. Roy was the founder, President and Chief Executive Officer of MirrorPlus Technologies, Inc.,

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which developed software for the reprographics industry, from August 1993 until it was acquired by the Company in 1999. Mr. Roy also served as the Chief Operating Officer of InPrint, a provider of printing, software, duplication, packaging, assembly and distribution services to technology companies, from 1993 until it was acquired by the Company in 1999.

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

Jorge Avalos was appointed Chief Accounting Officer/Vice President Finance of the Company on April 14, 2011. Mr. Avalos joined the Company in June 2006 as the Company s Director of Finance and became the Company s Corporate Controller in December 2006 and Vice President, Corporate Controller in December 2010. From March 2005 through June 2006, Mr. Avalos was employed with Vendare Media Group, an online network and social media company, as its controller. From September 1998 through March 2005, Mr. Avalos was employed with PricewaterhouseCoopers LLP, a global professional services firm focusing on audit and assurance, tax and advisory services, and left as an assurance manager.

AUDIT COMMITTEE REPORT

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

The Audit Committee is responsible for overseeing the Company s financial reporting process on behalf of the board. Management of the Company has the primary responsibility for the Company s financial reporting process, principles and internal controls as well as preparation of its financial statements. The Company s independent auditors are responsible for performing an audit of the Company s consolidated financial statements and expressing an opinion as to the conformity of such financial statements with accounting principles generally accepted in the United States.

The Audit Committee has reviewed and discussed the Company s audited financial statements as of and for the year ended December 31, 2011 with management and the independent auditors. The Audit Committee has discussed with the independent auditors the matters required to be discussed under standards established by the Public Company Accounting Oversight Board (United States). The independent auditors have provided to the Audit Committee required written disclosures and communications and the Audit Committee has discussed with the auditors their independence from the Company. The Audit Committee has also considered whether the independent auditors tax fees and other non-audit services to the Company is compatible with maintaining the auditors independence. The Audit Committee has concluded that the independent auditors are independent from the Company and its management.

Based on the review and discussions described above, the Audit Committee has recommended to the board that the Company s audited financial statements be included in its Annual Report on Form 10-K for the year ended December 31, 2011 for filing with the SEC.

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

BENEFICIAL OWNERSHIP OF VOTING SECURITIES

The following table sets forth information, as of March 9, 2012, regarding the beneficial ownership of our common stock by:

- each person who is known to us to own beneficially more than 5% of our common stock;
- all directors and executive officers as a group; and

each of our directors and each of our executive officers named in the Summary Compensation Table.

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The table includes all shares of common stock issuable within 60 days of March 9, 2012 upon the exercise of options and other rights beneficially owned by the indicated stockholders on that date. Beneficial ownership is determined in accordance with the rules of the SEC and includes voting and investment power with respect to shares. The applicable percentage of ownership for each stockholder is based on 46,225,847 shares of common stock outstanding as of March 9, 2012, together with applicable options for that stockholder. Shares of common stock issuable upon exercise of options and other rights beneficially owned were deemed outstanding for the purpose of computing the percentage ownership of the person holding these options and other rights, but are not deemed outstanding for computing the percentage ownership of any other person. The information on beneficial ownership in the table and footnotes below is based upon our records, the most recently-filed Schedules 13D or 13G and information supplied to us. To our knowledge, except under applicable community property laws or as otherwise indicated in the footnotes to this table, beneficial ownership is direct and the persons named in the table below have sole voting and sole investment control regarding all shares beneficially owned.

	Shares Beneficially Owned	
Name and Address of Beneficial Owner	**Number**	**Percent**
Principal Stockholders:		
Sathiyamurthy Chandramohan [(1)(2)]	6,518,882	14.1%
Micro Device, Inc.	5,684,842	12.3%
Stadium Capital Management, LLC[(4)] 550 NW Franklin Avenue, Suite 478 Bend, OR 97701	5,893,877	12.8%
T. Rowe Price Associates, Inc.[(5)] 100 E Pratt Street Baltimore, MD 21202	3,361,690	7.3%
PZENA Investment Management, LLC[(6)] 120 West 45th Street, 20th floor New York, NY 10036	2,969,312	6.4%
Directors and Executive Officers:		
Kumarakulasingam Suriyakumar [(1)(3)(7)(8)]	7,392,821	16.0%
Thomas J. Formolo [(9)(10)(11)]	96,155	**
Jonathan R. Mather [(12)]	190,000	**
Dewitt Kerry McCluggage [(11)(13)(14)]	14,439	**
James F. McNulty [(11)]	18,189	**
Mark W. Mealy [(10)(11)(15)]	67,656	**
Manuel Perez de la Mesa [(11)(16)]	83,156	**
Rahul K. Roy [(17)]	482,253	1.0%
Eriberto R. Scocimara [(11)(14)]	27,802	**
Dilantha Wijesuriya [(18)]	413,620	**
John Toth[(19)]	30,000	**
Jorge Avalos [(20)]	49,750	**
All directors and executive officers as a group (twelve persons)	8,865,841	19.2%

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

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

(1) Includes 5,684,842 shares held by Micro Device, Inc. As Messrs. Chandramohan and Suriyakumar have ownership interests of 56% and 44%, respectively, in Micro Device, Inc. and serve on its board of directors, each could be deemed to have beneficial ownership of all these shares. Messrs. Chandramohan and

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Suriyakumar each disclaim beneficial ownership of these shares except to the extent of each of their pecuniary interests therein.

(2) Includes 328,648 shares previously held by Dieterich Post Company, of which Mr. Chandramohan holds a 47.6% ownership interest.

(3) Includes 15,504 shares of restricted stock which remain subject to a repurchase option in favor of the Company which lapses on March 27, 2012.

(4) This information is based solely on a Schedule 13G/A filed jointly by Stadium Capital Management, LLC (SCM), Bradley R. Kent (Kent), and Alexander M. Seaver (Seaver) as a group and Stadium Relative Value Partners, L.P. (SRV) on February 13, 2012. SRV is an investment limited partnership, the general partner of which is SCM, an investment advisor whose clients have the right to receive or the power to direct the receipt of dividends from, or the sale of, the stock. Seaver and Kent are the managing partners of SCM. SRV filed the Schedule 13G jointly with SCM, Kent and Seaver, but is not a member of a group and expressly disclaims membership in a group.

(5) This information is based solely on a Schedule 13G/A filed jointly by T. Rowe Price Associates, Inc. and T. Rowe Price Small-Cap Stock Fund, Inc. on February 10, 2012. These securities are owned by various individual and institutional investors, for which T. Rowe Price Associates, Inc. (Price Associates) serves as investment adviser with power to direct investments and/or sole power to vote the securities. For the purposes of the reporting requirements of the Exchange Act, Price Associates is deemed to be a beneficial owner of such securities; however, Price Associates expressly disclaims that it is, in fact, the beneficial owner of such securities.

(6) This information is based solely on a Schedule 13G filed by PZENA Investment Management, LLC (PZENA) on February 10, 2012. PZENA has sole voting power over 2,410,800 shares and sole dispositive power over 2,969,312 shares.

(7) Includes 886,052 shares held by the Suriyakumar Family Trust, the Suriyakumar Annuity Trust I and the Suriyakumar Annuity Trust II. Mr. Suriyakumar and his spouse, as trustees of the Suriyakumar Family Trust, the Suriyakumar Annuity Trust I and the Suriyakumar Annuity Trust II, share voting and investment power over these shares.

(8) Includes 258,223 shares previously held by Dieterich Post Company, of which Mr. Suriyakumar holds a 37.4% ownership interest.

(9) Includes 12,740 shares held by Danish-Italian Investors, L.P., Series A and 10,030 shares held by the Andersen-Formolo Family Foundation. Mr. Formolo could be deemed to have beneficial ownership of all of these shares but disclaims beneficial ownership except to the extent of his pecuniary interest therein.

(10) Includes 13,851 shares issuable upon exercise of outstanding stock options exercisable within 60 days of March 9, 2012.

(11) Includes 5,587 shares of restricted stock which remain subject to a repurchase option in favor of the Company which lapses on April 28, 2012.

(12) Includes 40,000 shares and 150,000 shares issuable upon exercise of outstanding stock options exercisable within 60 days of March 9, 2012.

(13) Includes 5 shares of stock held by the Dewitt Kerry McCluggage and Victoria L. McCluggage Trust. Mr. McCluggage and his spouse, as trustees of the Dewitt Kerry McCluggage and Victoria L. McCluggage Trust, share voting and investment power over these shares.

(14) Includes 3,997 shares issuable upon exercise of outstanding stock options exercisable within 60 days of March 9, 2012.

(15) Includes 30,000 shares held by Eastover Group LLC. Mr. Mealy has controlling voting and investment power over these shares.

(16) Includes 39,351 shares issuable upon exercise of outstanding stock options exercisable within 60 days of March 9, 2012 and 6,000 shares held by Mr. Perez s children.

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(17) Includes 15,000 shares of restricted stock which vest at the rate of 25% on each of the first four anniversaries of the date of grant; and 439,000 shares issuable upon exercise of outstanding stock options exercisable within 60 days of March 9, 2012.

(18) Includes 85,170 shares issuable upon exercise of outstanding stock options exercisable within 60 days of March 9, 2012; 30,000 shares of restricted stock which vest at the rate of 20% on each anniversary date of grant; and 298,050 shares held by the Wijesuriya Family Trust. Mr. Wijesuriya and his spouse, as trustees of the Wijesuriya Family Trust, share voting and investment power over the shares held by the trust.

(19) Includes 30,000 shares of restricted stock which vest at the rate of 25% on each of the first four anniversaries of the date of grant.

(20) Includes 28,750 shares issuable upon exercise of outstanding stock options exercisable within 60 days of March 9, 2012.

EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth information as of December 31, 2011 regarding all compensation plans previously approved by our security holders and all compensation plans not previously approved by our security holders.

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	(b) Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity compensation plans approved by stockholders			
2005 Stock Plan	2,166,008[(1)]	$ 7.83	2,328,403[(2)]
2005 Employee Stock Purchase Plan		$	319,630
Equity compensation plans not approved by stockholders		$	
Total	2,166,008	$	2,648,033

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

(2) The total shares of common stock currently reserved and authorized for issuance under our Plan equals 6,500,000 shares of common stock.

COMPENSATION DISCUSSION AND ANALYSIS

Compensation Committee

Our Compensation Committee is comprised solely of independent directors and is responsible for administering our stock plan and reviewing and making recommendations to our board of directors regarding compensation and benefits programs for our executive officers. After considering the Compensation Committee s recommendations, the entire board of directors reviews and approves the salaries, bonuses and benefit programs for our executive officers. Our Compensation Committee has the authority to engage the services of outside consultants to assist it.

Our Compensation Committee also relies upon recommendations from our Chief Executive Officer in providing recommendations regarding compensation of our non-executive officers.

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Executive Compensation Philosophy

Our executive compensation program is designed to attract, retain and motivate our executive officers in a manner that is tied directly to achievement of our overall operating and financial goals and, in turn, to increase stockholder value over the long term. We believe it is in the best interests of our stockholders and our executive officers that our compensation program reflect and be tied to company-wide and individual performance and be easy to administer. We intend that this simplicity reduce the time and cost involved in setting and implementing our compensation policies and increase the transparency of our compensation program. With this in mind, our compensation program provides our executive officers with the incentive to increase our revenues and earnings per share, to develop and enhance our industry-leading technology and to execute our long-term strategic plan, while at the same time providing a clear framework for measuring and rewarding performance.

We also intend that our executive compensation program reflect, to a certain extent, the prevailing economic environment and the resulting operations of the Company. As a result, in early 2009, the primary components of our executive compensation program were temporarily altered in response to the general economic downturn. The recent temporary changes to our executive compensation program are discussed in Temporary Executive Compensation Program Changes below.

Objectives

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

- To establish pay levels that attract, retain and motivate highly qualified executive officers, taking into account overall market competition for such talent;
- To foster an ownership mentality and align the interests of our executive officers with those of our stockholders through long-term equity incentives;
- To recognize and reward superior individual performance;
- To balance base and incentive compensation to complement our short-term and long-term business objectives and encourage the fulfillment of those objectives through individual performance; and
- To provide compensation opportunities based on the Company s performance.

The Compensation Committee believes that these goals are equally appropriate for our non-executive officers, and has established that annual incentive bonuses and equity grants be included as fundamental elements of their compensation. As a result, the Compensation Committee determined that, beginning in 2008, the compensation of certain of the Company s non-executive, management-level employees include an element directly tied to the Company s achievement of its forecasted annual pre-tax earnings per share on a fully-diluted basis (EPS), which was subsequently revised to Adjusted EBITDA (consisting of net income before interest, taxes, depreciation and amortization, excluding stock-based compensation expense and non-cash impairment charges), as this was deemed a better gauge of the performance of those non-executive, management-level employees.

Consideration of 2011 Say-on-Pay Results

Approximately 88% of our stockholders that voted at our 2011 annual meeting approved the compensation of our executive officers in 2010 (as described in our 2011 proxy statement). The Compensation Committee believes that this affirms stockholder support for our executive compensation program. As a result, the overall approach to executive compensation as described in our 2011 proxy statement has not changed. The Compensation Committee will continue to consider the outcome of stockholder say-on-pay advisory votes when making future compensation decisions for our executive officers.

Broad-Based Compensation Data

Prior to entering into employment agreements with certain of our executive officers in February 2005, under which their base salaries were established, our then governing board of advisors (prior to our reorganization as a

Delaware corporation) engaged Mercer Human Resource Consulting (Mercer) to provide broad-based third-party survey data regarding base salary, annual incentive bonuses, long-term incentive compensation and other elements of executive remuneration for each of our executive officer positions, and recommendations for contracts between us and our executive officers. Based on Mercer s data and recommendations at that time, the Company entered into employment agreements with three-year initial terms through February 9, 2008 with Mr. Suriyakumar, then our President and Chief Operating Officer (now our Chairman, President and Chief Executive Officer), and Mr. Roy, our Chief Technology Officer, setting their respective base salaries within approximately 10% of the salaries proposed by Mercer. We did not adjust the base salaries for Messrs. Suriyakumar and Roy during the initial three-year terms of their employment agreements.

In 2009, the Compensation Committee considered updated broad-based compensation data for executive officers of similarly-sized companies compiled by Mercer from its 2009 US Global Premium Executive Remuneration Suite and Watson Wyatt s 2009/2010 Survey Report on Top Management, consisting of general survey data regarding base salary, target short-term incentives, target total cash compensation and total direct compensation. The Compensation Committee used this updated survey data in assessing the Company s then-current executive compensation program and comparing it to compensatory market conditions.

Compensation Consultant; Peer Group Benchmarking

The Compensation Committee has the authority to engage its own advisors. In November 2010, the Compensation Committee directly retained the services of Lyons, Benenson & Company (Lyons Benenson), an independent compensation consulting firm, to conduct an executive compensation review to ensure the effectiveness and competitiveness of the Company s executive compensation program. Other than services requested by the Committee, Lyons Benenson does not provide any services to the Company.

With the assistance of Lyons Benenson, the Compensation Committee identified a group of peer companies to use in assessing the Company s executive compensation programs. The peer group was comprised of a cross section of publicly-traded companies (including business services and engineering companies) considered comparable to the Company in terms of revenue, market capitalization and net income and consisted of the following companies:

APAC Customer Services Inc.	G&K Services, Inc.	Journal Communications Inc.	Schawk, Inc.
Cenveo, Inc.	GSI Commerce, Inc.	MDC Partners Inc.	The Standard Register Company
Consolidated Graphics, Inc.	Harte-Hanks, Inc.	Monster Worldwide, Inc.	TeleTech Holdings, Inc.
Emdeon Inc.	Healthcare Services Group, Inc.	Multi-Color Corporation	Tetra Tech, Inc.
Ennis, Inc.	InnerWorkings, Inc.	Quad-Graphics, Inc.	Vistaprint N.V.

The Compensation Committee reviewed compensation data at peer companies to inform its decision-making process regarding the Company s executive compensation program. In particular, the Committee used the results of Lyons Benenson s report in connection with the renewal of employment agreements with Messrs. Suriyakumar and Roy and in determining Mr. Wijesuriya s compensation as Chief Operating Officer in early 2011 (as discussed in greater detail below).

Elements of Executive Compensation

Our executive compensation program includes the following elements:

- Base salary
- Annual incentive bonuses
- Equity grants

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- Change of control and severance arrangements

- Optional participation in our employee stock purchase plan

- Other benefits that are generally available to all of our employees, such as optional participation in our 401(k) program and health, life and disability insurance.

Base Salary

Base salaries for our executive officers are established based on the scope of their respective responsibilities, taking into account competitive market compensation paid by similarly-sized companies for similar positions. We intend that base salaries will provide executive officers with a reasonable and secure standard of living, based on the executive officer s position within the organization and geographical location.

President and Chief Executive Officer

In July 2007, we amended Mr. Suriyakumar s employment agreement to extend its term until February 9, 2011 and to appoint him as our President and Chief Executive Officer. Mr. Suriyakumar s base salary was not increased from that fixed under his original February 2005 agreement when he was President and Chief Operating Officer of the Company.

The term of Mr. Suriyakumar s employment agreement expired on February 9, 2011. The Compensation Committee recognized the importance of retaining the services of Mr. Suriyakumar as the Company s President and Chief Executive Officer during the difficult economic conditions that the Company continues to face through the recovery period. As a result, the Compensation Committee considered it critical to properly incentivize Mr. Suriyakumar to remain in his current position and has renewed his employment agreement for an additional three-year term (ending in February 2014). In light of the fact that Mr. Suriyakumar s base salary had not been increased from his original base salary as Chief Operating Officer in 2005 , and in recognition of Mr. Suriyakumar s leadership and contributions to the Company during the recent recession, Mr. Suriyakumar s base salary was increased from $650,000 per year to $950,000 under his renewed employment agreement, subject to temporary reductions in base salary, as described in greater detail below under Temporary Executive Compensation Program Changes.

Chief Technology Officer

The original term of the employment agreement with Rahul Roy, our Chief Technology Officer, expired in February 2008, but was automatically extended on a year-to-year basis thereafter. In April 2008, we amended Mr. Roy s employment agreement to extend its term until March 31, 2011 and to increase his base salary from $400,000 to $450,000. In March 2011, Mr. Roy s employment agreement was further amended to extend the term until March 31, 2014 and increase his base salary from $450,000 to $500,000, subject to temporary reductions in base salary, as described in greater detail below under Temporary Executive Compensation Program Changes. These increases in base salary were intended to recognize Mr. Roy s accomplishments in developing our suite of proprietary software products and applying his technological expertise to the reprographics industry in general, and to compensate him, in part, with a base salary that is competitive with compensation paid to comparable executive officers of similarly-sized companies.

Chief Financial Officer

Jonathan Mather. Mr. Mather retired from his position as Chief Financial Officer in July 2011. When we hired Mr. Mather as our Chief Financial Officer in December 2006, we entered into an employment agreement with a three-year initial term that fixed Mr. Mather s salary upon the recommendation of the Compensation Committee. In determining Mr. Mather s base salary, we considered our revenue growth since the date of Mercer s 2005 report, as well as then-existing market competitive factors to recruit a Chief Financial Officer with experience comparable to Mr. Mather, who served as Chief Financial Officer for another public company until he joined the Company. In April, 2008, we amended Mr. Mather s employment agreement to extend its term until March 31, 2012 and to increase his base salary from $360,000 to $375,000. As was the case with the increase in

Mr. Roy s base salary, the increase in Mr. Mather s base salary was intended to reflect base salaries paid by companies of similar size to officers of comparable positions and to acknowledge and reward Mr. Mather s performance as our Chief Financial Officer, as is consistent with the Company s compensation objectives and philosophy.

John E.D. Toth. Mr. Toth was hired in July 2011 to replace Jonathan Mather, our former Chief Financial Officer, following his retirement. We entered into an employment agreement with Mr. Toth in connection with his appointment as Chief Financial Officer with an initial three-year term and an annual base salary of $300,000. In determining Mr. Toth s base salary, we considered then-existing market factors to recruit a CFO with comparable experience and base salaries paid by public companies of similar size to officers of comparable positions, including relevant data provided by Lyons Benenson.

Chief Operating Officer

In connection with Dilantha Wijesuriya s appointment as our Senior Vice President National Operations in August 2008, his base salary was set at $250,000, which we considered to be competitive with compensation paid to executive officers of similarly-sized companies based on the nature and scope of Mr. Wijesuriya s position as Senior Vice President National Operations. In light of Mr. Wijesuriya s performance in his duties to the Company, including his effective supervision of Company-wide operations, Mr. Wijesuriya was promoted to Chief Operating Officer in February 2011 and his base salary was increased to $350,000. Mr. Wijesuriya has agreed to temporary reductions in base salary, as described in greater detail below under Temporary Executive Compensation Program Changes.

Chief Accounting Officer, Vice President Finance

In connection with Mr. Avalos appointment as Chief Accounting Officer, Vice President Finance in April 2011, his base salary was set at $260,000, which we considered to be competitive with compensation paid to comparable executive officers of similarly-sized companies, taking into account the nature and scope of this position and relevant data provided by Lyons Benenson.

In response to the general economic downturn, base salaries payable to certain of our executive officers were temporarily reduced for the 2009 through 2012 fiscal years. See Temporary Executive Compensation Program Changes below for greater details.

Annual Incentive Awards

We utilize annual incentive bonuses to focus corporate behavior on improved financial performance and achievement of specific annual objectives. Our annual incentive bonuses, as opposed to our stock option and restricted stock grants described below, are designed to reward our executive officers for their performance during the most recent fiscal year. We believe that the immediacy of these annual bonuses, in contrast to equity grants vesting over a longer time period, provides a more direct incentive to our executive officers to drive the Company s current financial performance and meet their respective individual objectives. We intend for our annual incentive bonuses to be an important motivating factor for our executive officers, and we thus apportion a substantial percentage of their total annual compensation to these bonuses.

President and Chief Executive Officer

We adopted the recommendation of Mercer in 2005 in connection with the executive employment agreements signed in February 2005 to base the annual incentive bonuses for our President and Chief Executive Officer solely on year-over-year growth of our pre-tax EPS. We did so based on our belief that a substantial portion of our President and Chief Executive Officer s anticipated annual compensation should be directly tied to driving earnings the most important measure of the Company s performance and that aligning the interests of Mr. Suriyakumar with the interests of our stockholders in this manner is appropriate, especially since Mr. Suriyakumar is one of our founders and remains among the Company s largest stockholders.

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Under his original employment agreement, Mr. Suriyakumar was entitled to receive an annual incentive bonus in an amount equal to $60,000 for each full percentage point by which our pre-tax EPS for the applicable fiscal year exceeds our pre-tax EPS for the immediately preceding fiscal year by more than 10%, after taking into account the amount of the incentive bonus earned by Mr. Suriyakumar. This bonus structure is maintained under Mr. Suriyakumar s employment agreement that was renewed in 2011 to continue to incentivize Mr. Suriyakumar to drive growth in the Company. In light of the continuing downturn in our primary markets, and the low absolute level of our pre-tax EPS, this bonus structure could have potentially resulted in an unusually large percentage change and bonus payment to Mr. Suriyakumar. As a result, the Compensation Committee and Mr. Suriyakumar agreed to include a provision in his renewed employment agreement that the amount of the annual incentive bonus is capped at $4,000,000 per year (plus any amount that is unearned in prior years). Any annual incentive bonus to Mr. Suriyakumar under the amended agreement is payable 70% in cash and 30% in shares of restricted stock. The shares of restricted stock issued to Mr. Suriyakumar under his amended employment agreement will vest at the rate of 25% each year on the first four anniversaries of the date of grant. Under Mr. Suriyakumar s original employment agreement, his annual incentive bonus was not capped and was payable 100% in cash at Mr. Suriyakumar s option. Since the pre-tax EPS target was not met in 2011, no annual incentive bonus was paid to Mr. Suriyakumar for that year.

Other Executive Officers

As recommended by Mercer prior to signing employment agreements with our executive officers in February 2005 (and in contrast to the annual incentive bonuses available to our President and Chief Executive Officer), our other executive officers are eligible to earn annual incentive bonuses, conditioned upon achievement of overall corporate financial metrics and fulfillment of individual performance criteria as recommended by the Chief Executive Officer and approved by the Compensation Committee. We intend that these goal-oriented awards be responsive to changing internal and external business conditions and objectives from year to year. Based on the accomplishments of our executive officers in past years, we continue to believe that carefully crafted, objectives-based annual incentive bonuses will drive operational and technological success. Accordingly, at the beginning of each fiscal year, overall corporate financial metrics and individual performance objectives are established for each of our other executive officers (apart from our President and Chief Executive Officer) against which their actual performance is measured after the end of the relevant fiscal year.

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

In 2011, payment of annual incentive bonuses to our other executive officers (apart from our President and Chief Executive Officer) was subject to achievement of an Adjusted EBITDA target of $73.3 million. (EBITDA is a supplemental measure of the Company s performance that is not required by or presented in accordance with accounting principles generally accepted in the United States of America. Adjusted EBITDA represents net income before interest, taxes, depreciation and amortization and excludes stock-based compensation expense and non-cash impairment charges.) Since the EBITDA target for 2011 was not met, no annual incentive bonuses were paid for the 2011 fiscal year.

Chief Financial Officer

John E.D. Toth, our current Chief Financial Officer, was appointed in July 2011 to replace Jonathan Mather, our former Chief Financial Officer. Under his employment agreement, Mr. Toth is eligible to receive an annual incentive bonus in an amount up to 80% of his annual base salary, payable in cash, contingent upon achievement of corporate and individual performance criteria to be established by our President and Chief Executive Officer in consultation with Mr. Toth and approved by the Compensation Committee. In light of the transition within the Chief Financial Officer role during the 2011 fiscal year, annual incentive bonus objectives were not set for the

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Chief Financial Officer position for 2011 in order to allow for an appropriate transition period within this position.

Chief Technology Officer

Mr. Roy s employment agreement was renewed in March 2011. Under his renewed agreement, Mr. Roy is eligible to receive an annual incentive bonus in an amount up to 80% of his annual base salary, payable in cash or ARC stock, contingent upon achievement of corporate and individual performance criteria to be established by our President and Chief Executive Officer in consultation with Mr. Roy, and approved by the Compensation Committee. For 2011, the Compensation Committee determined that Mr. Roy s annual incentive bonus objectives were tied to the following goals (with equal weighting): successful launch of upgrades to the Company s ishipdocs and Abacus technology products, and achieve targeted licensing revenues of $4.5 million, building information modeling (BIM) services revenues of $3.0 million and technology sales revenues of $1.0 million.

Chief Operating Officer

Mr. Wijesuriya (formerly our Senior Vice President National Operations) was appointed Chief Operating Officer in February 2011. Mr. Wijesuriya s employment agreement was amended in connection with his promotion to Chief Operating Officer. Under his amended agreement, Mr. Wijesuriya is eligible to receive an annual incentive bonus up to 100% of his base salary, payable in cash, contingent upon achievement of corporate and individual performance criteria to be established by our Chief Executive Officer in consultation with Mr. Wijesuriya, and approved by the Compensation Committee. For 2011, the Compensation Committee determined that Mr. Wijesuriya s annual incentive bonus objectives, as Chief Operating Officer, were tied to the following goals (with equal weighting): completion of a targeted level of acquisitions in China; achieve $15 million of Company-wide cost savings initiatives; and achieve $0.10 earnings per share (on a pro forma, fully-diluted basis), $460 million in sales revenues and Global Services revenues of $58 million for fiscal year 2011.

In order to provide a long-term incentive component to Mr. Wijesuriya s compensation as Chief Operating Officer, under his amended employment agreement, Mr. Wijesuriya is also eligible to receive an annual long-term equity incentive award, payable in the form of an annual stock option grant valued at $200,000 (based on the Black-Scholes valuation model) at an exercise price equal to the closing price of our common stock on the New York Stock Exchange on the date of grant. The shares subject to such option grants will vest at the rate of 25% each year on the first four anniversaries of the date of grant.

Chief Accounting Officer, Vice President Finance

Mr. Avalos was appointed our Chief Accounting Officer, Vice President Finance in April 2011. Under his employment agreement, Mr. Avalos is eligible to receive an annual incentive bonus up to $150,000, payable in cash, upon achievement of performance criteria to be established by our Chief Financial Officer in consultation with Mr. Avalos and approved by the Compensation Committee. For 2011, the Compensation Committee determined that Mr. Avalos annual incentive bonus objectives were tied to the following goals (with equal weighting): cash generation of 97.5% of EBT for fiscal year 2011; maintain past due accounts receivable to 10% or less; exceed $0.10 earnings per share (on a pro forma fully-diluted basis) for fiscal year 2011; exceed $15 million of Company-wide cost savings initiatives; and completion of certain tax-related projects by 2011 fiscal year end.

Temporary Executive Compensation Program Changes

We strive to keep our executive compensation program nimble in order to reflect the business conditions in our industry and the economy as a whole. As such, components of our executive compensation program have been temporarily adjusted over the last several years to take into account prevailing economic conditions. Those changes are summarized below.

2009 Fiscal Year. In light of prevailing economic conditions in 2009, and in connection with the Company s overall cost reduction initiative, the employment agreements with our executive officers were amended in March

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2009 to provide for voluntary temporary reductions of their respective base salaries from the effective date of the reduction through January 31, 2010 (or, in the case of Mr. Suriyakumar, until December 31, 2009). Under their respective employment agreement amendments, Mr. Suriyakumar agreed to a 50% reduction in base salary and each of Messrs. Mather, Roy and Wijesuriya agreed to a 10% reduction in base salary. In addition, under the employment agreement amendments, each of Messrs. Suriyakumar, Mather, Roy and Wijesuriya agreed to a waiver of the bonus opportunity for the Company s fiscal year 2009.

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

2011 Fiscal Year. In light of then-projected continuing challenges in the AEC industry, Mr. Suriyakumar agreed to a 25% temporary base salary reduction, Mr. Wijesuriya agreed to a 15% temporary base salary reduction and Mr. Roy agreed to a 10% base salary reduction from the date of amendment of their employment agreements in early 2011 through the remainder of fiscal year 2011.

2012 Fiscal Year. In light of projected continuing challenges in the AEC industry in 2012, Mr. Suriyakumar agreed to a 10% temporary base salary reduction, and each of Messrs. Wijesuriya and Roy agreed to a 5% temporary base salary reduction for fiscal year 2012.

Equity Grants

We believe that equity grants provide our executive officers, non-executive officers and other management-level employees with a strong link to our long-term performance, create an ownership culture and closely align the interests of these employees with the interests of our stockholders. The purpose of equity grants is to encourage a long-term view of the Company s success and to reward achievements with respect to the Company s strategic goals and financial performance priorities, as well as individual performance. Grants are generally made at a Compensation Committee meeting during the first half of the fiscal year, although the Compensation Committee retains the right to make grants at other meetings if there are questions or open discussion items regarding such grants. We do not decide when to grant equity awards based on our plans for release of material information to the public and we do not time the release of material information to the public based on when we make equity grants.

Stock Options

Our executive officers and our non-executive, management-level employees are eligible to receive stock options pursuant to our stock plan.

In 2011, Mr. Wijesuriya, our Chief Operating Officer, was granted, as an annual long-term incentive award, an option to purchase 45,249 shares of the Company s common stock under our 2005 Stock Plan. Details regarding this stock option grant are included in the Summary Compensation Table in this proxy statement. We did not grant any additional stock options to our executive officers in 2011.

Restricted Stock Awards

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

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In 2011, we made the following grants to our executive officers:

- A grant of 1,444 shares of restricted stock to Mr. Suriyakumar, as a component of his 2011 base salary pursuant to his employment agreement which was renewed in 2011.

- A grant of 15,000 shares of restricted stock to Mr. Roy in April 2011 in recognition of his contributions to the Company s technology products and services.

- A grant of 15,000 shares of restricted stock to Mr. Avalos in connection with his appointment as our Chief Accounting Officer, Vice President Finance.

- A grant of 30,000 shares of restricted stock to Mr. Toth in connection with his appointment as our Chief Financial Officer in July 2011.

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

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

Change of Control and Severance Arrangements

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

Employee Stock Purchase Plan

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

Other Compensation

Our executive officers are eligible to participate in our health, life and disability insurance plans, and our 401(k) plan to the same extent that our other employees are entitled to participate in such plans. In light of prevailing economic conditions in 2009, our 401(k) plan was amended to eliminate the Company s mandatory matching contribution and to provide for discretionary matching contributions by the Company. This change applies to all 401(k) plan participants, including our executive officers. Our employment agreements with certain of our executive officers also provide for payment of certain perquisites, including car allowances and club membership dues. We believe that these benefits are desirable and appropriate in order to retain talent and remain competitive in the marketplace and are generally consistent with the practices of our peers. Details about these perquisites are included in the Summary Compensation Table.

We have no current plans to further amend the employment agreements with our executive officers (except as required by law or as required to clarify the benefits to which our executive officers are entitled as set forth therein) or change the levels of benefits provided thereunder.

Summary

After its review of all existing programs, consideration of current market and competitive conditions and alignment with our overall compensation objectives and philosophy, the Compensation Committee believes that

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the total compensation program for our executive officers is focused on increasing value for stockholders and enhancing the Company s performance. The Compensation Committee currently believes that a significant portion of compensation of executive officers is properly tied to stock appreciation or stockholder value through stock options, restricted stock awards and/or annual incentive bonus measures. The Compensation Committee believes that our executive compensation levels are competitive with compensation programs offered by other companies with which we compete for executive talent.

COMPENSATION COMMITTEE REPORT

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

Thomas J. Formolo, Chairman

Dewitt Kerry McCluggage

James F. McNulty

Manuel Perez de la Mesa

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EXECUTIVE COMPENSATION

Summary Compensation Table

The following table provides information regarding the compensation earned during the fiscal year indicated by our President and Chief Executive Officer (our principal executive officer), our current Chief Financial Officer (our principal financial officer), our former Chief Financial Officer (our principal financial officer for a portion of the 2011 fiscal year) and our three other most highly compensated executive officers (other than our principal executive officer and our principal financial officer) who were serving as executive officers as of December 31, 2011.

Summary Compensation Table

Name and Principal Position[1]	Year	Salary ($)	Bonus ($)	Stock Awards[2] ($)	Option Awards[2] ($)	Non-Equity Incentive Plan Compensation ($)	All Other Compensation[3] ($)	Total ($)
Kumarakulasingam Suriyakumar	2011	687,053[4]		12,500			20,422	719,975
President and Chief	2010	574,313[5]					20,706	595,019
Executive Officer	2009	375,000[6]					30,024	405,024
John E.D. Toth[7]								
Chief Financial Officer	2011	138,462		208,500			9,360	356,322
Rahul K. Roy	2011	438,534[8]		134,250			44,529	617,313
Chief Technology	2010	397,601[9]					45,617	443,218
Officer	2009	410,365[10]			30,346		48,699	489,410
Dilantha Wijesuriya	2011	286,130[11]			200,000[12]		33,645	519,775
Chief Operating Officer	2010	208,197[9]					30,692	238,889
	2009	226,923[10]		183,300	86,052		28,905	525,180
Jorge Avalos	2011	242,548[13]		149,100			73,150	464,798
Chief Accounting Officer, Vice President Finance								
Jonathan R. Mather[14]	2011	202,320					487,280	689,600
Former Chief Financial	2010	331,334[9]					15,648	346,982
Officer	2009	340,672			316,062		25,557	682,291

(1) In addition to our principal executive officer and our principal financial officer, our other executive officers (as defined in Rule 3b-7 of the Exchange Act) in 2011 were our Chief Technology Officer, Mr. Roy; our Chief Operating Officer (formerly our Senior Vice President National Operations), Mr. Wijesuriya; and our Chief Accounting Officer, Vice President Finance, Mr. Avalos.

(2) The amounts shown in this column reflect the fair value at the time of grant by the Company in accordance with FASB ASC 718 to the executive officer. For a discussion of the assumptions used in these calculations, see Note 2 of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

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(3) The amounts in this column are set forth in the table below:

Name	Year	Health, Life and Disability Insurance Premiums ($)	Club Membership Dues ($)	401(k) Company Match ($)	Car Allowance ($)	Relocation Benefits ($)	Severance Benefits ($)
Kumarakulasingam Suriyakumar	2011	20,422	0	0	0	0	0
	2010	20,706	0	0	0	0	0
	2009	30,024	0	0	0	0	0
John E.D. Toth	2011	9,360	0	0	0	0	0
Rahul K. Roy	2011	19,888	861	0	23,780	0	0
	2010						