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

Form 10-K

(Mark One)

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

For the Fiscal Year Ended December 31, 2007

or

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

Commission File Number: 001-32407

AMERICAN REPROGRAPHICS COMPANY

(Exact name of Registrant as specified in its Charter)

Delaware
*(State or other jurisdiction of
incorporation or organization)*

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

**1981 N. Broadway, Suite 385
Walnut Creek, California 94596
(925) 949-5100**

*(Address, including zip code, and telephone number,
including area code, of Registrant's principal executive offices)*

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class

Common Stock, par value

New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☐

(Do not check if a smaller reporting company)

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

Based on the closing price of \$30.79 of the registrant's Common Stock on the New York Stock Exchange on June 29, 2007 (the last business day of the registrant's most recently completed second fiscal quarter), the aggregate market value of the voting common equity held by non-affiliates of the registrant on that date was approximately \$1,117,044,635.

As of February 19, 2008, there were 45,561,773 shares of the Registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for its 2008 Annual Meeting of Stockholders to be held on May 2, 2008 are incorporated by reference in the Annual Report on Form 10-K in response to Part III, Items 10, 11, 12, 13 and 14.

AMERICAN REPROGRAPHICS COMPANY

**ANNUAL REPORT ON FORM 10-K
for the fiscal year ended December 31, 2007**

Table of Contents

	<u>Page</u>
<u>PART I</u>	3
<u>Item 1. Business</u>	3
<u>Item 1A. Risk Factors</u>	11
<u>Item 1B. Unresolved Staff Comments</u>	15
<u>Item 2. Properties</u>	15
<u>Item 3. Legal Proceedings</u>	16
<u>Item 4. Submission of Matters to a Vote of Security Holders</u>	16
<u>PART II</u>	17
<u>Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	17
<u>Item 6. Selected Consolidated Financial Data</u>	20
<u>Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation</u>	21
<u>Item 7A. Quantitative and Qualitative Disclosures About Market Risk</u>	41
<u>Item 8. Consolidated Financial Statements and Supplementary Data</u>	42
<u>Item 9. Changes in and Disagreements with Accountants On Accounting And Financial Disclosure</u>	42
<u>Item 9A. Controls and Procedures</u>	42
<u>Item 9B. Other Information</u>	43
<u>PART III</u>	44
<u>Item 10. Directors and Executive Officers of the Registrant</u>	44
<u>Item 11. Executive Compensation</u>	44
<u>Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	44
<u>Item 13. Certain Relationships and Related Transactions</u>	44
<u>Item 14. Principal Accounting Fees and Services</u>	44
<u>PART IV</u>	45
<u>Item 15. Exhibits, Financial Statement Schedules</u>	45
<u>EXHIBIT 10.58</u>	
<u>EXHIBIT 10.60</u>	
<u>EXHIBIT 21.1</u>	
<u>EXHIBIT 23.1</u>	
<u>EXHIBIT 31.1</u>	
<u>EXHIBIT 31.2</u>	
<u>EXHIBIT 32.1</u>	

AMERICAN REPROGRAPHICS COMPANY 2007 ANNUAL REPORT

In this report, "American Reprographics Company," "ARC," "the Company," "we," "us," and "our" refer to American Reprographics Company and its consolidated subsidiaries, unless the context otherwise dictates.

FORWARD-LOOKING STATEMENTS

We have included in this report, and from time to time may make in our public filings, press releases or other public announcements, statements that may constitute "forward-looking statements," as defined by federal securities laws, with respect to our financial condition, results of operations and business, and our expectations or beliefs concerning future events. Words such as, but not limited to, "believe," "expect," "anticipate," "estimate," "intend," "plan," "targets," "likely," "will," "would," "could," and similar expressions or phrases identify forward-looking statements. In addition, our management may make forward-looking statements to analysts, investors, representatives of the media and others.

All forward-looking statements involve risks and uncertainties. The occurrence of the events described, and the achievement of the expected results, depend on many events, some or all of which are not predictable or within our control. Actual results may differ materially from expected results.

Factors that may cause actual results to differ from expected results include, among others:

- the current residential construction industry downturn and any general downturn in the architectural, engineering and construction industry;
- competition in our industry and innovation by our competitors;
- our failure to anticipate and adapt to future changes in our industry;
- uncertainty regarding our product and service innovations;
- the inability to charge for our value-added services to offset potential declines in print volumes;
- adverse developments affecting the State of California, including general and local economic conditions, macroeconomic trends, and natural disasters;
- our inability to successfully identify and consummate potential acquisitions, manage our acquisitions or open new branches;
- our inability to successfully monitor and manage the business operations of our subsidiaries and uncertainty regarding the effectiveness of financial and management policies and procedures we established to improve accounting controls;
- adverse developments concerning our relationships with certain key vendors;
- our inability to adequately protect our intellectual property and litigation regarding intellectual property;
- acts of terrorism, violence, war, natural disaster or other circumstances that cause damage or disruption to us, our facilities, our technology centers, our vendors or our customers;
- the loss of key personnel or qualified technical staff;
- the potential writedown of goodwill or other intangible assets we have recorded in connection with our acquisitions;
- the availability of cash to operate and expand our business as planned and to service our debt;
- failure to maintain an effective system of internal controls necessary to accurately report our financial results and prevent fraud; and
- potential environmental liabilities.

All future written and verbal forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. We

undertake no obligation, and specifically decline any obligation, to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You should, however, consult further disclosures we may make in future filings of our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K, and any amendments thereto, as well as our proxy statements.

See the section entitled “Risk Factors” in Item 1A of this report for a more complete discussion of these risks and uncertainties and for other risks and uncertainties. These factors and the other risk factors described in this report are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any of our forward-looking statements. Other unknown or unpredictable factors also could harm our results. Consequently, there can be no assurance that the actual results or developments anticipated by us will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, us. Given these uncertainties, you are cautioned not to place undue reliance on such forward-looking statements.

TRADEMARKS AND TRADE NAMES

We own or have rights to trademarks, service marks, and trade names that we use in conjunction with the operation of our business, including the name and design mark “ARC American Reprographics Company®,” and the names “Abacus PCRTM,” “BidCasterSM,” “PlanWell EWOSM,” “MetaPrintTM,” “OneViewSM,” “PEiR GroupSM,” “PlanWell®,” “PlanWell PDS®,” “PlanWell EnterpriseSM,” “Sub-HubSM,” and various design marks associated therewith. In addition, we own or have rights to various trademarks, service marks, and trade names that we use regionally in conjunction with the operation of our divisions. This report also includes trademarks, service marks and trade names of other companies.

PART I

Item 1. *Business*

Our Company

We are the leading reprographics company in the United States providing business-to-business document management services to the architectural, engineering and construction industry, or AEC industry. We also provide these services to companies in non-AEC industries, such as technology, financial services, retail, entertainment, and food and hospitality, that require sophisticated document management services similar to our core AEC offerings. Reprographics services typically encompass the digital management and reproduction of construction documents or other graphics-related material and the corresponding finishing and distribution services. The business-to-business services we provide to our customers include document management, document distribution and logistics, print-on-demand, and a combination of these services in our customers' offices as on-site services, often referred to as "facilities management." We provide our core services through our suite of reprographics technology products, a network of approximately 307 locally branded reprographics service centers, and approximately 4,600 facilities management programs at our customers' locations. We also sell reprographics equipment and supplies to complement our full range of service offerings. Our services are critical to our customers because they shorten their document processing and distribution time, improve the quality of their document information management, and provide a secure, controlled document management environment.

In support of our strategy to create technology standards in the reprographics industry, we license several of our reprographics technology products, including our flagship internet-based application, PlanWell, to independent reprographers. Most of our licensees are members of our wholly-owned trade organization, the PEiR Group (Profit and Education in Reprographics), through which we charge membership fees and provide purchasing, technology and educational benefits to other reprographers, while continuing to promote our reprographics technology as an industry standard.

We operate 307 reprographics service centers, including 298 service centers in 204 cities in 39 states throughout the United States and the District of Columbia, eight reprographics service centers in Canada, and one in Mexico City, Mexico. Our reprographics service centers are located in close proximity to the majority of our customers and offer pickup and delivery services within a 15 to 30 mile radius. These service centers are arranged in a hub and satellite structure and are digitally connected as a cohesive network, allowing us to provide our services both locally and nationally. We service approximately 140,000 active customers and employ approximately 5,164 people, including a sales and customer service staff of approximately 987 employees.

In terms of revenue, number of service facilities and number of customers, we believe we are the largest company in our industry, operating in approximately ten times as many cities and with more than nine times the number of service facilities as our next largest competitor. We believe that our national footprint, our suite of reprographics technology products, and our value-added services, including logistics and facilities management, provide us with a distinct competitive advantage.

While we began our operations in California and currently derive approximately 42% of our net sales from our operations in the state, we have continued to expand our geographic coverage and market share by entering complementary markets through strategic acquisitions of high-quality companies with well-recognized local brand names and, in most cases, more than 25 years of operating history. Since 1997, we have acquired more than 120 companies. It is our preferred practice to maintain the senior management of companies we acquire. As part of our growth strategy, we sometimes open or acquire branch or satellite service centers in contiguous markets, which we view as a low cost, rapid form of market expansion. Our branch openings require modest capital expenditures and are expected to generate operating profit within 12 months from opening. We opened or acquired an additional 82 production facilities in 2007, consolidated 23, and ended the year with a net gain of 59 locations.

Our main office is located at 1981 N. Broadway, Suite 385, Walnut Creek, CA, and our telephone number is (925) 949-5100.

Available Information

We file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission (the “SEC”). You may read and copy any document we file with the SEC at the SEC’s public reference room at 100 F Street, NW, Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for information on the public reference room. The SEC maintains an internet site that contains annual, quarterly and current reports, proxy and information statements and other information that issuers file electronically with the SEC. The SEC’s internet site is www.sec.gov.

Our internet address is www.e-arc.com. You can access our Investor Relations webpage through our internet site, www.e-arc.com, by clicking on the “Investor Relations” link at the top of the page. We make available free of charge, through our Investor Relations webpage, our proxy statements, Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to those reports filed or furnished pursuant to the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. We also make available, through our Investor Relations webpage, statements of beneficial ownership of our equity securities filed by our directors, officers, 10% or greater stockholders and others under Section 16 of the Exchange Act. The reference to our website address does not constitute incorporation by reference of the information contained in the website and should not be considered part of this document. You can request a printed copy of these documents, excluding exhibits, at no cost, by contacting Investor Relations at 925-945-5100 or 1981 N. Broadway, Suite 385, Walnut Creek, California 94596, Attention: David Stickney, Vice President of Corporate Communications.

Corporate Background and Reorganization

Our predecessor, Ford Graphics, was founded in Los Angeles, California in 1960. In 1967 this sole proprietorship was dissolved and a new corporate structure was established under the name Micro Device, Inc., which continued to provide reprographics services under the name Ford Graphics. In 1989, we purchased Micro Device, Inc., and in November 1997 our company was recapitalized as a California limited liability company, with management retaining a 50% ownership position and the remainder owned by outside investors. In April 2000, Code Hennessy & Simmons LLC, or CHS, through its affiliates acquired a 50% stake in our company from these outside investors in a 2000 recapitalization.

In February 2005, we reorganized from American Reprographics Holdings, L.L.C., a California limited liability company, or Holdings, to a Delaware corporation, American Reprographics Company. In the reorganization, the members of Holdings exchanged their common units and options to purchase common units for shares of our common stock and options to purchase shares of our common stock. As part of our reorganization, all outstanding warrants to purchase common units of Holdings were exchanged for shares of our common stock. We conduct our operations through our wholly-owned operating subsidiary, American Reprographics Company, L.L.C., a California limited liability company, or Opco, and its subsidiaries.

Acquisitions

In addition to growing the business organically, we have pursued acquisitions to expand and complement our existing service offerings and to expand our geographic locations where we believe we could be a market leader. Since 1997, we have acquired more than 120 companies. Our recent acquisitions include 16 reprographics companies acquired in 2006 for an aggregate purchase price of \$87.7 million, and 19 reprographics companies acquired in 2007 for an aggregate purchase price of \$146.3 million. All aggregate purchase price figures include acquisition related costs. None of our acquisitions were related or contingent upon any other acquisitions. See Note 3 to our consolidated financial statements for further details concerning our acquisitions.

We have acquired one reprographics company subsequent to December 31, 2007 for a purchase price of \$2.1 million.

Industry Overview

According to the International Reprographics Association, or IRgA, the reprographics industry in the United States is estimated to be approximately \$4.5 billion in size. The IRgA indicates that the reprographics industry is highly fragmented, consisting of approximately 3,000 firms with average annual sales of approximately \$1.5 million and 20 to 25 employees. Since construction documents are the primary medium of communication for the AEC industry, demand for reprographics services in the AEC market is closely tied to the level of activity in the construction industry, which in turn is driven by macroeconomic trends such as gross domestic product, or GDP, growth, interest rates, job creation, office vacancy rates, and tax revenues. According to FMI Corporation, or FMI, a consulting firm to the construction industry, construction industry spending in the United States for 2007 was estimated at \$1.13 trillion, with expenditures divided between residential construction 46.6% and commercial and public, or non-residential, construction 53.4%. The \$4.5 billion reprographics industry is approximately 0.4% of the \$1.13 trillion construction industry in the United States. Our AEC revenues are most closely correlated to the non-residential sectors of the construction industry, which sectors are the largest users of reprographics services. According to FMI, the non-residential sectors of the United States construction industry are projected to grow at an average of 5.3% per year over the next three years.

Market opportunities for business-to-business document management services such as ours are rapidly expanding into non-AEC industries. For example, non-AEC customers are increasingly using large and small format color imaging for point-of-purchase displays, digital publishing, presentation materials, educational materials and marketing materials as these services have become more efficient and available on a short-run, on-demand basis through digital technology. As a result, we believe that our addressable market is substantially larger than the core AEC reprographics market. We believe that the growth of non-AEC industries is generally tied to growth in the United States GDP, which is estimated to have grown 2.2% in 2007.

Our Competitive Strengths

We believe that our competitive strengths include the following:

- *Leading Market Position in Fragmented Industry.* Our size and national footprint provide us with significant purchasing power, economies of scale, the ability to invest in industry-leading technologies, and the resources to service large, national customers.
- *Leader in Technology and Innovation.* We believe our PlanWell online planroom is well positioned to become the industry standard for managing and procuring reprographics services within the AEC industry. In addition, we have developed other proprietary software applications that complement PlanWell and have enabled us to improve the efficiency of our services, add services and increase our revenue.
- *Extensive National Footprint with Regional Expertise.* Our national network of service centers maintains local customer relationships while benefiting from centralized corporate functions and national scale. Our service facilities are organized as hub and satellite structures within individual markets, allowing us to balance production capacity and minimize capital expenditures through technology-sharing among our service centers within each market. In addition, we serve our national and regional customers under a single contract through our Premier Accounts business unit, while offering centralized access to project specific services, billing, and tracking information.
- *Flexible Operating Model.* By promoting regional decision making for marketing, pricing, and selling practices, we remain responsive to our customers while benefiting from the cost structure advantages of our centralized administrative functions. Our flexible operating model also allows us to capitalize on an improving business environment.
- *Consistent, Strong Cash Flow.* Through management of our inventory and receivables and our low capital expenditure requirements, we have consistently generated strong cash flow from operations after capital expenditures regardless of industry and economic conditions.

- *Low Cost Operator.* We believe we are one of the lowest cost operators in the reprographics industry, which we have accomplished by minimizing branch level expenses and capitalizing on our significant scale for purchasing efficiencies.
- *Experienced Management Team and Highly Trained Workforce.* Our senior management team has an average of over 20 years of industry experience and it is our preferred practice to maintain the senior management of the companies we acquire.

Our Services

Reprographics services typically encompass the digital management and reproduction of graphics-related material and corresponding finishing and distribution services. We provide these business-to-business services to our customers in three major categories: document management, document distribution and logistics, and print-on-demand.

Document Management. We store, organize, print and track AEC and non-AEC project documents using a variety of digital tools and our industry expertise. The documents we manage are typically larger than 11"×17", requiring specialized production equipment, and the documents are iterative in nature; frequently 10 or more versions of a single document must be tracked and managed throughout the course of a project.

Document Distribution and Logistics. We provide fully-integrated document distribution and logistics, which consist of tracking document users, packaging prints, addressing and coordinating services for shipment (either in hard copy or electronic form), as well as local pick-up and delivery of documents to multiple locations within tight time constraints.

Print-on-demand. We produce small and large-format documents in black and white or color using digital scanning and printing devices. We can reproduce documents when and where they are needed by balancing production capacity between the high-volume equipment in our network of reprographics service centers, as well as equipment placed on-site in our customers' facilities.

On-site services. Frequently referred to as facilities management, or FMs, this service includes any combination of the above services supplied on-site at our customers' locations.

These broad categories of services are provided to our AEC industry customers, as well as to our customers in non-AEC industries that have similar document management and production requirements. Our AEC customers work primarily with high volumes of large format construction plans and small format specification documents that are technical, complex, constantly changing and frequently confidential. Our non-AEC customers generally require services that apply to black and white and color small format documents, promotional documents of all sizes, and the digital distribution of document files to multiple locations for a variety of print-on-demand needs including short-run digital publishing.

These services include:

- PlanWell, our proprietary, internet-based planroom launched in June 2000, and our suite of other reprographics software products that enable the online purchase and fulfillment of document management services.
- Production services, including print-on-demand, document assembly, document finishing, mounting, laminating, binding, and kitting. Documents can be digitally transferred from one service facility to another to balance production capacity or take advantage of a "distribute and print" operating system.
- Document distribution and logistics, including the physical pick-up, delivery, and shipping of time-sensitive, critical documents.
- Highly customized large and small format reprographics in color and black and white. This includes digital reproduction of posters, tradeshow displays, plans, banners, signage and maps.
- Facilities management, including recurring on-site document management services and staffing at our customers' locations.

- Sales of reprographics equipment and supplies and licensing of software to other reprographics companies and end-users in the AEC industry.
- The design and development of other document management and reprographics software, in addition to PlanWell, that supports ordering, tracking, job estimating, and other customer-specific accounting information for a variety of projects and services. These proprietary applications include:
 - *Electronic Work Order (EWO)*, which offers our customers access to the services of all of our service centers through the internet.
 - *Abacus Print Cost Recovery (PCR)*, which provides a suite of software modules for reprographers and their customers to track documents produced from equipment installed as a part of a facilities management program.
 - *BidCaster "Invitation-to-Bid" (ITB)*, a data management internet application inside PlanWell Enterprise that issues customizable "invitations to bid" from a customer's desktop using email and a hosted fax server.
 - *MetaPrint Print Automation and Device Manager*, a universal print driver that facilitates the printing of documents with output devices manufactured by multiple vendors, and allows the reprographer to print multiple documents in various formats as a single print submission.
 - *OneView Document Access and Customer Administration System*, an internet-based application that leverages the security attributes of PlanWell to provide a single point of access to all of a customer's project documents inside PlanWell planrooms, regardless of which of our local production facilities stores the relevant documents.
 - *Sub-Hub*, an internet-based application that notifies subscribers of upcoming construction jobs in their markets and allows them to view plans online and order paper copies from a reprographer.

To further support and promote our major categories of services, we also:

- License our suite of reprographics technology products, including our flagship online planroom, PlanWell, to independent reprographers.
- Operate PEiR (Profit and Education in Reprographics) Group, a trade organization wholly-owned by us, through which we charge membership fees and provide purchasing, technology and educational benefits to other reprographers. PEiR members are required to license PlanWell and may purchase equipment and supplies at a lower cost than they could obtain independently. We also distribute our educational programs to PEiR members to help establish and promote best practices within the reprographics industry.

Customers

Our business is not dependent on any single customer or few customers, the loss of any one or more of whom would have a material adverse effect on our business. Our customers are both local and national companies, with no single customer accounting for more than 2% of our net sales in 2007.

Operations

Geographic Presence. We operate 307 reprographics service centers, including 298 service centers in 204 cities in 39 states throughout the United States and in the District of Columbia, eight service centers in Canada, and one in Mexico City, Mexico. Our reprographics service centers are located in close proximity to the majority of our customers and offer pick-up and delivery services within a 15 to 30 mile radius. Sales outside the United States, which consist primarily of Canadian operations, have been minimal amounting to \$2.8 million, \$7.7 million, and \$13.2 million for the years ending December 31, 2005, 2006, and 2007, respectively.

Hub and Satellite Configuration. We organize our business into operating divisions that typically consist of a cluster configuration of at least one large service facility, or hub, and several smaller facilities, or satellites, that are digitally connected as a cohesive network, allowing us to provide all of our services both locally and nationwide.

Our hub and satellite configuration enables us to shorten our customers' document processing and distribution time, as well as achieve higher utilization of output devices by coordinating the distribution of work orders digitally among our service centers.

- *Central Hub Facilities.* In each of our major markets, we operate one or more large scale full service facilities that have high production capacity and sophisticated equipment. These larger facilities offer specialized services such as laser digital imaging on photographic material, large format color printing, and finishing services that may not be economically viable for smaller facilities to provide. Our central hub facilities also coordinate our facilities management programs.
- *Satellite Facilities.* To supplement the capabilities of our central hub facilities, we operate satellite facilities that are typically located closer to our customers than the central hubs. Our satellite facilities have quick turnaround capabilities, responsive, localized service, and handle the majority of digital processes.
- *Management Systems and Controls.* We operate our business under a dual operating structure of centralized administrative functions and regional decision making. Acquired companies typically retain their local business identities, managers, sales force, and marketing efforts in order to maintain strong local relationships. Our local management maintains autonomy over the day-to-day operations of their business units, including profitability, customer billing, receivables collection, and service mix decisions.

Although we operate on a decentralized basis, our senior management closely monitors and reviews each of our divisions through daily reports that contain operating and financial information such as sales, inventory levels, purchasing commitments, collections, and receivables. In addition, our operating divisions submit monthly reports to senior management that track each division's financial and operating performance in comparison to historical performance.

Suppliers and Vendors

We purchase raw materials, consisting primarily of paper, toner, and other consumables, and purchase or lease reprographics equipment. Our reprographics equipment, which includes imaging and printing equipment, is typically leased for use in our service facilities and facilities management sites. We use a two-tiered approach to purchasing in order to maximize the economies associated with our size, while maintaining the local efficiencies and time sensitivity required to meet customer demands. We continually monitor market conditions and product developments to take advantage of our buying power.

Our primary vendors of equipment, maintenance services and reprographics supplies include Océ N.V., Azerty, and Xpedx, a division of International Paper Company. We have long standing relationships with all of our suppliers and we believe we receive favorable prices as compared to our competition due to the large quantities we purchase and strong relationships with our vendors. Significant market fluctuations in our raw material costs have historically been limited to paper prices and we have typically maintained strong gross margins as the result of our ability to pass increased material costs through to our customers.

Sales and Marketing

Divisional Sales Force. We market our products and services throughout the United States through localized sales forces and marketing efforts at the divisional level. We had approximately 987 sales and customer service representatives as of December 31, 2007. Each sales force generally consists of a sales manager and a staff of sales and customer service representatives that target various customer segments. Depending on the size of the operating division, a sales team may be as small as two people or as large as 35 or more people. Sales teams serve both the central hub service facility and satellite facilities, or if market demographics require, operate on behalf of a single service facility.

Premier Accounts. To further enhance our market share and service portfolio on a national level, we operate a "Premier Accounts" business unit. Designed to meet the requirements of large regional and national businesses, we established this operating division to take advantage of growing globalization within the AEC market, and to establish ourselves at the corporate level as the leading national reprographer with extensive geographic and service capabilities. Premier Accounts allow us to attract large AEC and non-AEC companies with document management,

distribution and logistics, and print-on-demand needs that span wide geographical or organizational boundaries. As of December 31, 2007, we maintained 24 national customers through Premier Accounts.

PEiR Group. We established the PEiR Group in July 2003, a separate operating division of our company that is a membership-based organization for the reprographics industry. Comprised of independent reprographers and reprographics vendors, PEiR members are required to license PlanWell technology, facilitating the promotion of our applications as industry standards. We also provide general purchasing discounts to PEiR members through our preferred vendors. This provides other reprographics companies the opportunity to purchase equipment and supplies at a lower cost than they could obtain independently, while increasing our influence and purchasing power with our vendors. Through PEiR, we also present educational programs to members to establish and promote best practices within the industry. As of December 31, 2007, the PEiR Group had 203 domestic and international members.

Competition

According to the IRgA, most firms in the United States reprographics services industry are small, privately held entrepreneurial businesses. The larger reprographers in the United States, besides ourselves, include Service Point USA, a subsidiary of Service Point Solutions, S.A., Thomas Reprographics, Inc., ABC Imaging, LLC, and National Reprographics Inc. While we have no nationwide competitors, we do compete at the local level with a number of privately held reprographics companies, commercial printers, digital imaging firms, and to a limited degree, retail copy shops. Competition is primarily based on customer service, technological leadership, product performance and price. See Item 1A — “Risk Factors — Competition in our industry and innovation by our competitors may hinder our ability to execute our business strategy and maintain our profitability.”

Research and Development

We believe that to compete effectively we must continue to innovate, and thus conduct research and development into our services. Our research and development efforts are focused on improving and enhancing PlanWell and our other technology products, as well as developing new proprietary services. As of December 31, 2007, we employed 44 engineers and technical specialists with expertise in software, internet-based applications, database management, internet security and quality assurance. In total, research and development amounted to \$3.0 million, \$3.7 million and \$5.5 million during the fiscal years ended December 31, 2005, 2006 and 2007, respectively.

Proprietary Rights

Our success depends on our proprietary information and technology. We rely on a combination of copyright, trademark and trade secret laws, license agreements, nondisclosure and noncompete agreements, reseller agreements, customer contracts, and technical measures to establish and protect our rights in our proprietary technology. Our PlanWell license agreements grant our customers a nonexclusive, nontransferable, limited license to use our products and receive our services and contain terms and conditions prohibiting the unauthorized reproduction or transfer of our proprietary technologies. We retain all title and rights of ownership in our software products. In addition, we enter into agreements with some of our employees, third-party consultants and contractors that prohibit the disclosure or use of our confidential information and require the assignment to us of any new ideas, developments, discoveries or inventions related to our business. We also require other third parties to enter into nondisclosure agreements that limit use of, access to, and distribution of our proprietary information. We also rely on a variety of technologies that are licensed from third parties to perform key functions.

We have registered our “American Reprographics Company” combined name and design as a trademark with the United States Patent and Trademark Office (USPTO), and we have registered “PlanWell” and “PlanWell PDS” as trademarks with the USPTO and in Canada, Australia and the European Union. We have also registered “Sub-Hub” as a service mark in the European Union, United Kingdom, Benelux and Mexico, and we have applied for registration with the USPTO and in Canada. Additionally, we have applied for registration of “MetaPrint” as a trademark with the USPTO and in the European Union.

We do not own any other registered trademarks or service marks, or any patents, that are material to our business.

For a discussion of the risks associated with our proprietary rights, see Item 1A — “Risk Factors — Our failure to adequately protect the proprietary aspects of our technology, including PlanWell, may cause us to lose market share” and Item 1A — “Risk Factors — We may be subject to intellectual property rights claims, which are costly to defend, could require us to pay damages and could limit our ability to use certain technologies in the future.”

Information Technology

We operate two technology centers in Silicon Valley to support our reprographics services and a software programming facility in Kolkata, India. Our technology centers also serve as design and development facilities for our software applications, and house our North American database administration team and networking engineers.

From these technology centers, our technical staff is able to remotely manage, control and troubleshoot the primary databases and connectivity of each of our operating divisions. This allows us to avoid the costs and expenses of employing costly database administrators and network engineers in each of our service facilities.

All of our reprographics service centers are connected via a high performance, dedicated wide area network (WAN), with additional capacity and connectivity through a virtual private network (VPN) to handle customer data transmissions and e-commerce transactions. Our technology centers use both commonly available software and custom applications running in a clustered computing environment and employ industry-leading technologies for redundancy, backup and security.

Employees

As of December 31, 2007, we had more than 5,100 employees, 20 of whom are covered by two collective bargaining agreements. The collective bargaining agreement with our subsidiary, Ridgway's, LLC covers nine employees and expires November 20, 2011, and the collective bargaining agreement with our subsidiary, BPI Repro, LLC, covers 11 employees and expires on December 4, 2009. We have not experienced a work stoppage during the past five years and believe that our relationships with our employees and collective bargaining units are good.

Executive Officers of the Registrant

The following sets forth certain information regarding all of our executive officers as of February 27, 2008 as well as for Sathiyamurthy Chandramohan, who was an executive officer until June 1, 2007:

Name	Age	Position
Kumarakulasingam Suriyakumar	54	Chief Executive Officer and President
Jonathan R. Mather	57	Chief Financial Officer; Secretary
Sathiyamurthy Chandramohan	49	Chairman of the Board of Directors
Rahul K. Roy	48	Chief Technology Officer

Kumarakulasingam (“Suri”) Suriyakumar has served as the Company's Chief Executive Officer since June 1, 2007, and he served as the Company's President and Chief Operating Officer from 1991 until his appointment as Chief Executive Officer. Mr. Suriyakumar served as an advisor of Holdings since March 1998 and has served as a director of American Reprographics Company since 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).

Sathiyamurthy (“Mohan”) Chandramohan served as an advisor and the Chairman of the Board of Advisors of Holdings since March 1998 and has served as a director and the Chairman of the Board of Directors of American Reprographics Company since October 2004. Mr. Chandramohan joined Micro Device, Inc. in February 1988 as

President and became the Chief Executive Officer in March 1991. He served as the Company's Chief Executive Officer until his retirement effective June 1, 2007. Prior to joining the Company, Mr. Chandramohan was employed with U-Save Auto Parts Stores from December 1981 to February 1988, and became the Company's Chief Financial Officer in May 1985 and Chief Operating Officer in March 1987. Mr. Chandramohan served as the President of the IRgA.

Jonathan R. Mather joined American Reprographics Company as its Chief Financial Officer in December 2006. From 2001 to 2006, Mr. Mather was employed at NETGEAR, a manufacturer of computer networking products, as its Executive Vice President and Chief Financial Officer. Before NETGEAR, from July 1995 to March 2001, Mr. Mather worked at Applause Inc., a consumer products company, where he served as President and Chief Executive Officer from 1998 to 2001, as Chief Financial Officer and Chief Operating Officer from 1997 to 1998 and as Chief Financial Officer from 1995 to 1997. From 1985 to 1995, Mr. Mather was employed with Home Fashions Inc., a consumer products company, where he served as Chief Financial Officer from 1992 to 1995, and as Vice President, Finance of an operating division, Louverdrape, from 1988 to 1992. Prior to that, he spent more than two years at the semiconductor division of Harris Corporation, a communications equipment company, where he served as the Finance Manager of the offshore manufacturing division. He has also worked in public accounting for four years with Coopers & Lybrand (now part of PricewaterhouseCoopers LLP) and for two years with Ernst & Young. Mr. Mather is a Certified Management Accountant (CMA) and a Fellow Chartered Accountant (FCA).

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., 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.

Item 1A. Risk Factors

The following risk factors could adversely affect our results of operations and financial condition and/or the per share trading price of our common stock. We may encounter risks in addition to those described below. Additional risks and uncertainties not currently known to us or that we currently deem immaterial may also impair or adversely affect our results of operations and financial condition.

The residential architectural, engineering and construction industry, or AEC industry, is in the midst of a downturn, and a continuing decline in the residential AEC industry, or a downturn in the non-residential AEC industry, could adversely affect our future revenue and profitability.

We believe that the AEC markets accounted for approximately 80% of our net sales for the year ended December 31, 2007, of which we believe the non-residential AEC industry accounted for approximately 85% of these net sales and the residential AEC industry accounted for approximately 15% of these net sales. Our historical operating results reflect the cyclical and variable nature of the AEC industry, and the residential portion of the AEC industry is in the midst of a downturn. The fallout from problems in the United States subprime mortgage market suggest a potential near-term recession in the United States economy, which could in turn lead to weakness in global economic conditions and a downturn in the non-residential portion of the AEC industry, as well. Our experience has shown that the AEC industry generally experiences economic downturns several months after a downturn in the general economy and that there may be a similar delay in the rebound of the AEC industry following a rebound in the general economy. A prolonged downturn in the AEC industry would diminish demand for our products and services, and would therefore negatively impact our revenues and have an adverse impact on our business, operating results and financial conditions.

Since we derive a majority of our revenues from reprographics products and services provided to the AEC industry, our operating results are more sensitive to the nature of this industry than other companies that serve more diversified markets. In addition, because approximately 50% of our overall costs are fixed, changes in economic activity, positive or negative, affect our results of operations. As a consequence, our results of operations are subject to volatility and could deteriorate rapidly in an environment of declining revenues. Failure to maintain adequate

cash reserves and effectively manage our costs could adversely affect our ability to offset our fixed costs and may have an adverse effect on our results of operations and financial condition.

Competition in our industry and innovation by our competitors may hinder our ability to execute our business strategy and maintain our profitability.

The markets for our products and services are highly competitive, with competition primarily at a local and regional level. We compete primarily based on customer service, technological leadership, product performance and price. Our future success depends, in part, on our ability to continue to improve our service offerings, and develop and integrate technological advances. If we are unable to integrate technological advances into our service offerings to successfully meet the evolving needs of our customers in a timely manner, our operating results may be adversely affected. Technological innovation by our existing or future competitors could put us at a competitive disadvantage. In particular, our business could be adversely affected if any of our competitors develop or acquire superior technology that competes directly with or offers greater functionality than our technology, including PlanWell.

We also face the possibility that competition will continue to increase, particularly if copy and printing or business services companies choose to expand into the reprographics services industry. Many of these companies are substantially larger and have significantly greater financial resources than us, which could place us at a competitive disadvantage. In addition, we could encounter competition in the future from large, well-capitalized companies such as equipment dealers, system integrators, and other reprographics associations, that can produce their own technology and leverage their existing distribution channels. We could also encounter competition from non-traditional reprographics service providers that offer reprographics services as a component of the other services they provide to the AEC industry, such as vendors to our industry that provide services directly to our customers, bypassing reprographers. Any such future competition could adversely affect our business and impair our future revenue and profitability.

The reprographics industry has undergone vast changes in the last eight years and will continue to evolve, and our failure to anticipate and adapt to future changes in our industry could harm our competitive position.

Since 2000, the reprographics industry has undergone vast changes. The industry's main production technology has migrated from analog to digital. This has prompted a number of trends in the reprographics industry, including a rapid shift toward decentralized production and lower labor utilization. As digital output devices become smaller, less expensive, easier to use and interconnected, end users of construction drawings are placing these devices within their offices and other locations. On-site reprographics equipment allows a customer to print documents and review hard copies without the delays or interruptions associated with sending documents out for duplication. Also, as a direct result of advancements in digital technology, labor demands have decreased. Instead of producing one print at a time, reprographers now have the capability to produce multiple sets of documents with a single production employee. By linking output devices through a single print server, a production employee simply directs output to the device that is best suited for the job. As a result of these trends, reprographers have had to modify their operations to decentralize printing and shift costs from labor to technology.

We expect the reprographics industry to continue to evolve. Our industry is expected to continue to embrace digital technology, not only in terms of production services, but also in terms of network technology, digital document storage and management, and information distribution, all of which will require investment in, and continued development of, technological innovation. If we fail to keep pace with current changes or fail to anticipate or adapt to future changes in our industry, our competitive position could be harmed.

If we fail to continue to develop and introduce new services successfully, our competitive positioning and our ability to grow our business could be harmed.

In order to remain competitive, we must continually invest in new technologies that will enable us to meet the evolving demands of our customers. We cannot guarantee that we will be successful in the introduction and marketing of any new services, or that we will develop and introduce in a timely manner innovative services that

satisfy customer needs or achieve market acceptance. Our failure to develop new services and introduce them successfully could harm our competitive position and our ability to grow our business, and our revenues and operating results could suffer.

In addition, as reprographics technologies continue to be developed, one or more of our current service offerings may become obsolete. In particular, digital technologies may significantly reduce the need for high volume printing. Digital technology may also make traditional reprographics equipment smaller and cheaper, which may cause larger AEC customers to discontinue outsourcing their reprographics needs. Any such developments could adversely affect our business and impair future revenue and profitability.

If we are unable to charge for our value-added services to offset potential declines in print volumes, our long term revenue could decline.

Our customers value the ability to view and order prints via the internet and print to output devices in their own offices and other locations throughout the country. In 2007, our reprographics services represented approximately 74.7% of our total net sales, and our facilities management services represented approximately 16.5% of our total net sales. Both categories of revenue are generally derived via a charge per square foot of printed material. Future technological advances may further facilitate and improve our customers' ability to print in their own offices or at a job site. As technology continues to improve, this trend toward consuming information on an "as needed" basis could result in decreasing printing volumes and declining revenues in the longer term. Failure to offset these potential declines in printing volumes by changing how we charge for our services and developing additional revenue sources could significantly affect our business and reduce our long term revenue, resulting in an adverse effect on our results of operations and financial condition.

We derive a significant percentage of net sales from within the State of California and our business could be disproportionately harmed by an economic downturn or natural disaster affecting California.

We derived approximately 42% of our net sales in 2007 from our operations in California. As a result, we are dependent to a large extent upon the AEC industry in California and, accordingly, are sensitive to economic factors affecting California, including general and local economic conditions, macroeconomic trends, and natural disasters (including earthquakes and wildfires). Any adverse developments affecting California could have a disproportionately negative effect on our results of operations and financial condition.

Our growth strategy depends in part on our ability to successfully complete and manage our acquisitions and branch openings. Failure to do so could impede our future growth and adversely affect our competitive position.

As part of our growth strategy, we intend to prudently pursue strategic acquisitions within the reprographics industry. Since 1997, we have acquired more than 120 businesses, most of which were long established in the communities in which they conduct their business. Our efforts to execute our acquisition strategy may be affected by our ability to continue to identify, negotiate, integrate, and close acquisitions. In addition, any governmental review or investigation of our proposed acquisitions, such as by the Federal Trade Commission, or FTC, may impede, limit or prevent us from proceeding with an acquisition. We regularly evaluate potential acquisitions, although we currently have no agreements or active negotiations with respect to any material acquisitions.

Acquisitions involve a number of special risks. There may be difficulties integrating acquired personnel and distinct business cultures. Additional financing may be necessary and, if used, would increase our leverage, dilute our equity, or both. Acquisitions may divert management's time and our resources from existing operations. It is possible that there could be a negative effect on our financial statements from the impairment related to goodwill and other intangibles. We may experience the loss of key employees or customers of acquired companies. In addition, risks may include high transaction costs and expenses of integrating acquired companies, as well as exposure to unforeseen liabilities of acquired companies and failure of the acquired business to achieve expected results. These risks could hinder our future growth and adversely affect our competitive position and operating results.

In addition to acquisitions, we expand our geographic coverage by opening additional satellite branches in regions near our established operations to capture new customers and greater market share. Although the capital investment for a new branch is modest, the branches we open in the future may not ultimately produce returns that justify our investment.

If we are unable to successfully monitor and manage the business operations of our subsidiaries, our business and profitability could suffer.

Since 1997, we have acquired more than 120 businesses and, in most cases, have delegated the responsibility for marketing, pricing, and selling practices with the local and operational managers of these businesses. If we do not successfully manage our subsidiaries under this decentralized operating structure, we risk having disparate results, lost market opportunities, lack of economic synergies, and a loss of vision and planning, all of which could harm our business and profitability.

We depend on certain key vendors for reprographics equipment, maintenance services and supplies, making us vulnerable to supply shortages and price fluctuations.

We purchase reprographics equipment and maintenance services, as well as paper, toner and other supplies, from a limited number of vendors. Our three largest vendors in 2007 were Océ N.V., Azerty, and Xpedx, a division of International Paper Company. Adverse developments concerning key vendors or our relationships with them could force us to seek alternate sources for our reprographics equipment, maintenance services and supplies, or to purchase such items on unfavorable terms. An alternative source of supply of reprographics equipment, maintenance services and supplies may not be readily available. A delay in procuring reprographics equipment, maintenance services or supplies, or an increase in the cost to purchase such reprographics equipment, maintenance services or supplies could limit our ability to provide services to our customers on a timely and cost-effective basis and could harm our results of operations and financial condition.

Our failure to adequately protect the proprietary aspects of our technology, including PlanWell, may cause us to lose market share.

Our success depends on our ability to protect and preserve the proprietary aspects of our technologies, including PlanWell. We rely on a combination of copyright, trademark and trade secret protection, confidentiality agreements, license agreements, non-compete agreements, reseller agreements, customer contracts, and technical measures to establish and protect our rights in our proprietary technologies. Under our PlanWell license agreements, we grant other reprographers a non-exclusive, non-transferable, limited license to use our technology and receive our services. Our license agreements contain terms and conditions prohibiting the unauthorized reproduction or transfer of our products. These protections, however, may not be adequate to remedy harm we suffer due to misappropriation of our proprietary rights by third parties. In addition, United States law provides only limited protection of proprietary rights and the laws of some foreign countries may offer less protection than the laws of the United States. Third parties may unlawfully copy aspects of our products or unlawfully distribute them, impermissibly reverse engineer our products or otherwise obtain and use information that we regard as proprietary. Others may develop non-infringing technologies that are similar or superior to ours. If competitors are able to develop such technologies and we cannot successfully enforce our rights against them, they may be able to market and sell or license products that compete with ours, and this competition could adversely affect our results of operations and financial condition. Furthermore, intellectual property litigation can be expensive, a burden on management's time and our Company's resources, and its results can be uncertain.

Damage or disruption to our facilities, our technology centers, our vendors or a majority of our customers could impair our ability to effectively provide our services and may have a significant impact on our revenues, expenses and financial condition.

We currently store most of our customer data at our two technology centers located in Silicon Valley near known earthquake fault zones. Damage to or destruction of one or both of these technology centers or a disruption of our data storage processes resulting from sustained process abnormalities, human error, acts of terrorism, violence, war or a natural disaster, such as fire, earthquake or flood, could have a material adverse effect on the markets in

which we operate, our business operations, our expectations and other forward-looking statements contained in this report. In addition, such damage or destruction on a national scale resulting in a general economic downturn could adversely affect our results of operations and financial condition. We store and maintain critical customer data on computer servers at our technology centers that our customers access remotely through the internet and/or directly through telecommunications lines. If our back-up power generators fail during any power outage, if our telecommunications lines are severed or those lines on the internet are impaired for any reason, our remote access customers would be unable to access their critical data, causing an interruption in their operations. In such event, our remote access customers and their customers could seek to hold us responsible for any losses. We may also potentially lose these customers and our reputation could be harmed. In addition, such damage or destruction, particularly that directly impacting our technology centers or our vendors or customers, could have an impact on our sales, supply chain, production capability, costs, and our ability to provide services to our customers.

Although we currently maintain general property damage insurance, we do not maintain insurance for loss from earthquakes, acts of terrorism or war. If we incur losses from uninsured events, we could incur significant expenses which would adversely affect our results of operations and financial condition.

If we lose key personnel or qualified technical staff, our ability to manage the day-to-day aspects of our business will be adversely affected.

We believe that the attraction and retention of qualified personnel is critical to our success. If we lose key personnel or are unable to recruit qualified personnel, our ability to manage the day-to-day aspects of our business will be adversely affected. Our operations and prospects depend in large part on the performance of our senior management team and the managers of our principal operating divisions. Outside of the implementation of succession plans and executive transitions done in the normal course of business, the loss of the services of one or more members of our senior management team, in particular, the sudden loss of Mr. Suriyakumar, our Chief Executive Officer and President, could disrupt our business and impede our ability to execute our business strategy. Because the other members of our executive and divisional management team have on average more than 20 years of experience within the reprographics industry, it would be difficult to replace them.

Item 1B. Unresolved Staff Comments

None

Item 2. Properties

We currently operate 307 reprographics service centers, occupying a total of 1,644,916 square feet. We also occupy two technology centers in Silicon Valley, California, a software programming facility in Kolkata, India, as well as seven administrative facilities including our executive offices located in Walnut Creek, California, and our finance and purchasing offices located in Glendale, California.

Region	Number of Admin & IT Facilities	Square Footage	Number of Reprographics Service Centers	Square Footage
Southern California(1)	2	8,843	52	401,465
Northern California(2)	4	21,761	36	257,075
Pacific Northwest(3)	0	0	16	132,967
Northeast	2	11,297	54	257,345
Southern	1	6,023	99	288,856
Midwest(4)	1	3,160	50	307,208
Total	10	51,084	307	1,644,916

(1) Includes one service center in Mexico City, Mexico.

(2) Includes two technology centers in Fremont, California, and one in Kolkata, India.

(3) Includes four service centers in the Vancouver, British Columbia area, and one in Calgary, Alberta.

(4) Includes three service centers in the Toronto metropolitan area.

We lease 301 of our reprographics service centers, each of our administrative facilities and our technology centers. These leases have an average term of 5 to 10 years, the last lease expires in June, 2029. Substantially all of the leases contain renewal provisions and provide for annual increases in rent based on the local Consumer Price Index. The six owned facilities are subject to major encumbrances under our credit facilities. In addition to the facilities that are owned, our fixed assets are comprised primarily of machinery and equipment, trucks, and computer equipment. We believe that our facilities are adequate and appropriate for the purposes for which they are currently used in our operations and are well maintained.

Item 3. *Legal Proceedings*

Louis Frey Case. On November 8, 2007, the United States Bankruptcy Court, Southern District of New York, granted a motion approving settlement of the previously-disclosed Louis Frey litigation. The judgment entered in that litigation awarded damages to plaintiff in the principal amount of \$11.1 million, \$0.20 million in preference claims, and interest totaling \$3.3 million through September 30, 2007. Pursuant to the settlement, the Company paid \$10.5 million to satisfy the judgment entered against the Company.

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

Environmental and Regulatory Considerations

Our property consists principally of reprographics and related production equipment, and we lease substantially all of our production and administrative facilities. We are not aware of any environmental liabilities which would have a material impact on our operations and financial condition.

Item 4. *Submission of Matters to a Vote of Security Holders*

No matters were submitted to a vote of our stockholders during the fourth quarter of the year ended December 31, 2007.

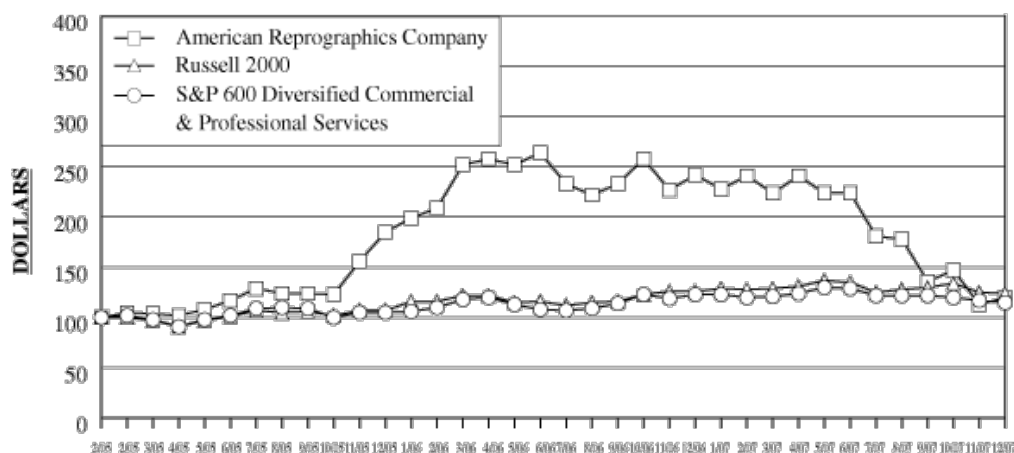
PART II**Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities****Market Information**

Our common stock, par value \$0.001, is listed on the NYSE under the stock symbol "ARP". The following table sets forth for the fiscal periods indicated the high and low sales prices per share of our common stock as reported by the NYSE.

	<u>High</u>	<u>Low</u>
Fiscal Year 2006		
First Quarter	\$ 35.80	\$ 25.00
Second Quarter	38.98	30.06
Third Quarter	38.51	28.45
Fourth Quarter	36.27	29.16
Fiscal Year 2007		
First Quarter	\$ 35.32	\$29.99
Second Quarter	33.80	29.07
Third Quarter	31.50	18.68
Fourth Quarter	22.51	14.33

The following graph compares American Reprographics Company's cumulative 35-month total shareholder return on common stock with the cumulative total returns of the Russell 2000 index, and the S&P 600 Diversified Commercial & Professional Services which consists of seven companies that include: Angelica Corp., G & K Services Inc, Healthcare Service Group Inc, Mobile Muni Inc, School Speciality Inc, Tetra Tech Inc and Viad Corp. An investment of \$100 (with reinvestment of all dividends) is assumed to have been made in our common stock, in the peer group, and the index on February 4, 2005 and its relative performance is tracked through December 31, 2007.

COMPARISON OF 35 MONTH CUMULATIVE TOTAL RETURN*
Among American Reprographics Company, The Russell 2000 Index
And The S&P 600 Diversified Commercial & Professional Services Index



* \$100 invested on 2/4/05 in stock or index-including reinvestment of dividends. Fiscal year ending December 31.

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www.researchdatagroup.com/S&P.htm.

	2/05	3/05	4/05	5/05	6/05	7/05	8/05	9/05	10/05	11/05	12/05
American Reprographics Company	100	104	102	108	117	129	124	124	123	156	185
Russell 2000	100	97	91	97	101	107	105	106	102	107	107
S&P 600 Diversified Commercial & Professional Services	100	98	91	98	102	109	110	109	100	105	105

	1/06	2/06	3/06	4/06	5/06	6/06	7/06	8/06	9/06	10/06	11/06	12/06
American Reprographics Company	199	209	252	258	252	264	233	222	233	258	227	242
Russell 2000	116	116	122	122	115	116	112	115	116	123	126	126
S&P 600 Diversified Commercial & Professional Services	106	110	118	120	113	108	107	109	114	123	119	123

	1/07	2/07	3/07	4/07	5/07	6/07	7/07	8/07	9/07	10/07	11/07	12/07
American Reprographic Company	228	241	224	241	224	224	181	178	136	147	113	120
Russell 2000	129	128	129	131	137	135	125	128	130	134	125	124
S&P 600 Diversified Commercial & Professional Services	123	120	121	124	130	129	122	122	122	120	117	115

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

This section is not “soliciting material,” is not deemed “filed” with the SEC and is not to be incorporated by reference in any of our filings under the Securities Act or the Exchange Act whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

Holders

As of February 19, 2008, the approximate number of stockholders of record of our common stock was 27 and the closing price of our common stock was \$16.06 per share as reported by the NYSE. Because many of the shares of our common stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of beneficial owners represented by these stockholders of record.

Dividends

We have never declared or paid cash dividends on our common equity. We currently intend to retain all available funds and any future earnings for use in the operation of our business and do not anticipate paying any cash dividends in the foreseeable future. Any future determination to declare cash dividends will be made at the discretion of our board of directors, subject to compliance with certain covenants under our credit facilities, which restrict or limit our ability to declare or pay dividends, and will depend on our financial condition, results of operations, capital requirements, general business conditions, and other factors that our board of directors may deem relevant.

Sales of Unregistered Securities

None

Issuer Purchases of Equity Securities

The following table provides information regarding our purchases of the Company’s common stock during the fourth quarter of our fiscal year ended December 31, 2007:

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased under the Plans or Programs
Month #1 (December 6, 2007 to December 31, 2007)	447,654	\$ 17.22	447,654	\$ 142,291,159

(1) All shares were acquired in open-market purchases, pursuant to a stock repurchase program announced in a press release issued by the Company on December 6, 2007.

Item 6. Selected Consolidated Financial Data

The selected historical financial data presented below are derived from the audited financial statements of Holdings for the fiscal years ended December 31, 2003, and 2004, and the audited financial statements of American Reprographics Company for the fiscal years ended December 31, 2005, 2006 and 2007. The selected historical financial data does not purport to represent what our financial position or results of operations might be for any future period or date. The financial data set forth below should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our audited financial statements included elsewhere in this report.

	Fiscal Year Ended December 31,				
	2003	2004	2005	2006	2007
	(Dollars in thousands)				
Statement of Operations Data:					
Reprographics services	\$ 315,995	\$ 333,305	\$ 369,123	\$ 438,375	\$ 513,630
Facilities management	59,311	72,360	83,125	100,158	113,848
Equipment and supplies sales	40,654	38,199	41,956	53,305	60,876
Total net sales	415,960	443,864	494,204	591,838	688,354
Cost of sales	252,028	263,787	289,580	337,509	401,317
Gross profit	163,932	180,077	204,624	254,329	287,037
Selling, general and administrative expenses	101,252	105,780	112,679	131,743	143,811
Litigation reserve (gain)	—	—	—	11,262	(2,897)
Provision for sales tax dispute settlement	—	1,389	—	—	—
Amortization of intangibles	1,709	1,695	2,120	5,055	9,083
Income from operations	60,971	71,213	89,825	106,269	137,040
Other income	1,024	420	381	299	—
Interest expense, net	39,390	33,565	26,722	23,192	24,373
Loss on early extinguishment of debt	14,921	—	9,344	—	1,327
Income before income tax provision (benefit)	7,684	38,068	54,140	83,376	111,340
Income tax provision (benefit)(1)	4,131	8,520	(6,336)	31,982	42,203
Net income	3,553	29,548	60,476	51,394	69,137
Dividends and amortization of discount on preferred equity	(1,730)	—	—	—	—
Net income	\$ 1,823	\$ 29,548	\$ 60,476	\$ 51,394	\$ 69,137

	Fiscal Year Ended December 31,				
	2003	2004	2005	2006	2007
	(In thousands, except per share amounts)				
Earnings per share:					
Basic	\$ 0.05	\$ 0.83	\$ 1.43	\$ 1.14	\$ 1.52
Diluted	\$ 0.05	\$ 0.79	\$ 1.40	\$ 1.13	\$ 1.51
Weighted average common shares outstanding:					
Basic	35,480	35,493	42,264	45,015	45,421
Diluted	37,298	37,464	43,178	45,595	45,829

	Fiscal Year Ended December 31,				
	2003	2004	2005	2006	2007
	(Dollars in thousands)				
Other Financial Data:					
Depreciation and amortization	\$ 19,937	\$ 18,730	\$ 19,165	\$ 27,749	\$ 39,445
Capital expenditures, net	\$ 4,992	\$ 5,898	\$ 5,237	\$ 7,391	\$ 8,303
Interest expense, net	\$ 39,390	\$ 33,565	\$ 26,722	\$ 23,192	\$ 24,373

	As of December 31,				
	2003	2004	2005	2006	2007
	(Dollars in thousands)				
Balance Sheet Data:					
Cash and cash equivalents	\$ 17,315	\$ 13,826	\$ 22,643	\$ 11,642	\$ 24,802
Total assets	\$374,716	\$377,334	\$ 442,362	\$547,581	\$ 722,611
Long term obligations and mandatorily redeemable preferred and common stock(2)	\$ 360,008	\$338,371	\$ 253,371	\$252,097	\$ 321,013
Total stockholders' equity (deficit)	\$ (60,015)	\$ (35,009)	\$113,569	\$ 184,244	\$251,651
Working capital	\$ 16,809	\$ 22,387	\$ 35,797	\$ 21,150	\$ 3,560

- (1) The Company was reorganized from a California limited liability company to a Delaware corporation immediately prior to the consummation of its initial public offering on February 9, 2005. As a result of that reorganization, a deferred tax benefit of \$27.7 million was booked concurrent with the consummation of the IPO.
- (2) In July 2003, we adopted SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." In accordance with SFAS No. 150, the redeemable preferred equity of Holdings has been reclassified in our financial statements as a component of our total debt upon our adoption of this new standard. The redeemable preferred equity amounted to \$25.8 million as of December 31, 2003 and \$27.8 million as of December 31, 2004. SFAS No. 150 does not permit the restatement of financial statements for periods prior to the adoption of this standard.

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

The following discussion should be read in conjunction with our consolidated financial statements and the related notes and other financial information appearing elsewhere in this Annual Report. This Annual Report contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those indicated in forward-looking statements. See "Forward-Looking Statements" and "Risk Factors."

Executive Summary

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

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

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

- Document management;
- Document distribution & logistics;
- Print-on-demand; and

- On-site services, frequently referred to as facilities management, or FMs, (any combination of the above services supplied at a customer's location).

We deliver these services through our specialized technology, though more than 900 sales and customer service employees interacting with our customers every day, and more than 4,600 facilities management programs at our customers' locations. All of our local service centers are connected by a digital infrastructure, allowing us to deliver services, products, and value to approximately 140,000 companies throughout the country.

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

A significant component of our growth has been from acquisitions. In 2007, we acquired 19 businesses that consisted of "stand-alone acquisitions" and "fold-in acquisitions" (refer to page 24 for an explanation of these terms) for \$146.3 million, in 2006 we acquired 16 businesses for \$87.7 million and in 2005 we acquired 14 businesses for \$32.1 million. Each acquisition was accounted for using the purchase method, so consolidated income statements reflect sales and expenses of acquired businesses only for post-acquisition periods. All acquisition amounts include acquisition-related costs.

As part of our growth strategy, we sometimes open or acquire branch or satellite service centers in contiguous markets, which we view as a low cost, rapid form of market expansion. Our branch openings require modest capital expenditures and are expected to generate operating profit within 12 months from opening. We have opened or acquired 82 production facilities since December 31, 2006 and we have consolidated 23 in the same period. The Company ended the year with a net gain of 59 branch locations for the year ended December 31, 2007.

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

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

- Creating consistent, profitable growth;
- Maintaining our industry leadership as measured by our geographical footprint, market share and revenue generation;
- Continuing to develop and invest in our products, services, and technology to meet the changing needs of our customers;
- Maintaining the lowest cost structure in the industry; and
- Maintaining a flexible capital structure that provides for both responsible debt service and pursuit of acquisitions and other high-return investments.

Primary Financial Measures. We use net sales, costs and expenses, EBIT, EBITDA and operating cash flow to operate and assess the performance of our business.

Net Sales. Net sales represent total sales less returns and discounts. These sales consist of document management services, document distribution and logistics services, print-on-demand services, and reprographics equipment and supplies sales. We generate sales by individual orders through commissioned sales personnel and, in some cases, through national contracts.

Net sales are categorized as reprographics services, facilities management, and equipment and supplies. Our current revenue sources are likely to change in the future if our digital services revenue commands a greater and more distinctive role in our service mix. Digital services comprise approximately 6.1% of our overall revenue.

Software licenses and membership fees are derived over the term of the license or the membership agreement. Licensed technology includes PlanWell online planrooms, PlanWell Electronic Work Order (EWO), PlanWell

BidCaster and MetaPrint. Revenues from these agreements are separate from digital services. Digital services include digital document management tasks, scanning and archiving digital documents, posting documents to the web and other related work performed on a computer. Software licenses, membership fees and digital services are categorized and reported as a part of “Reprographics services”.

Revenue from reprographics services is produced from document management, document distribution and logistics, and print-on-demand services, including the use of PlanWell by our customers. Though these services are becoming an increasingly distinct part of our service pricing, they are frequently invoiced to a customer as part of a combined per-square-foot printing cost. As such, it is impractical to allocate revenue levels for each item separately. We include revenues for these services under the caption “Reprographics services”.

On-site services, or facilities management, revenues are generated from providing reprographics services in our customers’ locations using machines that we own or lease. Generally, this revenue is derived from a single cost per-square-foot of printed material, similar to our “Reprographics services”.

Revenue from equipment and supplies is derived from the resale of such items to our customers. We do not manufacture such items but rather purchase them from our vendors at wholesale costs.

In 2007, our reprographics services represented 74.7% of net sales, facilities management 16.5%, and sales of reprographics equipment and supplies 8.8%. Digital services revenue, which are included in reprographics services, approximated 6.1% of our net sales. Software licenses, including PlanWell, and PEiR memberships have not, to date, contributed significant revenue. While we achieve modest cost recovery through membership, licensing and maintenance fees charged by the PEiR Group, we measure success in this area primarily by the adoption rate of our programs and products.

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

While large orders involving thousands of documents and hundreds of recipients are common, the bulk of our customer orders consist of organizing, printing or distributing less than 200 drawings at a time. Such “short-run” orders are usually recurring, despite their tendency to arrive with no advance notice and a short turnaround requirement. Since we do not operate with a backlog, it is difficult to predict the number, size and profitability of reprographics work that we expect to undertake more than a few weeks in advance.

Costs and Expenses. Our cost of sales consists primarily of paper, toner and other consumables, labor, and expenses for facilities and equipment. Facilities and equipment expenses include maintenance, repairs, rents, insurance, and depreciation. Paper is the largest component of our material cost. However, paper pricing typically does not affect our operating margins because changes are generally passed on to our customers. We closely monitor material cost as a percentage of net sales to measure volume and waste. We also track labor utilization, or net sales per employee, to measure productivity and determine staffing levels.

We maintain low levels of inventory and other working capital. Capital expenditure requirements are also low; most facilities and equipment are leased, with overall cash capital spending averaging approximately 1.2% of annual net sales over the last three years. Since we typically lease our reprographics equipment for a three-to-five year term, we are able to upgrade equipment in response to rapid changes in technology.

Technology development costs consist mainly of the salaries, leased building space, and computer equipment that comprise our data storage and development centers in Silicon Valley, California and Kolkata, India.

Our selling expenses generally include salaries and commissions paid to our sales professionals, along with promotional, travel and entertainment costs. Our general and administrative expenses generally include salaries and benefits paid to support personnel at our reprographics businesses and our corporate staff, as well as office rent, utilities, communications expenses, and various professional services.

Operating Cash. “Operating Cash” or “Cash Flow from Operations” includes net income less common expenditures requiring cash and is used as a measure to control working capital.

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

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

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

We believe our current customer segment mix is approximately 80% of our revenues coming from the AEC market, and 20% coming from non-AEC sources. We believe this mix is optimal because it offers us the advantages of diversification without diminishing our focus on our core competencies.

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

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

Based on our experience of completing more than 120 acquisitions since 1997, we believe that the reprographics industry is highly-fragmented and comprised primarily of small businesses with less than \$7 million in annual sales. Although none of the individual acquisitions we made in the past three years added a material percentage of sales to our overall business, in the aggregate they fuel the bulk of our annual sales growth. Specifically, an increase of net sales in 2007 of approximately 11.4% was related to stand-alone acquisitions. Also, each acquisition was strategic from a marketing and regional market share point of view.

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

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

1. *Stand-Alone Acquisitions.* Post-acquisition, these businesses maintain their existing local brand and act as strategic platforms for the Company to acquire market share in and around the specific geographical location.
2. *Branch/Fold-in Acquisitions.* These are equivalent to our opening a new or "green field" branch. They support an outlying portion of a larger market and rely on a larger centralized production facility nearby for strategic management, load balancing, for providing specialized services, and for administrative and other "back office" support. We maintain the staff and equipment of these businesses to a minimum to serve a small market or a single large customer, or we may physically integrate ("fold-in") staff and equipment into a larger nearby production facility.

New acquisitions frequently carry a significant amount of goodwill in their purchase price, even in the case of a low purchase multiple. This goodwill typically represents the purchase price of an acquired business less the fair

market value of tangible assets and identified intangible assets. We test our goodwill components annually for impairment on September 30. The methodology for such testing is detailed further in Note 2 — “Summary of Significant Accounting Policies” to our consolidated financial statements included in this report.

Recent Developments. On December 6, 2007, we entered into a new Credit and Guaranty Agreement (Credit Agreement). The Credit Agreement provides for senior secured credit facilities aggregating up to \$350 million, consisting of a \$275 million term loan facility and a \$75 million revolving credit facility. We used proceeds under the Credit Agreement in the amount of \$289.4 million to prepay in full all principal and interest payable under our Second Amended and Restated Credit and Guaranty Agreement dated as of December 21, 2005. As a result of this prepayment, we wrote off \$0.9 million of deferred financing costs and recognized a \$0.4 million expense resulting from the termination of an interest rate collar associated with the extinguishment of debt during the year ended December 31, 2007. Please refer to Note 5 — “Long Term Debt” to our consolidated financial statements included in this report.

Economic Factors Affecting Financial Performance. We estimate that sales to the AEC market accounted for 80% of our net sales for the year ended December 31, 2007, with the remaining 20% consisting of sales to non-AEC markets (based on a compilation of approximately 90% of revenues from our divisions and designating revenues using certain assumptions as derived from either AEC or non-AEC based customers). As a result, our operating results and financial condition can be significantly affected by economic factors that influence the AEC industry, such as non-residential and residential construction spending, GDP growth, interest rates, employment rates, office vacancy rates, and government expenditures. Similar to the AEC industry, the reprographics industry typically lags a recovery in the broader economy.

Non-GAAP Measures

EBIT and EBITDA and related ratios presented in this report are supplemental measures of our performance that are not required by or presented in accordance with GAAP. These measures are not measurements of our financial performance under GAAP and should not be considered as alternatives to net income, income from operations, or any other performance measures derived in accordance with GAAP or as an alternative to cash flow from operating, investing or financing activities as a measure of our liquidity.

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

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

We use EBIT to measure and compare the performance of our operating segments. Our operating segments’ financial performance includes all of the operating activities except for debt and taxation which are managed at the corporate level. As a result, EBIT is the best measure of divisional profitability and the most useful metric by which to measure and compare the performance of our operating segments. We also use EBIT to measure performance for determining division-level compensation and use EBITDA to measure performance for determining consolidated-level compensation. We also use EBITDA as a metric to manage cash flow from our divisions to the corporate level and to determine the financial health of each division. As noted above, since debt and taxation are managed at the corporate level the cash flow from each operating segment should be approximately equal to the corresponding EBITDA of each operating segment, assuming no other changes to a operating segment’s balance sheet. As a result, we reconcile EBITDA to cash flow monthly as one of our key internal controls. We also use EBIT and EBITDA to evaluate potential acquisitions and to evaluate whether to incur capital expenditures.

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

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

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

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

We have presented adjusted net income and adjusted earnings per share for the years ended December 31, 2006 and 2007 to reflect the exclusion of the one-time litigation charge and corresponding gain on settlement related to the Louis Frey bankruptcy litigation. This presentation facilitates a meaningful comparison of our operating results for the years ended December 31, 2006 and 2007 to the same period in 2005, excluding a one-time income tax benefit taken in February of 2005 related to our reorganization from a California LLC to a Delaware corporation.

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

	Fiscal Year Ended December 31,		
	2005	2006	2007
Cash flows provided by operating activities	\$ 56,648	\$ 98,354	\$ 101,386
Changes in operating assets and liabilities	8,859	(10,138)	13,856
Non-cash (expenses) income, including depreciation and amortization	(5,031)	(36,822)	(46,105)
Income tax (benefit) provision	(6,336)	31,982	42,203
Interest expense, net	26,722	23,192	24,373
Loss on early extinguishment of debt	9,344	—	1,327
EBIT	90,206	106,568	137,040
Depreciation and amortization	19,165	27,749	39,445
EBITDA	109,371	134,317	176,485
Interest expense	(26,722)	(23,192)	(24,373)
Loss on early extinguishment of debt	(9,344)	—	(1,327)
Income tax benefit (provision)	6,336	(31,982)	(42,203)
Depreciation and amortization	(19,165)	(27,749)	(39,445)
Net income	<u>\$ 60,476</u>	<u>\$ 51,394</u>	<u>\$ 69,137</u>

The following is a reconciliation of net income to EBITDA:

	Fiscal Year Ended December 31,		
	2005	2006	2007
Net income	\$ 60,476	\$ 51,394	\$ 69,137
Interest expense, net	26,722	23,192	24,373
Loss on early extinguishment of debt	9,344	—	1,327
Income tax (benefit) provision	(6,336)	31,982	42,203
EBIT	90,206	106,568	137,040
Depreciation and amortization	19,165	27,749	39,445
EBITDA	\$109,371	\$ 134,317	\$176,485

The following is a reconciliation of our net income margin to EBIT margin and EBITDA margin:

	Fiscal Year Ended December 31,		
	2005	2006	2007(1)
Net income margin	12.2%	8.7%	10.0%
Interest expense, net	5.4	3.9	3.5
Loss on early extinguishment of debt	1.9	—	0.2
Income tax (benefit) provision	(1.3)	5.4	6.1
EBIT margin	18.2	18.0	19.9
Depreciation and amortization	3.9	4.7	5.7
EBITDA margin	22.1%	22.7%	25.6%

(1) column does not foot due to rounding

The following is a reconciliation of net income to adjusted net income and earnings per share to adjusted earnings per share:

	Fiscal Year Ended December 31,		
	2005	2006	2007
Net income	\$ 60,476	\$ 51,394	\$ 69,137
Litigation reserve/(settlement)	—	11,262	(2,897)
Interest expense due to litigation reserve/(settlement)	—	2,685	(418)
Income tax (benefit) provision due to litigation reserve/settlement	—	(5,579)	1,260
Income tax benefit due to reorganization	(27,701)	—	—
Unaudited adjusted net income	\$ 32,775	\$ 59,762	\$ 67,082
Earning Per Share (Actual):			
Basic	\$ 1.43	\$ 1.14	\$ 1.52
Diluted	\$ 1.40	\$ 1.13	\$ 1.51
Earning Per Share (Adjusted):			
Basic	\$ 0.78	\$ 1.33	\$ 1.48
Diluted	\$ 0.76	\$ 1.31	\$ 1.46
Weighted average common shares outstanding:			
Basic	42,264,001	45,014,786	45,421,498
Diluted	43,178,001	45,594,950	45,829,010

Results of Operations

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

	As a Percentage of Net Sales Fiscal Year Ended December 31,		
	2005	2006(1)	2007(1)
Net sales	100.0%	100.0%	100.0%
Cost of sales	58.6	57.0	58.3
Gross profit	41.4	43.0	41.7
Selling, general and administrative expenses	22.8	22.3	20.9
Litigation reserve/(settlement)	0.0	1.9	(0.4)
Amortization of intangibles	0.4	0.9	1.3
Income from operations	18.2	18.0	19.9
Other income	0.1	0.0	0.0
Interest expense, net	(5.4)	(3.9)	(3.5)
Loss on early extinguishment of debt	(1.9)	0.0	(0.2)
Income before income tax provision	11.0	14.1	16.2
Income tax benefit/(provision)	1.2	(5.4)	(6.1)
Net income	12.2%	8.7%	10.0%

(1) column does not foot due to rounding

Year Ended December 31, 2007 Compared to Year Ended December 31, 2006

	Fiscal Year Ended December 31,		Increase (decrease)	
	2006	2007	(In dollars)	(Percent)
	(In millions)			
Reprographics services	\$ 438.4	\$ 513.6	\$ 75.2	17.2%
Facilities management	100.1	113.8	13.7	13.7%
Equipment and supplies sales	53.3	60.9	7.6	14.3%
Total net sales	\$591.8	\$ 688.3	\$ 96.5	16.3%
Gross profit	\$ 254.3	\$ 287.0	\$ 32.7	12.9%
Selling, general and administrative expenses	\$ 131.7	\$ 143.8	\$ 12.1	9.2%
Litigation reserve/(settlement)	\$ 11.3	\$ (2.9)	\$ (14.2)	(125.7)%
Amortization of intangibles	\$ 5.1	\$ 9.1	\$ 4.0	78.4%
Interest expense, net	\$ 23.2	\$ 24.4	\$ 1.2	5.2%
Income taxes provision	\$ 32.0	\$ 42.2	\$ 10.2	31.9%
Net Income	\$ 51.4	\$ 69.1	\$ 17.7	34.4%
EBITDA	\$ 134.3	\$ 176.5	\$ 42.2	31.4%

Net Sales.

Net sales in 2007 increased by 16.3%; an increase of net sales in 2007 of approximately 11.4% was related to our stand-alone acquisitions.

Reprographics services. Net sales increased in 2007 compared to 2006 primarily due to the expansion of our market share through acquisitions, and increases in our digital revenue. We acquired 19 businesses at various times throughout the year, each with a primary focus on reprographics services. We also benefited from a full year impact

from our 2006 acquisitions, each of which had a primary focus on reprographics services. These acquired businesses added sales from their book of business to our own, and in some cases, also allowed us to aggregate regional work from larger clients. The increase in reprographics services was partially offset by a sales decrease in our Southern California region of approximately \$12 million, excluding stand-alone acquisitions, resulting primarily from the downturn in residential construction in Southern California. Residential business in other areas of the country where our business is highly concentrated, including Arizona and Florida, also contributed to the reduction in overall sales volume. The decrease in sales resulting from the residential construction downturn was partially offset by the addition of significant new business acquired through our Premier Accounts division, which included more than \$10 million of sales from new non-AEC customers in 2007.

Our price levels for the most part remained the same, although we had selective increases in some markets. While most of our customers in the AEC industry still prefer paper prints, we have seen an increase in our digital services revenue. During 2007 digital services revenue increased by \$11.5 million or 38% compared to 2006.

Facilities management. On-site, or facilities management services, continued to post solid dollar volume and year-over-year percentage gains. Specifically, sales for the twelve months ended December 31, 2007, compared to the same period in 2006 increased by \$13.7 million or 13.7%. As a percentage of overall revenue, however, FM services decreased slightly due to the dilutive effects of acquisitions which had small or non-existent FM programs of their own. FM revenue is derived from a single cost per-square-foot of printed material, similar to our "Reprographics services" revenue. As convenience and speed continue to characterize our customers' needs, and as printing equipment continues to become smaller and more affordable, the trend of placing equipment (and sometimes staff) in an architectural studio or construction company office remains strong, as evidenced by an increase of approximately 1,350 facilities management accounts in 2007, bringing our total FM accounts to approximately 4,600. By placing such equipment on-site and billing on a per use and per project basis, the invoice continues to be issued by us, just as if the work were produced in one of our centralized production facilities. The resulting benefit is the convenience of on-site production with a pass-through or reimbursable cost of business that many customers continue to find attractive. We believe this service segment will continue to have strong sales growth in the foreseeable future.

Equipment and supplies sales. Equipment and supplies sales increased by 14.3% over the same period in 2006, of which approximately 12% of the increase was related to our stand-alone acquisitions in 2007. Acquisition activity in the past three years has increased our focus on equipment sales, as several of these new businesses possess a strong equipment and supplies business unit and we have continued to focus on the evolving needs of our customers. Trends in smaller, less expensive and more convenient printing equipment are gaining popularity with customers who want the convenience of in-house production, but have no compelling reimbursable invoice volume to offset the cost of a facilities management contract.

Gross Profit.

During the 12 months ended December 31, 2007, gross profit margin increased to \$287 million and was 41.7%, compared to \$254.3 million and 43% for the same period in 2006, on sales growth of \$96.5 million.

The increase in revenue was the primary factor for the dollar volume increase in gross profit during the 12 months ended December 31, 2007. The decrease in gross margins was partly due to the fact that a significant portion of our sales increases were driven by acquisitions with gross margins lower than existing operating divisions. Until our typical performance standards can be applied, such acquisitions temporarily depress gross margins, as do new branch openings and fold-in acquisitions. Specifically, 2007 stand alone acquisitions negatively impacted the gross profit percentage by approximately 90 basis points. The drop in margins was also attributable to unabsorbed labor costs of approximately 90 basis points, as expected sales during 2007 did not materialize due to regional sales decreases in our residential construction-related business as noted in the "Net Revenue" section above. Material costs as a percentage of net sales had a slight improvement, as our purchasing power as one of the

largest purchasers of reprographics equipment in the country continued to keep our material cost and purchasing costs low by industry standards.

Facilities management revenues are a significant component of our gross margins. We believe that this service segment will continue to be our strongest margin producer in the foreseeable future. Customers continue to view on-site services and digital equipment as a high-value convenience offering, and we believe the market for this service will continue to expand. We believe that more customers will adopt these services, as the equipment continues to become smaller and more affordable.

Selling, General and Administrative Expenses. In 2007, selling, general and administrative expenses increased by \$12.1 million or 9.2% over 2006. The increase is primarily attributable to the increase in our sales volume and acquisitions explained above. Expenses rose primarily due to the increase in administrative wages and sales personnel compensation of \$5.2 million and \$4.4 million, respectively that accompany sales growth. Stock-based compensation expense also contributed to the increase in general and administrative expense as stock-based compensation increased by \$1.3 million primarily due to stock options granted in the first quarter of 2007. Additionally, in March 2007, we incurred expenses of approximately \$0.5 million in connection with a secondary stock offering, primarily to facilitate the sale of shares owned by our former financial sponsor, Code Hennessy & Simmons LLC. Partially offsetting the increase in selling, general and administrative expense was a \$3.3 million favorable settlement of two related lawsuits in which we were plaintiff. Excluding costs related to that litigation, which included legal fees and accrued compensation payments related to the settlement, the settlement returned a \$1.7 million benefit to us for the 12 months ended December 31, 2007. For more information on the details of these lawsuits and settlement, please refer to Note 7- "Commitments and Contingencies" to our consolidated financial statements included in this report.

As a percentage of net sales, selling, general and administrative expenses declined by 1.4% in 2007 as compared to 2006 due to increases in sales, the fixed cost nature of some of these expenses in our existing operating divisions and corporate offices, and the financial benefit of the litigation settlement described above, which yielded a \$1.7 million benefit in 2007. We continue to expect that our selling, general and administrative expenses will increase in absolute dollars due to our expected growth, but we believe these costs as a percentage of overall sales will decline in the future as we continue to refine their management.

Amortization of Intangibles. Amortization of intangibles increased \$4 million during 2007, compared to 2006 primarily due to an increase in identified amortizable intangible assets such as customer relationships and trade names associated with our 19 business acquisitions completed throughout 2007. Also contributing to the increase is the full year impact of 2006 acquisitions. The three acquisitions that had the biggest impact on amortization expense were the acquisition of MBC Precision Imaging in March 2007, the acquisition of Imaging Technologies Services in April 2007, and the acquisition of Reliable Graphics in July 2006.

Litigation Reserve. In 2006 we accounted for the judgment entered against us in the previously-disclosed Louis Frey bankruptcy litigation in the United States Bankruptcy Court, Southern District of New York, by recording a litigation charge of \$14 million that included a \$11.3 million litigation reserve (\$11.1 million in awarded damages, and \$0.2 million in preference claims that the Company paid in 2006), and interest expense of \$2.7 million. We settled this for \$10.5 million during the fourth quarter of 2007 and accordingly recognized a benefit of \$3.3 million (\$2.9 million litigation gain, and \$0.4 million in interest) in 2007. For more information on the Louis Frey Company litigation, please refer to Note 7 -"Commitments and Contingencies" to our consolidated financial statements included in this report.

Interest Expense. Net interest expense was \$24.4 million in 2007 compared with \$23.2 million in 2006, an increase of 5.2% year-over-year. The increase of \$1.2 million is related to an increase of interest expense of \$4.3 million, primarily due to borrowings to finance acquisitions and additional capital leases. Specifically, we borrowed \$18 million and \$50 million to finance the acquisitions of MBC Precision Imaging and Imaging Technology Services in March and April 2007, respectively. This increase is offset by a decrease of \$3.1 million of interest expense related to the Louis Frey litigation reserve in 2006 and settlement in 2007.

Loss on the extinguishment of debt. In December of 2007, we entered into a new Credit and Guaranty Agreement and extinguished the debt under our previous credit facility. Accordingly, we wrote off unamortized

deferred financing costs of \$0.9 million and recognized a \$0.4 million expense resulting from the termination of an interest rate collar associated with the extinguished debt.

Income Taxes. Our effective income tax rate decreased from 38.3% in 2006 to 37.9% in 2007. The decrease is primarily due to a Domestic Production Activities Deduction (DPAD) to be taken in our consolidated federal income tax return for the 2007 tax year. This decrease was partially offset by a slightly higher effective state income tax rate for the same period. We expect our effective income tax rate to be in the range of 37% to 39% in 2008, assuming no material change to the geographical revenue mix.

Net Income. Net income increased to \$69.1 million in 2007 compared to \$51.4 million in 2006 due to the increase in sales in 2007, and the litigation charge taken in 2006 and associated settlement in 2007. The litigation charge taken in 2006 associated with the Louis Frey litigation resulted in an \$8.4 million negative impact on 2006 net income and a positive \$2.1 million impact on 2007 net income.

EBITDA. Our EBITDA margin increased to 25.6% in 2007 compared to 22.7% in 2006 primarily due to the litigation reserve in 2006 and gain upon the Louis Frey litigation settlement in 2007, and an increase in sales in 2007.

Year Ended December 31, 2006 Compared to Year Ended December 31, 2005

	Fiscal Year Ended December 31,		Increase (decrease)	
	2005	2006	(In dollars)	(Percent)
	(In millions)			
Reprographics services	\$ 369.1	\$ 438.4	\$ 69.3	18.8%
Facilities management	83.1	100.1	17.0	20.5%
Equipment and supplies sales	42.0	53.3	11.3	26.9%
Total net sales	\$ 494.2	\$ 591.8	\$ 97.6	19.8%
Gross profit	\$ 204.6	\$ 254.3	\$ 49.7	24.3%
Selling, general and administrative expenses	\$ 112.7	\$ 131.7	\$ 19.0	16.9%
Litigation reserve	—	\$ 11.3	\$ 11.3	100.0%
Amortization of intangibles	\$ 2.1	\$ 5.1	\$ 3.0	142.9%
Interest expense, net	\$ 26.7	\$ 23.2	\$ (3.5)	(13.1)%
Income taxes provision (benefit)	\$ (6.3)	\$ 32.0	\$ 38.3	(607.9)%
Net Income	\$ 60.5	\$ 51.4	\$ (9.1)	(15.0)%
EBITDA	\$ 109.4	\$ 134.3	\$ 24.9	22.8%

Net Sales.

Net sales in 2006 increased by 19.8% ; an increase of net sales in 2006 of approximately 9% was related to our stand-alone acquisitions.

Reprographics services. Net sales increased in 2006 compared to 2005 primarily from increased commercial construction spending throughout the United States and the expansion of our market share through branch openings and acquisitions. Estimates from FMI, a well-respected management consultancy for the construction industry, showed non-residential construction increasing by a minimum of 7% in each of the U.S. Census districts during 2006, with some districts reporting 11% and 12% increases. We acquired 16 businesses at various times throughout the year, each with a primary focus on reprographics services. These acquired businesses added sales from their book of business to our own, and in some cases, also allowed us to aggregate regional work from larger clients. Regional managers reported continued strength in our core construction-related reprographics services. Company-wide, pricing remained at similar levels to 2005, indicating that revenue increases were due primarily to volume.

Facilities management. The increase in revenues from facilities management sales reflected increased contract volume of these services. As a percentage of overall revenue, however, FM services increased only slightly due to the dilutive effects of acquisitions with small or non-existent FM programs of their own. FM revenue is

derived from a single cost per-square-foot of printed material, similar to our “Reprographics Services” revenue. As convenience and speed continued to characterize our customers’ needs, and as printing equipment continued to become smaller and more affordable, the trend of placing equipment (and sometimes staff) in an architectural studio or construction company office remained strong, as evidenced by an increase of approximately 885 FM accounts in 2006. By placing such equipment on-site and billing on a per use and per project basis, the invoice continued to be issued by us, just as if the work were produced in one of our centralized production facilities. The resulting benefit was the convenience of on-site production with a pass-through or reimbursable cost of business that many customers continued to find attractive.

Equipment and supplies sales. From 2001 through 2004, our equipment and supplies sales declined or were generally flat. In 2005, we experienced a 10% gain as compared to 2004 revenue for this service line, and in 2006, the increase was 26.9%. The sales decline reflected in the earlier period was due in large measure to the success of our FM programs displacing the outright sale of equipment, but several acquired divisions with a strong focus in equipment sales began to reverse that sales pattern in late-2004 and 2005. Trends in smaller, less expensive and more convenient printing equipment gained popularity with customers who wanted the convenience of in-house production, but had no compelling reimbursable invoice volume to offset the cost of placing the equipment.

Gross Profit.

Gross profit in 2006 was \$254.3 million compared to \$204.6 million in 2005. This 24.3% increase in gross profit was the result of increased revenues of 19.8%, continued focus on higher margin service lines, and the fixed cost nature of some of our cost of good sold expenses, such as machine cost and facility rent. Gross margins increased from 41.4% in 2005 to 43.0% in 2006 due to increased revenue and the margin improvement our high-fixed costs provided to our incremental revenue. These increases were partially diluted by the lower gross margins attributed to our acquisitions in 2006 that tended to depress gross margins temporarily.

Material costs as a percentage of net sales were flat from 2005 to 2006, as our purchasing power as one of the largest purchasers of reprographics equipment in the country continued to keep our material cost and purchasing costs low by industry standards. Production labor cost as a percentage of net sales remained consistent year over year at approximately 23%. Production overhead as a percentage of revenue decreased from 16.8% in 2005 to 15.2% in 2006 due to the fixed cost nature of the expense coupled with the net sales increase.

Selling, General and Administrative Expenses. In 2006, selling, general and administrative expenses increased by \$19 million or 16.9% over 2005. The increase was attributable to both the increase in our sales volume during 2006, as well as costs related to compliance with Section 404 of the Sarbanes Oxley Act of 2002 and the Company’s secondary offering in April 2006. Expenses also rose primarily due to increases in sales commissions, incentive payments and bonus accruals that accompanied sales growth. As a percentage of net sales, selling, general and administrative expenses declined by 0.5% in 2006 as compared to 2005 as a result of continued regional consolidation of operations, accounting and finance functions, and refinements in our regional management structure instituted in 2003.

Amortization of Intangibles. Amortization of intangibles increased 142.9% in 2006 compared to 2005 due to an increase in identified intangible assets such as customer relationships, trade names and non-competition covenants in association with our increased acquisition activity during the year.

Interest Expense. Net interest expense was \$23.2 million in 2006 compared with \$26.7 million in 2005, a decrease of 13.1% year-over-year. The decrease was due primarily to the refinancing of our debt in December of 2005 at more favorable interest rates and pay-down of debt during 2006, partially offset by interest expense of \$2.7 million related to the Louis Frey litigation reserve.

Income Taxes. Our effective income tax rate, excluding our one-time benefit as a result of our reorganization in February 2005, decreased from 39% in 2005 to 38% in 2006. The decrease is primarily due to the release of a tax reserve for a prior year as the statute of limitations had closed. Additionally, a \$5.6 million tax benefit was recorded in 2006, due to the Louis Frey litigation charge.

Net Income. Net income decreased to \$51.4 million in 2006 compared to \$60.5 million in 2005. This was primarily due to a one-time litigation charge taken in 2006 associated with the Louis Frey litigation and tax benefit

of \$27.7 million as a result of our reorganization in February 2005. Excluding the one-time tax benefit of \$27.7 million and the Louis Frey litigation charge of \$8.4 million, net of taxes, net income increased by \$27.0 million in 2006 as compared to 2005, which increase in net income was primarily due to increased sales and lower interest expense resulting from the refinance of our debt in December 2005.

EBITDA. Our EBITDA margin increased to 22.7% in 2006 compared to 22.1% in 2005 primarily due to higher revenues.

Quarterly Results of Operations

The following table sets forth certain quarterly financial data for the eight quarters ended December 31, 2007. This unaudited quarterly information has been prepared on the same basis as the annual financial statements and, in our opinion, reflects all adjustments, necessary for a fair presentation of the information for periods presented. Operating results for any quarter are not necessarily indicative of results for any future period.

	Quarter Ended							
	Mar. 31,	June 30,	Sept. 30,	Dec. 31,	Mar. 31,	June 30,	Sept. 30,	Dec. 31,
	2006				2007			
Reprographics services	\$104,817	\$114,658	\$111,176	\$107,724	\$119,779	\$133,257	\$131,655	\$128,940
Facilities management	22,932	24,691	25,814	26,721	26,356	28,984	29,241	29,267
Equipment and supplies sales	13,053	12,178	15,548	12,526	14,079	15,542	15,316	15,939
Total net sales	\$140,802	\$151,527	\$152,538	\$146,971	\$160,214	\$177,783	\$176,212	\$174,146
Quarterly sales as a % of annual sales	23.8%	25.6%	25.8%	24.8%	23.3%	25.8%	25.6%	25.3%
Gross profit	\$60,359	\$65,814	\$67,007	\$61,149	\$67,779	\$74,816	\$72,664	\$71,778
Income from operations	\$28,088	\$20,573	\$30,917	\$26,691	\$31,800	\$37,866	\$33,066	\$34,310
EBITDA	\$34,052	\$27,416	\$38,020	\$34,829	\$40,158	\$47,895	\$43,566	\$44,867
Net Income	\$14,375	\$8,427	\$15,756	\$12,836	\$16,844	\$19,612	\$15,945	\$16,737

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

	Quarter Ended							
	Mar. 31,	June 30,	Sept. 30,	Dec. 31,	Mar. 31,	June 30,	Sept. 30,	Dec. 31,
	2006				2007			
EBITDA	\$34,052	\$27,416	\$38,020	\$34,829	\$40,158	\$47,895	\$43,566	\$44,867
Interest expense, net	(4,459)	(7,001)	(5,810)	(5,922)	(5,161)	(6,642)	(6,872)	(5,699)
Loss on early extinguishment of debt	—	—	—	—	—	—	—	(1,327)
Income tax provision	(9,583)	(5,617)	(8,993)	(7,789)	(9,795)	(11,612)	(10,249)	(10,547)
Depreciation and amortization	(5,635)	(6,371)	(7,461)	(8,282)	(8,358)	(10,029)	(10,500)	(10,557)
Net income	\$14,375	\$8,427	\$15,756	\$12,836	\$16,844	\$19,612	\$15,945	\$16,737

We believe that quarterly revenues and operating results may vary significantly in the future and that quarter-to-quarter comparisons of our results of operations are not necessarily meaningful and should not be relied upon as indications of future performance. In addition, our quarterly operating results are typically affected by seasonal factors, primarily the number of working days in a quarter. Historically, our fourth quarter is the slowest,

reflecting the slowdown in construction activity during the holiday season, and our second quarter is the strongest, reflecting the fewest holidays and best weather compared to other quarters.

Impact of Inflation

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

Liquidity and Capital Resources

Our principal sources of cash have been operations and borrowings under our bank credit facilities or debt agreements. Our historical uses of cash have been for acquisitions of reprographics businesses, payment of principal and interest on outstanding debt obligations, capital expenditures and tax-related distributions to members of Holdings. Supplemental information pertaining to our historical sources and uses of cash is presented as follows and should be read in conjunction with our consolidated statements of cash flows and notes thereto included elsewhere in this report.

	Year Ended December 31,		
	2005	2006	2007
Net cash provided by operating activities	\$ 56,648	\$ 98,354	\$ 101,386
Net cash used in investing activities	\$(27,547)	\$(77,488)	\$(132,688)
Net cash (used in) provided by financing activities	\$(20,284)	\$(31,867)	\$ 44,353

Operating Activities

Net cash provided by operating activities for the year ended December 31, 2007, primarily related to net income of \$69.1 million and depreciation and amortization of \$39.4 million. Our cash flows from operations are mainly driven by sales and net profit generated from these sales. Our increase in cash flows from operations in 2007 compared to the same period in 2006 was mainly due to our 16.3% increase in sales that were driven by acquisitions. Specifically, 2007 stand-alone acquisitions contributed approximately \$9.7 million to operating cash flows in 2007. Also contributing to our increase in operating cash flows in 2007 compared to 2006 is our decrease in selling, general, and administrative expenses of 1.4% as a percentage of sales. Selling, general, and administrative expenses had a net benefit of \$1.7 million, after legal expenses incurred in 2007, due to a favorable litigation settlement in 2007 (Please refer to Note 7-“Commitments and Contingencies” to our consolidated financial statements included in this report). The increase in cash flows from operating activities was partially offset by the \$10.5 million cash payment in the fourth quarter related to the settlement of the previously disclosed Louis Frey litigation. The cash flows from operating activities remained strong as evidenced by the fact that operating cash flows for the year ended December 31, 2007 represents 14.7% of revenue. Net cash flows generated from operating activities in 2007 have and will be used to pay for acquisitions and payment of our debt obligations. Our days sales outstanding improved to 50 days as of December 31, 2007, as compared to 51 days as of December 31, 2006.

Net cash provided by operating activities for the year ended December 31, 2006, primarily related to net income of \$51.4 million, depreciation and amortization of \$27.8 million, Louis Frey litigation charge of \$14 million and an increase in accounts payable and accrued expenses of \$14.9 million, net of acquisitions. The increase in accounts payable and accrued expenses was primarily due to the timing of tax payments and trade payables. These factors were offset by the growth in accounts receivable of \$5.8 million, primarily related to increased sales during 2006. Our days sales outstanding remained consistent with 2005 at 51 days as of December 31, 2006.

Net cash provided by operating activities for the year ended December 31, 2005 primarily related to net income of \$60.5 million, depreciation and amortization of \$19.1 million and non-cash interest expense of \$8.7 million from the amortization of deferred financing costs. These factors were offset by the recording of \$27.7 million in deferred tax benefits resulting from the reorganization of our company from an LLC to a corporation, the growth in accounts receivable of \$4.0 million, primarily related to increased sales during 2005 and a decrease in accounts payable and accrued expenses of \$6.1 million, primarily due to the timing of payments of interest on our bank debt coupled with timing of trade payables.

Investing Activities

Net cash used in investing activities primarily related to acquisition of businesses, capital expenditures, and restricted cash. Payments for businesses acquired, net of cash acquired and including other cash payments and earnout payments associated with the acquisitions, amounted to \$132.7 million, \$62.2 million, and \$22.4 million during the years ended December 31, 2007, 2006, and 2005, respectively. We incurred capital expenditures totaling \$8.3 million, \$7.4 million, and \$5.2 million during the years ended December 31, 2007, 2006, and 2005, respectively. Our restricted cash out flow in 2006 of \$8.4 million was due to the cash collateral of \$7.5 million we posted to stay the execution of the Louis Frey judgment pending appeal and a \$0.9 million escrow account established in connection with one of our acquisitions. Our restricted cash in flow of \$7.9 million in 2007 related to the settlement of the Louis Frey litigation in the fourth quarter of 2007.

Financing Activities

Net cash provided by financing activities in 2007 primarily related to net borrowing of \$22 million on our existing revolving credit facility and a \$50 million borrowing from our term loan facility in order to facilitate the consummation of certain acquisitions. We used proceeds under the new Credit Agreement entered into in December of 2007 to prepay in full all principal and interest payable under the then existing Second Amended and Restated Credit and Guaranty Agreement dated as of December 21, 2005. The proceeds from this borrowing were offset by scheduled payments of \$19.2 million on capital lease obligations and \$7.7 million used to repurchase Company stock. Net cash used in 2006 primarily related to the net repayment of debt and capital leases of \$37.8 million, offset by \$2.1 million of proceeds from the exercise of stock options and the related excess tax benefit of \$4.0 million. Net cash used in 2005 primarily related to the redemption of preferred units of \$28.3 million and repayment of long term debt of \$97.2 million and distributions to members of \$8.2 million, offset by net proceeds from our initial public offering of \$92.7 million, borrowings under long term debt agreements of \$18 million and proceeds from the issuance of common stock under our Employee Stock Purchase Plan of \$4 million.

Our cash position, working capital, and debt obligations as of December 31, 2005, 2006, and 2007 are shown below and should be read in conjunction with our consolidated balance sheets and notes thereto elsewhere in this report.

	December 31,		
	2005	2006	2007
Cash and cash equivalents	\$ 22,643	\$ 11,642	\$ 24,802
Working capital	\$ 35,797	\$ 21,150	\$ 3,560
Borrowings from senior secured credit facilities	\$ 230,423	\$ 215,651	\$ 297,000
Other debt obligations	43,389	57,494	93,267
Total debt obligations	<u>\$273,812</u>	<u>\$ 273,145</u>	<u>\$390,267</u>

As discussed in “Quantitative and Qualitative Disclosure about Market Risk,” we had \$390.3 million of total debt and capital leases outstanding as of December 31, 2007, of which \$297 million was bearing interest at variable rates. A 1.0% change in interest rates on variable rate debt would have resulted in interest expense fluctuating by approximately \$2.6 million during the year ended December 31, 2007.

We believe that our cash flow provided by operations will be adequate to cover the next twelve months working capital needs, debt service requirements, and planned capital expenditures, to the extent such items are known or are reasonably determinable based on current business and market conditions. However, we may elect to finance certain of our capital expenditure requirements through borrowings under our credit facilities or the issuance of additional debt. Under the new Credit Agreement, we increased our revolving credit facility by \$45 million.

We have a stock repurchase program, originally announced on December 6, 2007, that allows us to repurchase up to \$150 million worth of shares. Pursuant to the stock repurchase program, during December of 2007, we repurchased 447,654 shares for \$7.7 million, leaving \$142.3 million remaining under the program. Current year repurchases were funded through cash flows from operations. Additional share repurchases, if any, will be made in

such amounts and at such times as we deem appropriate based upon prevailing market and business conditions and would be primarily purchased using subordinated debt in accordance with our new Credit facility.

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

To manage our working capital, we focus on our number of days outstanding to monitor accounts receivable, as receivables are our most significant element of working capital. The decrease in working capital from 2006 was primarily due to borrowings of \$22 million on our revolving credit facility used to finance a stand-alone acquisition in December of 2007.

Debt Obligations

Senior Secured Credit Facilities. In December 2005, we entered into a Second Amended and Restated Credit and Guaranty Agreement (Second Amended and Restated Credit Agreement). The Second Amended and Restated Credit Agreement provided us a \$310.6 million senior secured credit facility, comprised of a \$280.6 million term loan facility and a \$30 million revolving credit facility.

In July 2006, to finance an acquisition, we borrowed \$30 million of the then available \$50 million in our term loan facility. Subsequent to the borrowing, we entered into a First Amendment to Second Amended and Restated Credit and Guaranty Agreement (First Amendment) in order to facilitate the consummation of certain proposed acquisitions. The First Amendment provided us with a \$30 million increase to its term loan facility, thus restoring availability of the term loan facility to \$50 million.

On April 27, 2007 we entered into a Second Amendment to Second Amended and Restated Credit and Guaranty Agreement (Second Amendment) in order to facilitate the consummation of a certain acquisition. In conjunction with the Second Amendment we borrowed \$50 million from our term loan facility.

Interest on borrowings under the revolving credit facility was at our option, one of two floating rates: (i) a Eurodollar rate plus a margin (Applicable Margin) that ranged from 2% to 2.75% per annum, depending on the Company's Leverage Ratio, as defined in the Second Amended and Restated Credit Agreement, or (ii) an Index Rate, as defined in the Second Amended and Restated Credit Agreement, plus the Applicable Margin. The revolving credit facility was also subject to a commitment fee equal to 0.50% of the average daily unused portion of such revolving facility. Borrowings under the term loan facility bore interest at either (i) a Eurodollar rate plus 1.75% per annum, or (ii) an Index Rate, plus .75% per annum. The Applicable Margin was determined by a grid based on the ratio of the consolidated indebtedness of us and our subsidiaries to the consolidated adjusted EBITDA (as defined in the Second Amended and Restated Credit Agreement) of us and our subsidiaries for the most recently ended four fiscal quarters and ranged between 2.00% and 2.75% for Eurodollar Rate loans and ranged between 1.00% and 1.75% for Index Rate Loans.

On December 6, 2007, we entered into a new Credit and Guaranty Agreement (Credit Agreement). The Credit Agreement provides for senior secured credit facilities aggregating up to \$350 million, consisting of a \$275 million term loan facility and a \$75 million revolving credit facility. We used proceeds under the Credit Agreement in the amount of \$289.4 million to prepay in full all principal and interest payable under the Second Amended and Restated Credit Agreement. As a result of this prepayment, we wrote off \$0.9 million of deferred financing costs and recognized a \$0.4 million expense resulting from the termination of an interest rate collar associated with the extinguishment of debt during the year ended December 31, 2007, which are included in loss in the extinguishment of debt on the consolidated income statement.

Loans to us under the Credit Agreement will bear interest, at our option, at either the base rate, which is equal to the higher of the bank prime lending rate or the federal funds rate plus 0.5% or LIBOR, plus, in each case, the applicable rate. The applicable rate will be determined based upon the leverage ratio for us (as defined in

the Credit Agreement), with a minimum and maximum applicable rate of 0.25% and 0.75%, respectively, for base rate loans and a minimum and maximum applicable rate of 1.25% and 1.75%, respectively, for LIBOR loans. During the continuation of certain events of default, all amounts due under the Credit Agreement will bear interest at 2.0% above the rate otherwise applicable.

The Credit Agreement contains covenants which, among other things, require us to maintain a minimum interest coverage ratio of 2.25%, minimum fixed charge coverage ratio of 1.10% and maximum leverage ratio of 3.0%. The Credit Agreement also contains customary events of default, including failure to make payments when due under the Credit Agreement; payment default under, and cross-default to other, material indebtedness; breach of covenants; breach of representations and warranties; bankruptcy; material judgments; dissolution; ERISA events; change of control; invalidity of guarantees or security documents or repudiation by us of our obligations thereunder. Our Credit Agreement is secured by substantially all of the assets of the Company.

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

As of December 31, 2006 and 2007, we had standby letters of credit aggregated to \$4.1 million and \$4.8 million, respectively. The standby letters of credit reduce our borrowing capacity under the revolving credit facility.

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

	As of December 31, 2006			As of December 31, 2007		
	Balance	Available Borrowing Capacity	Interest Rate	Balance	Available Borrowing Capacity	Interest Rate
			(Dollars in thousands)			
Term facility	\$215,651	\$ 50,000	7.10%	\$275,000	\$ 67,998	6.93%
Revolving facility	—	25,945	9.00%	22,000	48,222	7.00%
	<u>\$215,651</u>	<u>\$75,945</u>		<u>\$297,000</u>	<u>\$116,220</u>	

In addition, under the revolving facility, we are required to pay a fee, on a quarterly basis, for the total unused commitment amount. This fee ranges from 0.30% to 0.50% based on our leverage ratio at the time. We may also draw upon this credit facility through letters of credit, which carries a fee of 0.25% of the outstanding letters of credit. Our Credit Agreement allows us to borrow under incremental term loans to the extent our senior secured leverage ratio (as defined in the Credit Agreement) remains below 2.50.

Seller Notes. As of December 31, 2007, we had \$38.1 million of seller notes outstanding, with interest rates ranging between 5.0% and 7.1% and maturities between 2008 and 2012. These notes were issued in connection with prior acquisitions.

Off-Balance Sheet Arrangements

At December 31, 2006, and 2007, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Contractual Obligations and Other Commitments

Our future contractual obligations as of December 31, 2007, by fiscal year are as follows:

	Years Ending December 31,					Thereafter
	2008	2009	2010	2011	2012	
	(Dollars in thousands)					
Debt obligations	\$ 48,283	\$ 31,103	\$ 64,725	\$ 73,639	\$ 117,332	\$ —
Capital lease obligations	20,971	16,145	10,287	5,086	2,283	413
Interest on long term debt	21,837	18,056	14,425	9,915	4,273	8
Operating lease	31,887	24,892	18,499	11,950	8,055	18,672
FIN 48 liability(1)	—	—	—	—	—	—
Total	<u>\$ 122,978</u>	<u>\$ 90,196</u>	<u>\$ 107,936</u>	<u>\$ 100,590</u>	<u>\$ 131,943</u>	<u>\$ 19,093</u>

(1) *FIN 48 Liability.* As a result of the adoption of FIN 48 we have a \$1.1 million contingent liability for uncertain tax positions. We are not updating the disclosures in our long-term contractual obligations table presented above because of the difficulty in making reasonably reliable estimates of the timing of cash settlements with the respective taxing authorities (see Note 6 — “Income Taxes” to our consolidated financial statements included in this report for additional discussion).

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

Contingent Transaction Consideration. We have entered into earnout agreements in connection with prior acquisitions. If the acquired businesses generate operating profits or revenues in excess of predetermined targets, we are obligated to make additional cash payments in accordance with the terms of such earnout agreements. As of December 31, 2007, we estimate that we will be required to make additional cash payments of up to \$8.8 million, in the aggregate, between 2008 and 2010. These additional cash payments are accounted for as goodwill when earned.

Impact of Conversion from an LLC to a Corporation

Immediately prior to our initial public offering in February 2005, we reorganized from a California limited liability company to a Delaware corporation, American Reprographics Company. In the reorganization, the members of Holdings exchanged their common units and options to purchase common units for shares of our common stock and options to purchase shares of our common stock. As required by the operating agreement of Holdings, we used a portion of the net proceeds from our initial public offering to repurchase all of the preferred equity of Holdings upon the closing of our initial public offering. As part of the reorganization, all outstanding warrants to purchase common units were exchanged for shares of our common stock. We do not expect any significant effect on operations from the reorganization apart from an increase in our effective tax rate due to corporate-level taxes, which will be offset by the elimination of tax distributions to our members and the recognition of deferred income taxes upon our conversion from a California limited liability company to a Delaware corporation.

Stockholders’ Equity

Due to their tax attributes, certain members of Holdings have in the past elected to receive less than their proportionate share of distributions for such taxes as a result of a difference in the tax basis of their equity interest in Holdings. In accordance with the terms of the operating agreement of Holdings, we made a cash distribution of approximately \$8.2 million to such members on February 9, 2005, with the completion of our initial public offering to bring their proportionate share of tax distributions equal to the other members. These distributions were not accrued at December 31, 2004, but became payable and were recorded immediately prior to our reorganization and the completion of our initial public offering on February 9, 2005. (See Note 11 — “Members’ Equity and Redeemable Preferred Units” to our consolidated financial statements included in this report for further details.)

Critical Accounting Policies

Our management prepares financial statements in conformity with accounting principles generally accepted in the United States. This requires us to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We evaluate our estimates and assumptions on an ongoing basis and rely on historical experience and other factors that we believe are reasonable under the circumstances. Actual results could differ from those estimates and such differences may be material to the consolidated financial statements. We believe the critical accounting policies and areas that require more significant judgments and estimates used in the preparation of our consolidated financial statements to be the following: goodwill and other intangible assets; revenue recognition; allowance for doubtful accounts; and commitments and contingencies.

Goodwill and Other Intangible Assets

We apply SFAS 142, Goodwill and Other Intangible Assets and perform an annual impairment test. Application of the goodwill impairment test requires judgment, including the identification of reporting units, assignment of assets and liabilities to reporting units, assignment of goodwill to reporting units, and determination of the fair value of each reporting unit. The fair value of each reporting unit is estimated using a discounted cash flow methodology. This requires significant judgments including estimation of future cash flows, which is dependent on internal forecasts, estimation of the long-term rate of growth of our business, the useful life over which cash flows will occur, and determination of our weighted average cost of capital. Changes in these estimates and assumptions could materially affect the determination of fair value and/or goodwill impairment for each reporting unit.

We have selected September 30 as the date on which we will perform our annual goodwill impairment test. Based on our valuation of goodwill, no impairment charges related to the write-down of goodwill were recognized for the years ended December 31, 2005, 2006 and 2007.

In connection with our acquisitions, we have applied the provisions of SFAS No. 141 “Business Combinations”, using the purchase method of accounting. The assets and liabilities assumed were recorded at their estimated fair values. The excess purchase price over those fair values was recorded as goodwill and other intangible assets.

The additions to goodwill include the excess purchase price over the fair value of net tangible assets and identifiable intangible assets acquired adjustments to acquisition costs and certain earnout payments. (See Note 3 — “Acquisitions” to our consolidated financial statements included in this report.)

Other intangible assets that have finite useful lives are amortized over their useful lives. Intangible assets with finite useful lives consist primarily of non-compete covenants, trade names, and customer relationships and are amortized over the expected period of benefit which ranges from two to 20 years using the straight-line and accelerated methods. Customer relationships are amortized under an accelerated method which reflects the related customer attrition rates and trade names and non-compete covenants are amortized using the straight-line method.

Revenue Recognition

We apply the provisions of the Securities and Exchange Commission (SEC) Staff Accounting Bulletin (SAB) No. 104, “Revenue Recognition in Financial Statements.” In general, we recognize revenue when (i) persuasive evidence of an arrangement exists, (ii) shipment of products has occurred or services have been rendered, (iii) the sales price charged is fixed or determinable and (iv) collection is reasonably assured. Net sales include an allowance for estimated sales returns and discounts.

We recognize revenues from reprographics and facilities management services when services have been rendered while revenues from the resale of reprographics supplies and equipment are recognized upon delivery to the customer or upon customer pickup.

We have established contractual pricing for certain large national customer accounts (Premier Accounts). These contracts generally establish uniform pricing at all branches for Premier Accounts. Revenues earned from our Premier Accounts are recognized in the same manner as non-Premier Account revenues.

In conjunction with the acquisition of Imaging Technologies Services in April of 2007, we entered into an Autodesk Value Added Reseller. The Autodesk agreement enables us to market and sell certain Autodesk software products and maintenance service programs. In accordance with SAB 104 and EITF 99-19 "Reporting Revenue Gross as a Principal versus Net as an Agent" revenue from sales of the third party maintenance service program is recognized at the time of sale on a net basis as we are not the primary obligor. Product sales are recorded at the time of sale on a gross basis when the SAB 104 revenue recognition criteria is met, as we act as a principal in the transaction and assume the risks and rewards of ownership.

In connection with our February 2008 sale of the Autodesk software reseller business acquired with Imaging Technologies Services, we terminated the Autodesk agreement.

Allowance for Doubtful Accounts

We perform periodic credit evaluations of the financial condition of our customers, monitor collections and payments from customers, and generally do not require collateral. We provide for the possible inability to collect accounts receivable by recording an allowance for doubtful accounts. We write off an account when it is considered uncollectible. We estimate our allowance for doubtful accounts based on historical experience, aging of accounts receivable, and information regarding the creditworthiness of our customers. In 2005, 2006, and 2007, we recorded expenses of \$1.2 million, \$0.6 million, and \$1.3 million, respectively, related to the allowance for trade receivables.

Commitments and Contingencies

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

Stock-Based Compensation

Prior to the January 1, 2006, adoption of Financial Accounting Standards Board ("FASB") Statement No. 123(R), "Share-Based Payment" ("SFAS 123R"), we accounted for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. Accordingly, because the stock option grant price equaled the market price on the date of grant, no compensation expense was recognized for Company-issued stock options issued prior to fiscal year 2004. As permitted by SFAS 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), stock-based compensation was included as a pro forma disclosure in the Notes to the Consolidated Financial Statements.

Effective January 1, 2006, we adopted SFAS 123R using the modified prospective transition method and, as a result, did not retroactively adjust results from prior periods. Under this transition method, stock-based compensation was recognized for: (i) expense related to the remaining unvested portion of all stock option awards granted in 2005, based on the grant date fair value estimated in accordance with the original provisions of SFAS 123; and (ii) expense related to all stock option awards granted on or subsequent to January 1, 2006, based on the grant date fair value estimated in accordance with the provisions of SFAS 123R. In accordance with SAB 107, the remaining unvested options issued by the Company prior to its initial public offering are not included in its SFAS 123R option pool. As a result, unless subsequently modified, repurchased or cancelled, such unvested options will not be included in stock-based compensation. We apply the Black-Scholes valuation model in determining the fair value of share-based payments to employees, which is then amortized on a straight-line basis over the requisite service period.

Total stock-based compensation for the years ended December 31, 2007 and 2006, on income before income taxes and net income was \$3.5 million and \$2.2 million, respectively. In addition, upon the adoption of SFAS 123R, the net tax benefit resulting from the exercise of stock options, which were previously presented as operating cash inflows in the Consolidated Statement of Cash Flows, are classified as financing cash inflows.

Recent Accounting Pronouncements

On July 13, 2006, the FASB issued Interpretation No. 48 (FIN 48) “Accounting for Uncertainty in Income Taxes: an interpretation of FASB Statement No. 109”. This interpretation clarifies the accounting for uncertainty in income taxes recognized in an entity’s financial statements in accordance with SFAS No. 109, “Accounting for Income Taxes.” FIN 48 prescribes a recognition threshold and measurement principles for financial statement disclosure of tax positions taken or expected to be taken on a tax return. The Company adopted the provision of this interpretation effective January 1, 2007. The adoption of FIN 48 did not have a material impact on the Company’s consolidated financial position and results of operations. (See Note 6 - “Income Taxes” to our consolidated financial statements included in this report for further discussion.)

On September 15, 2006, the FASB issued SFAS No. 157, “Fair Value Measurements”. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosure about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements, the FASB having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this Statement does not require any new fair value measurements. SFAS No. 157 is effective for fiscal years beginning after December 15, 2007, or fiscal year 2008 for the Company. The adoption of SFAS No. 157 is not expected to have a material impact on the Company’s results of operations or cash flows.

In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities — Including an Amendment of FASB Statement No. 115”. SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. Unrealized gains and losses on items for which the fair value option has been elected will be recognized in earnings at each subsequent reporting date. SFAS No. 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007, which is the year beginning January 1, 2008 for the Company. The adoption of SFAS No. 159 is not expected to have a material impact on the Company’s results of operations or cash flows.

In December 2007, the FASB issued SFAS No. 141R (revised 2007), “Business Combinations”, which replaces SFAS No 141. SFAS 141R establishes the principles and requirements for how an acquirer: (i) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree; (ii) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and (iii) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS 141R makes some significant changes to existing accounting practices for acquisitions. SFAS 141R is to be applied prospectively to business combinations consummated on or after the beginning of the first annual reporting period on or after December 15, 2008. We are currently evaluating the impact SFAS 141R will have on our future business combinations.

Item 7A. *Quantitative and Qualitative Disclosures about Market Risk*

Our primary exposure to market risk is interest rate risk associated with our debt instruments. We use both fixed and variable rate debt as sources of financing.

As of December 31, 2007, we had \$390.3 million of total debt and capital lease obligations, of which \$297 million was bearing interest at variable rates approximating 6.9% on a weighted average basis. A 1.0% change in interest rates on our variable rate debt would have resulted in interest expense fluctuating by approximately \$2.6 million during the year ended December 31, 2007.

On December 19, 2007, we entered into an interest rate swap transaction (“Swap Transaction”) in order to hedge the floating interest rate risk on our long term variable rate debt. Under the terms of the Swap Transaction, we are required to make quarterly fixed rate payments to the counterparty calculated based on an initial notional amount of \$271.6 million at a fixed rate of 4.1375%, while the counterparty is obligated to make quarterly floating rate payments to us based on the three month LIBO rate. The notional amount of the interest rate swap is scheduled to decline over the term of the term loan facility consistent with the scheduled principal payments. The Swap Transaction has an effective date of March 31, 2008 and a termination date of December 6, 2012.

The Swap Transaction qualifies for hedge accounting under Statement of Financial Accounting Standards (SFAS) No. 133, “Accounting for Derivative Instruments and Hedging Activities”, as amended, and we do not anticipate that changes in fair value will be subject to mark-to-market accounting through earnings.

We have not, and do not plan to, enter into any derivative financial instruments for trading or speculative purposes. As of December 31, 2007, we had no other significant material exposure to market risk, including foreign exchange risk and commodity risks.

Item 8. Consolidated Financial Statements and Supplementary Data

Our Financial Statements and the accompanying Notes that are filed as part of this report are listed under “Part IV, Item 15. Financial Statements Schedules and Reports” and are set forth beginning on page F-1 immediately following the signature pages of this report.

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

None

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of its management, including the Chief Executive Officer and President, and the Chief Financial Officer, of the effectiveness of the design and operation of the Company’s disclosure controls and procedures (as defined in Rule 13a-15(e) or 15d-15(e) of the Exchange Act). Based upon that evaluation, the Company’s Chief Executive Officer and President, and the Chief Financial Officer have concluded that the Company’s disclosure controls and procedures are effective to provide reasonable assurance that information is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to the Company’s management, including the Chief Executive Officer and President, and the Chief Financial Officer as appropriate, to allow timely decisions regarding required disclosure.

Management’s Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) or 15(d)-15(f) of the Exchange Act). Under the supervision and with the participation of the Company’s management, including the Chief Executive Officer and President, and the Chief Financial Officer, the Company conducted an evaluation of the effectiveness of its internal control over financial reporting based upon the framework in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, the Company’s management concluded that its internal control over financial reporting was effective as of December 31, 2007. Management’s report is included with our Consolidated Financial Statements under Part IV, Item 15 of this Annual Report on Form 10-K.

Management’s assessment of the effectiveness of the Company’s internal control over financial reporting as of December 31, 2007, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their Report of Independent Registered Public Accounting Firm under Part IV, Item 15 of this Report on Form 10-K.

Changes in Internal Control Over Financial Reporting

On April 27, 2007, the Company acquired Imaging Technologies Services (ITS). As permitted by the Securities and Exchange Commission, management has elected to exclude ITS from its December 31, 2007 assessment of and report on internal control over financial reporting. These operations constituted 1% and 4% of the Company’s total assets and consolidated revenues, respectively, as of and for the year ended December 31, 2007. Under the criteria used by the Company, this acquisition constitutes a change in internal control over financial reporting that has materially affected or is reasonably likely to materially affect the Company’s internal control over

[Table of Contents](#)

financial reporting during the year ended December 31, 2007. There were no other significant changes to internal controls over financial reporting during the year ended December 31, 2007 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Item 9B. *Other Information*

None

PART III

Item 10. *Directors and Executive Officers of the Registrant*

Certain information regarding our executive officers is included in Part I, Item 1, of this report under “Executive Officers of the Registrant.” All other information regarding directors, executive officers and corporate governance required by Item 10 is incorporated herein by reference to our Proxy Statement for our 2008 Annual Meeting of Stockholders, which will be filed with the SEC within 120 days after our fiscal year end of December 31, 2007 (Proxy Statement) and is set forth under “Nominees for Director,” “Corporate Governance Profile,” “Section 16(a) Beneficial Ownership Reporting Compliance,” and in other applicable sections in the Proxy Statement.

Item 11. *Executive Compensation*

The information required by Item 11 of Part III is incorporated herein by reference to the 2008 Proxy Statement and is set forth under “Executive Compensation and Related Information.”

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

The information required by Item 12 of Part III is incorporated herein by reference to the 2008 Proxy Statement and is set forth under “Beneficial Ownership of Voting Securities” and “Equity Compensation Plan Information.”

Item 13. *Certain Relationships and Related Transactions*

The information required by Item 13 of Part III is incorporated herein by reference to the 2008 Proxy Statement and is set forth under “Certain Relationships and Related Transactions.”

Item 14. *Principal Accounting Fees and Services*

The information required by Item 14 of Part III is incorporated herein by reference to the 2008 Proxy Statement and is set forth under “Auditor Fees.”

PART IV

Item 15. *Exhibits, Financial Statement Schedules*

The following documents are filed as part of this report:

(1) *Financial Statements*

The following consolidated financial statements are filed as part of this report:

Management's Report on Internal Controls Over Financial Reporting

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of December 31, 2006 and 2007

Consolidated Statements of Income for the years ended December 31, 2005, 2006 and 2007

Consolidated Statements of Stockholders' Equity and Comprehensive Income for the years ended December 31, 2005, 2006 and 2007

Consolidated Statements of Cash Flows for the years ended December 31, 2005, 2006 and 2007

Notes to Consolidated Financial Statements

(2) *Financial Statement Schedule*

Schedule II — Valuation and Qualifying Accounts

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

(3) *Exhibits*

The following exhibits are filed as part of this report.

Index to Exhibits

Number

- | | |
|------|---|
| 3.1 | Amended and Restated Certificate of Incorporation, filed February 2, 2005 (incorporated by reference to Exhibit 3.1 to the Registrant's Form 10-K filed on March 31, 2005). |
| 3.2 | Amended and Restated Bylaws, adopted by Board January 28, 2005 (incorporated by reference to Exhibit 3.2 to the Registrant's Form 10-K filed on March 31, 2005). |
| 4.1 | Specimen Stock Certificate (incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement on Form S-1 A (Reg. No. 333-119788), as amended on January 13, 2005). |
| 10.1 | Second Amended and Restated Credit and Guaranty Agreement dated as of December 21, 2005 by and among American Reprographics Company; American Reprographics Company, L.L.C., American Reprographics Holdings, L.L.C., certain subsidiaries of American Reprographics Company, L.L.C., or guarantors, and the lenders named therein (incorporated by reference to Exhibit 10.1 of the Form 8-K filed on December 21, 2005). |
| 10.2 | First Amendment to Second Amended and Restated Credit and Guaranty Agreement dated effective as of July 17, 2006, by and among American Reprographics Company L.L.C., a California limited liability company, American Reprographics Company, a Delaware corporation, certain financial institutions listed in the signature pages thereto, Goldman Sachs Credit Partners L.P., as Sole Lead Arranger and Joint Bookrunner, JPMorgan Securities, Inc., as Joint Bookrunner, General Electric Capital Corporation, as Administrative Agent and as Collateral Agent and the Credit Support Parties listed on the signature pages thereto (incorporated by reference to Exhibit 10.1 of the Form 10-Q filed on August 14, 2006). |

Number	
10.3	Second Amendment to Second Amended and Restated Credit and Guaranty Agreement dated as of April 27, 2007 by and among American Reprographics Company; American Reprographics Company, L.L.C.; American Reprographics Holdings, L.L.C.; certain subsidiaries of American Reprographics Company, L.L.C., or guarantors, the lenders named therein, Goldman Sachs Credit Partners L.P., as sole lead arranger, sole bookrunner and sole syndication agent, and General Electric Capital Corporation, as administrative agent (incorporated by reference to Exhibit 10.1 to the Form 8-K filed on May 2, 2007).
10.4	American Reprographics Company 2005 Stock Plan (incorporated by reference to Exhibit 10.7 to the Registrant's Registration Statement on Form S-1 A (Reg. No. 333-119788), as amended on January 13, 2005). [^]
10.5	Forms of Stock Option Agreements under the 2005 Stock Plan (incorporated by reference to Exhibit 10.8 to the Registrant's Registration Statement on Form S-1 (Reg. No. 333-119788), as filed on October 15, 2004). [^]
10.6	Amendment No. 1 to American Reprographics Company 2005 Stock Plan dated May 22, 2007 (incorporated by reference to Exhibit 10.63 to the Form 10-Q filed on August 9, 2007). [^]
10.7	Form of American Reprographics Company Stock Option Grant Notice — Non-employee Directors (Discretionary Non-statutory Stock Options) (incorporated by reference to Exhibit 10.1 to the Form 8-K filed on December 16, 2005). [^]
10.8	Form of American Reprographics Company Non-employee Directors — Stock Option Agreement (Discretionary Grants) (incorporated by reference to Exhibit 10.2 to the Form 8-K filed on December 16, 2005). [^]
10.9	American Reprographics Company 2005 Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.9 to the Registrant's Registration Statement on Form S-1 (Reg. No. 333-119788), as filed on October 15, 2004). [^]
10.10	Amendment to American Reprographics Company 2005 Employee Stock Purchase Plan dated September 29, 2006 (incorporated by reference to Exhibit 10.13 to the Form 10-K filed on March 1, 2007). [^]
10.11	Lease Agreement, dated November 19, 1997, between American Reprographics Company, L.L.C. (formerly Ford Graphics Group, L.L.C.) and Sumo Holdings LA, LLC (incorporated by reference to Exhibit 10.10 to the Registrant's Registration Statement on Form S-1 (Reg. No. 333-119788), as filed on October 15, 2004).
10.12	Amendment to Lease for the premises commonly known as 934 and 940 Venice Boulevard, Los Angeles, CA, effective as of August 2, 2005, by and between Sumo Holdings LA, LLC, Landlord and American Reprographics Company, L.L.C. (formerly known as FORD GRAPHICS GROUP, L.L.C.) Tenant (incorporated by reference to Exhibit 10.2 to the Form 10-Q filed on November 14, 2005).
10.13	Lease Agreement between American Reprographics Company, L.L.C. and Sumo Holdings San Jose, LLC (incorporated by reference to Exhibit 10.11 to the Registrant's Registration Statement on Form S-1 (Reg. No. 333-119788), as filed on October 15, 2004).
10.14	Lease Agreement between American Reprographics Company, L.L.C. and Sumo Holdings Irvine, LLC (incorporated by reference to Exhibit 10.12 to the Registrant's Registration Statement on Form S-1 (Reg. No. 333-119788), as filed on October 15, 2004).
10.15	Amendment to Lease for the premises commonly known as 17721 Mitchell North, Irvine, CA, effective as of August 2, 2005, by and between Sumo Holdings Irvine, LLC, Lessor and American Reprographics Company, L.L.C., Lessee (incorporated by reference to Exhibit 10.1 to the Form 10-Q filed on November 14, 2005).
10.16	Lease Agreement, dated December 1, 1997, between American Reprographics Company, L.L.C. and Sumo Holdings Sacramento, LLC (Oakland Property) (incorporated by reference to Exhibit 10.13 to the Registrant's Registration Statement on Form S-1 (Reg. No. 333-119788), as filed on October 15, 2004).
10.17	Lease Agreement between American Reprographics Company, L.L.C. (formerly Ford Graphics Group, L.L.C.) and Sumo Holdings Sacramento, LLC (Sacramento Property) (incorporated by reference to Exhibit 10.14 to the Registrant's Registration Statement on Form S-1 (Reg. No. 333-119788), as filed on October 15, 2004).
10.18	Amendment to Lease for the premises commonly known as 1322 V Street, Sacramento, CA, effective as of August 2, 2005, by and between Sumo Holdings Sacramento, LLC, Landlord and American Reprographics Company, L.L.C. (formerly known as Ford Graphics Group, L.L.C.) Tenant (incorporated by reference to Exhibit 10.4 to the Form 10-Q filed on November 14, 2005).

Number	
10.19	Lease Agreement, dated December 7, 1995, between Leet-Melbrook, Inc. and Sumo Holdings Maryland, LLC (as successor lessor) (incorporated by reference to Exhibit 10.15 to the Registrant's Registration Statement on Form S-1 (Reg. No. 333-119788), as filed on October 15, 2004).
10.20	Amendment to Lease for the premises commonly known as 18810 Woodfield Road, Gaithersburg, MD, effective as of August 2, 2005, by and between Sumo Holdings Maryland, LLC, Landlord and Leet-Melbrook, Inc., Tenant (incorporated by reference to Exhibit 10.3 to the Form 10-Q filed on November 14, 2005).
10.21	Second Amendment to Lease for the premises commonly known as 18810 Woodfield Road, Gaithersburg, MD, effective as of August 1, 2006 by and between Sumo Holdings Maryland, LLC, Landlord and Leet-Melbrook Inc., Tenant (incorporated by reference to Exhibit 10.24 to the Form 10-K filed on March 1, 2007).
10.22	Lease Agreement, dated September 23, 2003, between American Reprographics Company (dba Consolidated Reprographics) and Sumo Holdings Costa Mesa, LLC (incorporated by reference to Exhibit 10.16 to the Registrant's Registration Statement on Form S-1 (Reg. No. 333-119788), as filed on October 15, 2004).
10.23	Lease agreement dated November 19, 1997, between Dieterich-Post Company and Ford Graphics Group, L.L.C. (incorporated by reference to Exhibit 10.26 to the Form 10-K filed on March 1, 2007).
10.24	Indemnification Agreement, dated April 10, 2000, among American Reprographics Company, L.L.C., American Reprographics Holdings, L.L.C., ARC Acquisition Co., L.L.C., Mr. Chandramohan, Mr. Suriyakumar, Micro Device, Inc., Dieterich-Post Company, ZS Ford L.P., and ZS Ford L.L.C. (incorporated by reference to Exhibit 10.19 to the Registrant's Registration Statement on Form S-1 (Reg. No. 333-119788), as filed on October 15, 2004).
10.25	Investor Registration Rights Agreement, dated April 10, 2000, among American Reprographics Holdings, L.L.C., ARC Acquisition Co., L.L.C., Mr. Chandramohan, Mr. Suriyakumar, GS Mezzanine Partners II, L.P. and GS Mezzanine Partners II Offshore, L.P. (incorporated by reference to Exhibit 10.20 to the Registrant's Registration Statement on Form S-1 (Reg. No. 333-119788), as filed on October 15, 2004).
10.26	First Amendment to Investor Registration Rights Agreement, among American Reprographics Holdings, L.L.C., American Reprographics Company, ARC Acquisition Co., L.L.C., CHS Associates IV, Ms. Paige Walsh, Mr. Chandramohan, Mr. Suriyakumar, GS Mezzanine Partners II, L.P., GS Mezzanine Partners II Offshore, L.P., Stone Street Fund 2000, L.P. and Bridge Street Special Opportunities Fund, 2000, L.P. (incorporated by reference to Exhibit 10.21 to the Registrant's Registration Statement on Form S-1 A (Reg. No. 333-119788), as amended on January 13, 2005).
10.27	Forms of Restricted Stock Award Agreements under 2005 Stock Plan (incorporated by reference to Exhibit 10.27 to the Registrant's Registration Statement on Form S-1 A (Reg. No. 333-119788), as amended on December 6, 2004).^
10.28	Form of Restricted Stock Unit Award Agreement under 2005 Stock Plan (incorporated by reference to Exhibit 10.28 to the Registrant's Registration Statement on Form S-1 A (Reg. No. 333-119788), as amended on December 6, 2004).^
10.29	Form of Stock Appreciation Right Agreement under 2005 Stock Plan (incorporated by reference to Exhibit 10.29 to the Registrant's Registration Statement on Form S-1 A (Reg. No. 333-119788), as amended on January 13, 2005).^
10.30	Employment Agreement, dated January 7, 2005, between American Reprographics Company and Mr. Sathiyamurthy Chandramohan (incorporated by reference to Exhibit 10.30 to the Registrant's Registration Statement on Form S-1 A (Reg. No. 333-119788), as amended on January 13, 2005).^
10.31	First Amendment to Employment Agreement between American Reprographics Company and Mr. Sathiyamurthy Chandramohan, effective November 18, 2005 (incorporated by reference to Exhibit 10.36 to the Registrant's Form 10-K filed on March 16, 2006).^
10.32	Second Amendment to Employment Agreement between American Reprographics Company and Mr. Sathiyamurthy Chandramohan, effective March 17, 2006 (incorporated by reference to Exhibit 99.1 to the Registrant's Form 8-K filed on March 23, 2006).^
10.33	Restricted Stock Award Grant Notice between American Reprographics Company and Mr. Sathiyamurthy Chandramohan dated March 27, 2007 (incorporated by reference to Exhibit 99.1 to Registrant's Form 8-K filed on March 30, 2007).^

Number	
10.34	Employment Agreement, dated January 7, 2005, between American Reprographics Company and Mr. Kumarakulasingam Suriyakumar (incorporated by reference to Exhibit 10.31 to the Registrant's Registration Statement on Form S-1 A (Reg. No. 333-119788), as amended on January 13, 2005).^
10.35	First Amendment to Employment Agreement between American Reprographics Company and Mr. Kumarakulasingam Suriyakumar, effective November 18, 2005 (incorporated by reference to Exhibit 10.38 to the Registrant's Form 10-K filed on March 16, 2006).^
10.36	Second Amendment to Employment Agreement between American Reprographics Company and Mr. Kumarakulasingam Suriyakumar, effective March 17, 2006 (incorporated by reference to Exhibit 99.2 to the Registrant's Form 8-K filed on March 23, 2006).^
10.37	Third Amendment to Employment Agreement between American Reprographics Company and Mr. Kumarakulasingam Suriyakumar, dated July 27, 2007 (incorporated by reference to Exhibit 99.1 to the Registrant's Form 8-K filed on August 1, 2007).^
10.38	Restricted Stock Award Grant Notice between American Reprographics Company and Mr. Kumarakulasingam Suriyakumar dated March 27, 2007 (incorporated by reference to Exhibit 99.2 to Registrant's Form 8-K filed on March 30, 2007).^
10.39	Employment Agreement, dated January 7, 2005, between American Reprographics Company and Mr. Mark W. Legg (incorporated by reference to Exhibit 10.32 to the Registrant's Registration Statement on Form S-1 A (Reg. No. 333-119788), as amended on January 13, 2005).^
10.40	Employment Agreement, dated January 7, 2005, between American Reprographics Company and Mr. Rahul K. Roy (incorporated by reference to Exhibit 10.33 to the Registrant's Registration Statement on Form S-1 A (Reg. No. 333-119788), as amended on January 13, 2005).^
10.41	Agreement to Grant Stock dated effective December 7, 2004, between American Reprographics Company and Rahul K. Roy (incorporated by reference to Exhibit 10.36 to the Registrant's Form 10-K filed on March 31, 2005).^
10.42	First Amendment to Agreement to Grant Stock dated May 17, 2006 between American Reprographics Company and Rahul K. Roy (incorporated by reference to Exhibit 10.48 to the Registrant's Form 10-K filed on March 1, 2007).^
10.43	Executive Employment Agreement between American Reprographics Company and Jonathan Mather dated November 29, 2006 (incorporated by reference to Exhibit 99.2 to the Form 8-K filed on November 30, 2006).^
10.44	Indemnification Agreement made as of December 4, 2006 between American Reprographics Company and Jonathan Mather (incorporated by reference to Exhibit 10.50 to the Registrant's Form 10-K filed on March 1, 2007).
10.45	Indemnification Agreement made as of September 30, 2004 between American Reprographics Company and Sathiyamurthy Chandramohan (incorporated by reference to Exhibit 10.37 to the Registrant's Form 10-K filed on March 31, 2005).
10.46	Indemnification Agreement made as of September 30, 2004 between American Reprographics Company and Andrew W. Code (incorporated by reference to Exhibit 10.38 to the Registrant's Form 10-K filed on March 31, 2005).
10.47	Indemnification Agreement made as of September 30, 2004 between American Reprographics Company and Thomas J. Formolo (incorporated by reference to Exhibit 10.39 to the Registrant's Form 10-K filed on March 31, 2005).
10.48	Indemnification Agreement made as of October 7, 2004 between American Reprographics Company and Mark W. Legg (incorporated by reference to Exhibit 10.40 to the Registrant's Form 10-K filed on March 31, 2005).
10.49	Indemnification Agreement made as of September 30, 2004 between American Reprographics Company and Manuel Perez de la Mesa (incorporated by reference to Exhibit 10.41 to the Registrant's Form 10-K filed on March 31, 2005).
10.50	Indemnification Agreement made as of January 11, 2005 between American Reprographics Company and Edward D. Horowitz (incorporated by reference to Exhibit 10.42 to the Registrant's Form 10-K filed on March 31, 2005).
10.51	Indemnification Agreement made as of March 3, 2005 between American Reprographics Company and Mark W. Mealy (incorporated by reference to Exhibit 10.43 to the Registrant's Form 10-K filed on March 31, 2005).

[Table of Contents](#)

Number	
10.52	Indemnification Agreement made as of September 30, 2004 between American Reprographics Company and Kumarakulasingam Suriyakumar (incorporated by reference to Exhibit 10.44 to the Registrant's Form 10-K filed on March 31, 2005).
10.53	Indemnification Agreement made as of October 7, 2004 between American Reprographics Company and Rahul K. Roy (incorporated by reference to Exhibit 10.45 to the Registrant's Form 10-K filed on March 31, 2005).
10.54	Indemnification Agreement made as of February 2, 2006 between American Reprographics Company and Dewitt Kerry McCluggage (incorporated by reference to Exhibit 10.51 to the Registrant's Form 10-K filed on March 16, 2006).
10.55	Indemnification Agreement made as of May 22, 2006, between American Reprographics Company and Eriberto R. Scocimara (incorporated by reference to Exhibit 10.61 to the Form 10-K filed on March 1, 2007).
10.56	Consulting Agreement dated February 28, 2007 between American Reprographics Company, L.L.C. and Legg Consulting L.L.C. (incorporated by reference to Exhibit 10.62 to the Form 10-K filed on March 1, 2007).
10.57	Credit and Guaranty Agreement dated as of December 6, 2007 by and among American Reprographics Company, American Reprographics Company, L.L.C., certain subsidiaries of American Reprographics Company, L.L.C., as guarantor, JPMorgan Chase Bank, N.A., as administrative agent and collateral agents, J.P. Morgan Securities, Inc. and Wachovia Capital Markets, LLC, as joint bookrunners and joint lead arrangers, and Wachovia Bank, National Association, as syndication agent (incorporated by reference to Exhibit 10.1 to Registrant's Form 8-K filed on December 7, 2007).
10.58	Security Agreement dated as of December 6, 2007 by and among American Reprographics Company, American Reprographics Company, L.L.C., the other Grantors party thereto and JPMorgan Chase Bank, N.A. as collateral agent.*
10.59	ISDA Master Agreement dated as of December 19, 2007 by and among American Reprographics Company, American Reprographics Company, L.L.C., and Wells Fargo Bank N.A. (incorporated by reference to Exhibit 10.1 to Registrant's Form 8-K filed on December 26, 2007).
10.60	2007 Bonus Plan, dated February 20, 2007, between American Reprographics Company and Jonathan Mather.*^
21.1	List of Subsidiaries.*
23.1	Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm.*
31.1	Certification by the Chief Executive Officer pursuant to Rules 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934.*
31.2	Certification by the Chief Financial Officer pursuant to Rules 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934.*
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*

* Filed herewith

^ Indicates management contract or compensatory plan or agreement

SIGNATURES

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

AMERICAN REPROGRAPHICS COMPANY

By: /s/ KUMARAKULASINGAM SURIYAKUMAR

President
Chief Executive Officer

Date: February 27, 2008

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the registrant in the capacities indicated on February 27, 2008.

Signature

<u>/s/ KUMARAKULASINGAM SURIYAKUMAR</u> Kumarakulasingam Suriyakumar	President, Chief Executive Officer
<u>/s/ SATHIAMURTHYCHANDRAMOHAN</u> Sathiyamurthy Chandramohan	Chairman of the Board of Directors
<u>/s/ JONATHAN R. MATHER</u> Jonathan R. Mather	Chief Financial Officer and Secretary
<u>/s/ THOMAS J. FORMOLO</u> Thomas J. Formolo	Director
<u>/s/ ERIBERTO SCOCIMARA</u> Eriberto Scocimara	Director
<u>/s/ DEWITT KERRY MCCLUGGAGE</u> Dewitt Kerry McCluggage	Director
<u>/s/ MARK W. MEALY</u> Mark W. Mealy	Director
<u>/s/ MANUEL PEREZ DE LA MESA</u> Manuel Perez de la Mesa	Director

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

<u>Management's Report on Internal Controls Over Financial Reporting</u>	F-2
<u>Report of Independent Registered Public Accounting Firm</u>	F-3
<u>Consolidated Balance Sheets as of December 31, 2006 and 2007</u>	F-5
<u>Consolidated Statements of Income for the years ended December 31, 2005, 2006 and 2007</u>	F-6
<u>Consolidated Statements of Stockholders' Equity and Comprehensive Income for the years ended December 31, 2005, 2006 and 2007</u>	F-7
<u>Consolidated Statements of Cash Flows for the years ended December 31, 2005, 2006 and 2007</u>	F-8
<u>Notes to Consolidated Financial Statements</u>	F-9
Financial Statement Schedule:	
<u>Schedule II — Valuation and Qualifying Accounts</u>	F-34

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The consolidated financial statements and accompanying information were prepared by and are the responsibility of management. The statements were prepared in conformity with accounting principles generally accepted in the United States of America and, as such, include amounts that are based on management's best estimates and judgments.

Oversight of management's financial reporting and internal accounting control responsibilities is exercised by the Board of Directors, through an audit committee, which consists solely of outside directors. The committee meets periodically with financial management, internal auditors and the independent registered public accounting firm to obtain reasonable assurance that each is meeting its responsibilities and to discuss matters concerning auditing, internal accounting control and financial reporting. The independent registered public accounting firm and the Company's internal audit department have free access to meet with the audit committee without management's presence.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of management, including the Chief Executive Officer and President, and the Chief Financial Officer, the Company conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the Company's evaluation under the framework in *Internal Control — Integrated Framework*, management has concluded that internal control over financial reporting was effective as of December 31, 2007.

Management has excluded Imaging Technologies Services (ITS) from its assessment of internal control over financial reporting as of December 31, 2007, because it was acquired by the Company in a purchase business combination during 2007. ITS is a wholly-owned subsidiary whose total assets and total revenues represent 1% and 4%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2007. Management's conclusion in this report regarding the effectiveness of the Company's internal control over financial reporting as of December 31, 2007 does not include the internal control over financial reporting of ITS.

Management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2007 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of American Reprographics Company:

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of American Reprographics Company at December 31, 2007 and December 31, 2006, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2007 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 15(a)(1). Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our audits (which were integrated audits in 2007 and 2006). We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for share-based compensation in 2006.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

[Table of Contents](#)

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

As described in Management's Report on Internal Control Over Financial Reporting, management has excluded Imaging Technologies Services ("ITS") from its assessment of internal control over financial reporting as of December 31, 2007 because it was acquired by the Company in a purchase business combination during 2007. We have also excluded ITS from our audit of internal control over financial reporting. ITS is a wholly-owned subsidiary whose total assets and total revenues represent 1% and 4%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2007.

/s/ PricewaterhouseCoopers LLP

Los Angeles, California
February 26, 2008

AMERICAN REPROGRAPHICS COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31, 2006	December 31, 2007
	(Dollars in thousands, except per share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 11,642	\$ 24,802
Restricted cash	8,491	937
Accounts receivable, net of allowances of \$4,344 and \$5,092 at December 31, 2006 and December 31, 2007, respectively	85,277	97,934
Inventories, net	7,899	11,233
Deferred income taxes	10,963	5,791
Prepaid expenses and other current assets	6,796	10,234
Total current assets	131,068	150,931
Property and equipment, net	60,138	84,634
Goodwill	291,290	382,519
Other intangible assets, net	50,971	86,349
Deferred financing costs, net	895	5,170
Deferred income taxes	11,245	10,710
Other assets	1,974	2,298
Total assets	\$ 547,581	\$ 722,611
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 33,447	\$ 35,659
Accrued payroll and payroll-related expenses	15,666	19,293
Accrued expenses	25,810	23,165
Accrued litigation charge	13,947	—
Current portion of long-term debt and capital leases	21,048	69,254
Total current liabilities	109,918	147,371
Long-term debt and capital leases	252,097	321,013
Other long-term liabilities	1,322	2,576
Total liabilities	363,337	470,960
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.001 par value, 25,000,000 shares authorized; zero and zero shares issued and outstanding	—	—
Common stock, \$0.001 par value, 150,000,000 shares authorized; 45,346,099 and 45,561,773 shares issued and outstanding	45	46
Additional paid-in capital	75,465	81,153
Deferred stock-based compensation	(1,224)	(673)
Retained earnings	109,955	179,092
Accumulated other comprehensive income	3	(258)
	184,244	259,360
Less cost of common stock in treasury, 447,654 shares in 2007		7,709
Total stockholders' equity	184,244	251,651
Total liabilities and stockholders' equity	\$ 547,581	\$ 722,611

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

AMERICAN REPROGRAPHICS COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31,		
	2005	2006	2007
	(Dollars in thousands, except per share data)		
Reprographics services	\$ 369,123	\$ 438,375	\$ 513,630
Facilities management	83,125	100,158	113,848
Equipment and supplies sales	41,956	53,305	60,876
Total net sales	494,204	591,838	688,354
Cost of sales	289,580	337,509	401,317
Gross profit	204,624	254,329	287,037
Selling, general and administrative expenses	112,679	131,743	143,811
Litigation reserve (gain)	—	11,262	(2,897)
Amortization of intangible assets	2,120	5,055	9,083
Income from operations	89,825	106,269	137,040
Other income (expense), net	381	299	—
Interest expense, net	26,722	23,192	24,373
Loss on early extinguishment of debt	9,344	—	1,327
Income before income tax (benefit) provision	54,140	83,376	111,340
Income tax (benefit) provision	(6,336)	31,982	42,203
Net income	60,476	51,394	69,137
Net income attributable to common shares:			
Basic	\$ 1.43	\$ 1.14	\$ 1.52
Diluted	\$ 1.40	\$ 1.13	\$ 1.51
Weighted average common shares outstanding:			
Basic	42,264,001	45,014,786	45,421,498
Diluted	43,178,001	45,594,950	45,829,010

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

AMERICAN REPROGRAPHICS COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME
(Dollars in thousands, except per share data)

		Common Stock		Additional			Other	Common	Accumulated
	Members'		Par	Paid-In	Deferred	Retained	Comprehensive	Stock in	Total
	Deficit	Shares	Value	Capital	Compensation	Earnings	Income	Treasury	Stockholders'
					(Dollars in thousands)				Equity
Balance at December 31, 2004	\$ (32,688)	—	\$ —	\$ —	\$ (2,527)	\$ —	\$ 206	\$ —	\$ (35,009)
Amortization of deferred stock-based compensation for the period from January 1 to February 9, 2005	—	—	—	—	61	—	—	—	61
Comprehensive income for the period January 1 to February 9, 2005:									
Net Income	1,914	—	—	—	—	—	—	—	1,914
Fair value adjustment of derivatives	—	—	—	—	—	—	195	—	195
Comprehensive income	—	—	—	—	—	—	—	—	2,109
Distributions to members	(8,244)	—	—	—	—	—	—	—	(8,244)
Reorganization from LLC to "C" Corporation	39,018	35,510,011	35	(39,053)	—	—	—	—	—
Issuance of common stock in initial public offering, net of underwriting discounts	—	7,666,667	8	92,682	—	—	—	—	92,690
Issuance of common stock in exchange for warrants exercised upon initial public offering	—	754,476	1	—	—	—	—	—	1
Direct costs of initial public offering	—	—	—	(3,916)	—	—	—	—	(3,916)
Amortization of deferred stock-based compensation for the period from February 10 to December 31, 2005	—	—	—	—	563	—	—	—	563
Issuance of common stock under Employee Stock Purchase Plan	—	362,061	—	4,000	—	—	—	—	4,000
Stock options exercised	—	305,600	—	1,536	—	—	—	—	1,536
Tax benefit from exercise of stock options	—	—	—	1,576	—	—	—	—	1,576
Comprehensive income for the period from February 10, to December 31, 2005:									
Net income	—	—	—	—	—	58,561	—	—	58,561
Fair value adjustment of derivatives, net of tax effects	—	—	—	—	—	—	(359)	—	(359)
Comprehensive income	—	—	—	—	—	—	—	—	58,202
Balance at December 31, 2005	—	44,598,815	44	56,825	(1,903)	58,561	42	—	113,569
Stock-based compensation	—	28,253	—	1,536	679	—	—	—	2,215
Issuance of common stock under Employee Stock Purchase Plan	—	9,032	—	290	—	—	—	—	290
Issuance of common stock in connection with accrued bonuses	—	80,652	—	2,160	—	—	—	—	2,160
Issuance of common stock in connection with acquisitions	—	246,277	—	8,500	—	—	—	—	8,500
Stock options exercised	—	383,070	1	2,103	—	—	—	—	2,104
Net Tax benefit from exercise of stock options	—	—	—	4,051	—	—	—	—	4,051
Comprehensive income Net income	—	—	—	—	—	51,394	—	—	51,394
Foreign Currency Translation	—	—	—	—	—	—	62	—	62
Fair value adjustment of derivatives, net of tax effects	—	—	—	—	—	—	(101)	—	(101)
Comprehensive income	—	—	—	—	—	—	—	—	51,355
Balance at December 31, 2006	—	45,346,099	45	75,465	(1,224)	109,955	3	—	184,244
Stock-based compensation	—	41,524	—	2,917	551	—	—	—	3,468
Issuance of common stock under Employee Stock Purchase Plan	—	4,600	—	100	—	—	—	—	100
Stock options exercised	—	169,550	1	1,108	—	—	—	—	1,109
Net Tax benefit from exercise of stock options	—	—	—	1,563	—	—	—	—	1,563
Comprehensive income Net income	—	—	—	—	—	69,137	—	—	69,137
Foreign Currency Translation	—	—	—	—	—	—	676	—	676
Fair value adjustment of derivatives, net of tax effects	—	—	—	—	—	—	(937)	—	(937)
Comprehensive income	—	—	—	—	—	—	—	—	68,876
Purchase of 447,654 treasury shares	—	—	—	—	—	—	—	(7,709)	(7,709)
Balance at December 31, 2007	\$ —	45,561,773	\$ 46	\$ 81,153	\$ (673)	\$ 179,092	\$ (258)	\$ (7,709)	\$ 251,651

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

AMERICAN REPROGRAPHICS COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2005	2006	2007
	(Dollars in thousands, except per share data)		
Cash flows from operating activities			
Net income	\$ 60,476	\$ 51,394	\$ 69,137
Adjustments to reconcile net income to net cash provided by operating activities:			
Accretion of yield on redeemable preferred member units	449	—	—
Depreciation	17,045	22,694	30,362
Amortization of intangible assets	2,120	5,055	9,083
Amortization of deferred financing costs	1,660	364	515
Stock-based compensation	624	2,115	3,469
Litigation charge (gain)	—	13,947	(3,315)
Excess tax benefit related to stock options exercised	—	(4,051)	(1,563)
Deferred income taxes	(24,815)	(3,934)	5,318
Write-off of deferred financing costs and interest rate collar	7,089	208	1,327
Other non-cash items, net	859	324	909
Changes in operating assets and liabilities, net of effect of business acquisitions:			
Accounts receivable	(3,964)	(5,769)	(446)
Inventory	754	949	694
Prepaid expenses and other assets	433	(5)	44
Litigation settlement payment	—	—	(10,500)
Accounts payable and accrued expenses	(6,082)	14,963	(3,648)
Net cash provided by operating activities	<u>56,648</u>	<u>98,354</u>	<u>101,386</u>
Cash flows from investing activities			
Capital expenditures	(5,237)	(7,391)	(8,303)
Payments for businesses acquired, net of cash acquired and including other cash payments associated with the acquisitions	(22,380)	(62,225)	(132,739)
Restricted cash	—	(8,360)	7,911
Other	70	488	443
Net cash used in investing activities	<u>(27,547)</u>	<u>(77,488)</u>	<u>(132,688)</u>
Cash flows from financing activities			
Proceeds from initial public offering, net of underwriting discounts	92,690	—	—
Proceeds from stock option exercises	1,536	2,103	1,108
Proceeds from issuance of common stock under Employee Stock Purchase Plan	4,000	290	100
Treasury stock repurchase	—	—	(7,709)
Direct costs of initial public offering	(1,487)	—	—
Excess tax benefit related to stock options exercised	—	4,051	1,563
Redemption of preferred member units	(28,263)	—	—
Proceeds from borrowings under long-term debt agreements	157,500	30,000	325,000
Payments on long-term debt agreements and capital leases	(241,712)	(62,767)	(292,685)
Net borrowings (repayments) under revolving credit facility	5,000	(5,000)	22,000
Payment of loan fees	(1,304)	(544)	(5,024)
Member distributions and redemptions	(8,244)	—	—
Net cash (used in) provided by financing activities	<u>(20,284)</u>	<u>(31,867)</u>	<u>44,353</u>
Effect of foreign currency translation on cash balances	—	—	109
Net change in cash and cash equivalents	<u>8,817</u>	<u>(11,001)</u>	<u>13,160</u>
Cash and cash equivalents at beginning of period	<u>13,826</u>	<u>22,643</u>	<u>11,642</u>
Cash and cash equivalents at end of period	<u>\$ 22,643</u>	<u>\$ 11,642</u>	<u>\$ 24,802</u>
Supplemental disclosure of cash flow information			
Cash paid for:			
Interest	<u>\$ 28,508</u>	<u>\$ 19,581</u>	<u>\$ 27,728</u>
Income taxes	<u>\$ 21,323</u>	<u>\$ 22,571</u>	<u>\$ 41,840</u>
Noncash investing and financing activities:			
Capital lease obligations incurred	\$ 19,403	\$ 22,477	\$ 35,263
Issuance of subordinated notes in connection with the acquisition of businesses	\$ 10,293	\$ 13,086	\$ 23,758
Accrued liabilities in connection with the acquisition of businesses	\$ —	\$ 4,300	\$ 570
Accrued liabilities in connection with deferred financing fees	\$ —	\$ —	\$ 663
Stock issued for acquisition	\$ —	\$ 8,500	\$ —
Change in fair value of derivatives	\$ (164)	\$ (101)	\$ (937)
Issuance of common stock in connection with settlement of accrued bonuses	\$ —	\$ 2,160	\$ —

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

AMERICAN REPROGRAPHICS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except dollars per share)

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

American Reprographics Company (ARC or the Company) is the leading reprographics company in the United States providing business-to-business document management services to the architectural, engineering and construction industry, or AEC industry. ARC also provides these services to companies in non-AEC industries, such as technology, financial services, retail, entertainment, and food and hospitality, that also require sophisticated document management services. The Company conducts its operations through its wholly-owned operating subsidiary, American Reprographics Company, L.L.C., a California limited liability company (Opco), and its subsidiaries.

Reorganization and Initial Public Offering

Prior to the consummation of the Company's initial public offering on February 9, 2005, the Company was reorganized (the Reorganization) from a California limited liability company (American Reprographics Holdings, L.L.C. or Holdings) to a Delaware corporation (American Reprographics Company). In connection with the Reorganization, the members of Holdings exchanged their common member units for common stock of the Company. Each option issued to purchase Holdings' common member units under Holdings' equity option plan was exchanged for an option exercisable for shares of ARC's common stock with the same exercise prices and vesting terms as the original grants. In addition, all outstanding warrants to purchase common units of Holdings were exchanged for shares of ARC's common stock.

On February 9, 2005, the Company closed an initial public offering (IPO) of its common stock consisting of 13,350,000 shares at \$13.00 per share. Of these shares 7,666,667 were newly issued shares sold by the Company and 5,683,333 were outstanding shares sold by the selling stockholders. The Company used net proceeds from its IPO to prepay \$50.7 million of its \$225 million senior second priority secured term loan facility and \$9 million of its \$100 million senior first priority secured term loan facility. As required by the operating agreement of Holdings, the Company also repurchased all of the preferred equity of Holdings upon the closing of the Company's initial public offering with \$28.3 million of the net proceeds from the IPO.

Due to their tax attributes, certain members of Holdings have in the past elected to receive less than their proportionate share of distributions for income taxes as a result of a difference in the tax basis of their equity interest in Holdings. In accordance with the terms of the operating agreement of Holdings, the Company made a cash distribution of \$8.2 million to such members on February 9, 2005 in connection with the consummation of its IPO to bring their proportionate share of tax distributions equal to the rest of the members of Holdings. These distributions have been reclassified into additional paid-in capital in the Company's consolidated balance sheet as of December 31, 2005 in connection with the Reorganization in February 2005.

Basis of Presentation

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany accounts and transactions for the periods presented have been eliminated in consolidation. In management's opinion, the consolidated financial statements presented herein reflect all adjustments of a normal and recurring nature that are necessary to fairly present the consolidated financial statements.

Reclassifications

The Company reclassified certain amounts in the 2005 and 2006 financial statements to conform to the current presentation. These reclassifications had no effect on the Consolidated Statements of Income as previously reported. The reclassification in the balance sheet was to reclass the FIN 48 liabilities to other long term liabilities. The reclassification on the cash flow statement consisted of identifying net borrowings (repayments) under the revolving credit facility separately from borrowing and repayments under long term debt agreements.

AMERICAN REPROGRAPHICS COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash Equivalents

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

The Company maintains its cash deposits at numerous banks located throughout the United States, which at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant risk on cash and cash equivalents.

Restricted Cash

In order to stay the execution of the Louis Frey judgment pending appeal (refer to Footnote 7 for further information regarding the Louis Frey case), the Company posted a bond in the United States Bankruptcy Court, South District of New York, collateralized by \$7,500 in cash which is recorded as restricted cash on the December 31, 2006 Balance Sheet. As a result of the settlement of the Louis Frey case during the fourth quarter of 2007, the cash was returned to the Company. The total restricted cash at December 31, 2006 and 2007 also includes \$900 and \$937, respectively, in an escrow account established in connection with the acquisition of a business.

Concentrations of Credit Risk and Significant Vendors

Concentrations of credit risk with respect to trade receivables are limited due to a large, diverse customer base. No individual customer represented more than 2% of net sales during the years ended December 31, 2005, 2006 and 2007.

The Company performs periodic credit evaluations of the financial condition of its customers, monitors collections and payments from customers, and generally does not require collateral. The Company provides for the possible inability to collect accounts receivable by recording an allowance for doubtful accounts. The Company writes off an account when it is considered to be uncollectible. The Company estimates its allowance for doubtful accounts based on historical experience, aging of accounts receivable, and information regarding the creditworthiness of its customers. Additionally, the Company provides an allowance for returns and discounts based on historical experience. In 2005, 2006, and 2007 the Company recorded expenses of \$1,241, \$599 and \$1,315, respectively, related to the allowance for doubtful accounts.

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

Purchases from the Company's three largest vendors during the years ended December 31, 2005, 2006 and 2007 comprised approximately 48%, 49%, and 47% respectively, of the Company's total purchases of inventory and supplies.

Inventories

Inventories are valued at the lower of cost (determined on a first-in, first-out basis) or market. Inventories primarily consist of reprographics materials for use and resale and equipment for resale. On an ongoing basis, inventories are reviewed and adjusted for estimated obsolescence or unmarketable inventories to reflect the lower of cost or market. Charges to increase inventory reserves are recorded as an increase in cost of goods sold. Estimated inventory obsolescence has been provided for in the financial statements and has been within the range of management's expectations. As of December 31, 2006 and 2007, the reserves for inventory obsolescence amounted to \$527 and \$757, respectively.

AMERICAN REPROGRAPHICS COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Property and Equipment

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

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

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

The Company accounts for computer software costs developed for internal use in accordance with Statement of Position 98-1 (SOP 98-1), "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," which requires companies to capitalize certain qualifying costs incurred during the application development stage of the related software development project. The primary use of this software is for internal use and, accordingly, such capitalized software development costs are amortized on a straight-line basis over the economic lives of the related products not to exceed three years. The Company's machinery and equipment (see Note 4) includes \$4,002 and \$3,469 of capitalized software development costs as of December 31, 2006 and 2007, respectively, net of accumulated amortization of \$9,214 and \$10,983 as of December 31, 2006 and 2007, respectively. Depreciation expense includes the amortization of capitalized software development costs which amounted to \$2,214, \$2,362 and \$1,769 during the years ended December 31, 2005, 2006 and 2007, respectively.

In August 2002, the Company decided to license internally developed software for use by third party reprographics companies. In accordance with SOP 98-1, the Company applies the net revenues from certain of its software licensing activity to reduce the carrying amount of the capitalized software costs. Software licensing revenues which have been offset against the carrying amount of capitalized software costs amounted to \$232, \$142 and \$114 during the years ended December 31, 2005, 2006 and 2007, respectively.

Impairment of Long-Lived Assets

The Company periodically assesses potential impairments of its long-lived assets in accordance with the provisions of SFAS No. 144, "Accounting for the Impairment or Disposal of Long-lived Assets". An impairment review is performed whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. Factors considered by the Company include, but are not limited to, significant underperformance relative to expected historical or projected future operating results; significant changes in the manner of use of the acquired assets or the strategy for the overall business; and significant negative industry or economic trends. When the carrying value of a long-lived asset may not be recoverable based upon the existence of one or more of the above indicators of impairment, the Company estimates the future undiscounted cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected future undiscounted cash flows and eventual disposition is less than the carrying amount of the asset, the Company recognizes an impairment loss. An impairment loss is reflected as the amount by which the carrying amount of the asset exceeds the fair value of the asset, based on the fair market value if available, or discounted cash flows, if not. To date, the Company has not recognized an impairment charge related to its long-lived assets.

AMERICAN REPROGRAPHICS COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Goodwill and Other Intangible Assets

The Company applies SFAS 142, “Goodwill and Other Intangible Assets” and performs an annual impairment test. Application of the goodwill impairment test requires judgment, including the identification of reporting units, assignment of assets and liabilities to reporting units, assignment of goodwill to reporting units, and determination of the fair value of each reporting unit. The fair value of each reporting unit is estimated using a discounted cash flow methodology. This requires significant judgments including estimation of future cash flows, which is dependent on internal forecasts, estimation of the long-term rate of growth of the Company’s business, the useful life over which cash flows will occur, and determination of the Company’s weighted average cost of capital. Changes in these estimates and assumptions could materially affect the determination of fair value and/or goodwill impairment for each reporting unit.

The Company has selected September 30 as the date on which it will perform its annual goodwill impairment test. Based on the Company’s valuation of goodwill, no impairment charges related to goodwill were recognized for the years ended December 31, 2005, 2006 and 2007.

In connection with its acquisitions, the Company has applied the provisions of SFAS No. 141 “Business Combinations”, using the purchase method of accounting. The assets and liabilities assumed were recorded at their estimated fair values. The excess purchase price over the fair value of net tangible assets and identifiable intangible assets acquired was recorded as goodwill.

The changes in the carrying amount of goodwill from December 31, 2006 through December 31, 2007 are summarized as follows:

	<u>Goodwill</u>
Balance at December 31, 2006	\$ 291,290
Additions	90,790
Translation adjustment	439
Balance at December 31, 2007	<u>\$ 382,519</u>

The additions to goodwill include the excess purchase price over fair value of net tangible assets and identifiable intangible assets acquired, adjustments to acquisition costs and certain earnout payments. See Note 3.

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

AMERICAN REPROGRAPHICS COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table sets forth the Company's preliminary estimate of other intangible assets resulting from business acquisitions at December 31, 2006 and December 31, 2007, which continue to be amortized:

	December 31, 2006			December 31, 2007		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	(Dollars in thousands)			(Dollars in thousands)		
Amortizable other intangible assets:						
Customer relationships	\$55,685	\$ 10,799	\$ 44,886	\$ 87,045	\$ 19,098	\$67,947
Trade names and trademarks	5,886	566	5,320	18,359	848	17,511
Non-Compete Agreements	1,025	260	765	1,278	387	891
	<u>\$62,596</u>	<u>\$ 11,625</u>	<u>\$50,971</u>	<u>\$106,682</u>	<u>\$ 20,333</u>	<u>\$86,349</u>

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

2008	\$11,261
2009	9,900
2010	8,787
2011	7,958
2012	7,160
Thereafter	41,283
	<u>\$86,349</u>

Deferred Financing Costs

Direct costs incurred in connection with indebtedness agreements are capitalized as incurred and amortized on a straight line basis over the term of the related indebtedness, which approximates the effective interest method. At December 31, 2006 and 2007, the Company has deferred financing costs of \$895 and \$5,170, respectively, net of accumulated amortization of \$371 and \$84, respectively.

In December 2005, the Company wrote off \$5,407 of its remaining deferred financing costs as a result of the refinancing of the Company's credit facilities on December 21, 2005. The total write off for 2005 was \$7,089. During 2006, the Company wrote off \$208 of deferred financing costs due to the early pay down of debt. In December 2007, the Company wrote off \$876 of deferred financing costs due to the extinguishment, in full, of its Second Amended and Restated Credit and Guaranty Agreement. The total write off for 2007 was \$1,327, including the termination of the interest rate collar. The Company added \$5,254 of deferred financing costs related to its new Credit Agreement dated December 6, 2007.

Derivative Financial Instruments

In accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", the Company recognizes all derivative financial instruments, such as its interest rate swap contracts and interest rate collar agreements, as either assets or liabilities in the consolidated financial statements at fair value.

The Company enters into interest rate swaps and collar agreements to manage its exposure to changes in interest rates. Interest rate swaps also allow the Company to raise funds at floating rates and effectively swap them into fixed rates. These agreements involve the exchange of floating-rate for fixed-rate payments without the exchange of the underlying principal amount.

AMERICAN REPROGRAPHICS COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

In March 2006, the Company entered into an interest rate collar agreement which became effective on December 23, 2006, and had a fixed notional amount of \$76.7 million until December 23, 2007, then decreased to \$67.0 million until termination of the collar on December 23, 2008. The interest rate collar had a cap strike three month LIBO rate of 5.50% and a floor strike three month LIBO rate of 4.70%. Because the collar agreement was designated and qualified as a cash flow hedge under SFAS No. 133, the Company recorded the negative fair value of \$97 for this swap agreement in "Accrued expenses" in the Company's consolidated balance sheet with a corresponding adjustment of \$58, net of \$39 in taxes to accumulated other comprehensive income (loss) as of and for the year ended December 31, 2006. In conjunction with the Company entering into a new credit facility in December of 2007, the Company terminated the interest rate collar and recognized an expense of \$429 which is included in Loss on early extinguishment of debt on the consolidated statement of income.

In December 2007, the Company entered into an interest rate swap transaction (Swap Transaction) in order to hedge the floating interest rate risk on the Company's variable rate debt. Under the terms of the Swap Transaction, the Company is required to make quarterly fixed rate payments to the counterparty calculated based on an initial notional amount of \$271.6 million at a fixed rate of 4.1375%, while the counterparty is obligated to make quarterly floating rate payments to the Company based on the three month LIBO rate. The notional amount of the interest rate swap is scheduled to decline over the term of the term loan facility consistent with the scheduled principal payments. The Swap Transaction has an effective date of March 31, 2008 and a termination date of December 6, 2012.

The Swap Transaction has been designated and qualifies as a cash flow hedge under SFAS No. 133, and the Company has recorded the negative fair value of \$1,607 in accrued expenses in the Company's consolidated balance sheet with a corresponding adjustment of \$996, net of \$611 taxes to accumulated other cumulative income for the year ended December 31, 2007. The Company does not expect to reclassify any amounts from comprehensive income to earnings within the next 12 months.

Fair Values of Financial Instruments

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

Cash and cash equivalents: The carrying amounts reported in the balance sheets for cash and cash equivalents approximate their fair value due to the relatively short period to maturity of these instruments.

Restricted Cash: The carrying amounts reported in the balance sheets for restricted cash approximate its fair value due to the relatively short period to maturity of these instruments.

Short- and long-term debt: The carrying amounts of the Company's borrowings reported in the consolidated balance sheets approximate their fair value based on the Company's current incremental borrowing rates for similar types of borrowing arrangements or since the floating rates change with market conditions.

Interest rate hedge agreements: The fair values of the interest rate swap and collar agreements, as previously disclosed, are the amounts at which they could be settled based on market rates at December 31, 2006 and 2007, respectively.

Self-Insurance Liability

The Company is self-insured for a significant portion of its risks and associated liabilities with respect to workers' compensation. The accrued liabilities associated with this program are based on the Company's estimate of the ultimate costs to settle known claims as well as claims incurred but not yet reported to the Company ("IBNR Claims") as of the balance sheet date. The Company's estimated liability is not discounted and is based on information provided by the Company's insurance brokers and insurers, combined with the Company's judgments.

AMERICAN REPROGRAPHICS COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

regarding a number of assumptions and factors, including the frequency and severity of claims, claims development history, case jurisdiction, applicable legislation and the Company's claims settlement practices.

Revenue Recognition

The Company applies the provisions of the Securities and Exchange Commission (SEC) Staff Accounting Bulletin (SAB) No. 104, "Revenue Recognition in Financial Statements." In general, the Company recognizes revenue when (i) persuasive evidence of an arrangement exists, (ii) shipment of products has occurred or services have been rendered, (iii) the sales price charged is fixed or determinable and (iv) collection is reasonably assured.

The Company recognizes revenues from reprographics and facilities management services when services have been rendered while revenues from the resale of reprographics supplies and equipment are recognized upon delivery to the customer or upon customer pickup.

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

Included in revenues are fees charged to customers for shipping, handling and delivery services. Such revenues amounted to \$29,553, \$36,824, and \$41,437 for the years ended December 31, 2005, 2006, and 2007 respectively.

Revenues from software licensing activities are recognized over the term of the license. Revenues from membership fees are recognized over the term of the membership agreement. Revenues from software licensing activities and membership revenues comprise less than 1% of the Company's consolidated revenues during the years ended December 31, 2005, 2006 and 2007.

In conjunction with the acquisition of Imaging Technologies Services in April of 2007, the Company acquired the rights to be an Autodesk Value Added Reseller. The Autodesk agreement enables the Company to market and sell certain Autodesk software products and maintenance service programs. In accordance with SAB 104 and EITF 99-19 "Reporting Revenue Gross as a Principal versus Net as an Agent" revenue from sales of the third party maintenance service program is recognized at the time of sale on a net basis as the Company is not the primary obligor. Product sales are recorded at the time of sale on a gross basis when the SAB 104 revenue recognition criteria are met, as the Company acts as a principal in the transaction and assumes the risks and rewards of ownership. The net sales of these third party software products and maintenance programs were recorded under reprographics revenue and represented less than 0.4% of total revenue for the year ended December 31, 2007.

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

AMERICAN REPROGRAPHICS COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Comprehensive Income

The Company's comprehensive income includes foreign currency translation adjustments, and changes in the fair value of certain financial derivative instruments, net of taxes, which qualify for hedge accounting. The differences between net income and comprehensive income for the years ended December 31, 2006 and 2007 are as follows:

	Year Ended December 31,	
	2006	2007
Net income	\$ 51,394	\$ 69,137
Foreign currency translation adjustments	62	676
Decrease in fair value of financial derivative instruments, net of tax effects	(101)	(937)
Comprehensive income	<u>\$51,355</u>	<u>\$68,876</u>

Asset and liability accounts of international operations are translated into U.S. dollars at current rates. Revenues and expenses are translated at the average currency rate for the fiscal year.

Segment and Geographic Reporting

The provisions of SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information", require public companies to report financial and descriptive information about their reportable operating segments. The Company identifies operating segments based on the various business activities that earn revenue and incur expense, whose operating results are reviewed by management. Based on the fact that operating segments have similar products and services, classes of customers, production processes and performance objectives, the Company is deemed to operate as a single reportable segment.

The Company recognizes revenues in geographic areas based on the location to which the product was shipped or services have been rendered. Operations outside the United States, which consist primarily of Canadian operations, have been minimal amounting to \$2,768, \$7,709, and \$13,246 for the years ending December 31, 2005, 2006, and 2007, respectively.

The following summary presents the Company's revenues for each of the Company's significant products and service lines:

	Year Ended December 31,		
	2005	2006	2007
Reprographics services	\$367,517	\$ 436,140	\$ 511,144
Facilities management	83,125	100,158	113,848
Equipment and supplies sales	41,956	53,305	60,876
Software licenses and membership fees	1,606	2,235	2,486
Total	<u>\$ 494,204</u>	<u>\$591,838</u>	<u>\$688,354</u>

Advertising and Shipping and Handling Costs

Advertising costs are expensed as incurred and approximated \$2,773, \$3,649, and \$3,641 during the years ended December 31, 2005, 2006 and 2007, respectively. Shipping and handling costs incurred by the Company are included in cost of sales.

AMERICAN REPROGRAPHICS COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Income Taxes

The Company accounts for income taxes under an asset and liability approach. The objective is to recognize the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in the Company's financial statements or tax returns. Deferred tax liabilities or assets reflect temporary differences between the amounts of assets and liabilities for financial and tax reporting purposes. Such amounts are adjusted, as appropriate, to reflect changes in tax rates expected to be in effect when the temporary differences reverse. Additionally, the Company assesses the likelihood that its deferred tax assets will be recovered from future taxable income and to the extent the Company believes that recovery is not likely, the Company establishes a valuation allowance. As of December 31, 2007, the Company believes that all its deferred tax assets are recoverable.

The Company calculates current and deferred tax provisions based on estimates and assumptions that could differ from the actual results reflected in income tax returns filed during the following year. Adjustments based on filed income tax returns are recorded when identified in the subsequent year. The Company's effective income tax rate differs from the statutory tax rate primarily due to state income taxes, the Domestic Production Activities Deduction, and nondeductible items. The amount of income taxes the Company pays is subject to audits by federal, state and foreign tax authorities. The Company's estimate of the potential outcome of any uncertain tax issue is subject to management's assessment of relevant risks, facts and circumstances existing at that time. The Company believes that it has adequately provided for reasonably foreseeable outcomes related to these matters.

Income tax benefits credited to stockholders' equity are primarily related to employee exercises of non-qualified stock options.

Stock-Based Compensation

Prior to the January 1, 2006, adoption of Financial Accounting Standards Board ("FASB") Statement No. 123(R), "Share-Based Payment" ("SFAS 123R"), the Company accounted for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. Accordingly, because the stock option grant price equaled the market price on the date of grant, no compensation expense was recognized for Company-issued stock options issued prior to fiscal year 2004. As permitted by SFAS 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), stock-based compensation was included as a pro forma disclosure in the Notes to the Consolidated Financial Statements.

Effective January 1, 2006, the Company adopted SFAS 123R using the modified prospective transition method and, as a result, did not retroactively adjust results from prior periods. Under this transition method, stock-based compensation was recognized for: (i) expense related to the remaining unvested portion of all stock option awards granted in 2005, based on the grant date fair value estimated in accordance with the original provisions of SFAS 123; and (ii) expense related to all stock option awards granted on or subsequent to January 1, 2006, based on the grant date fair value estimated in accordance with the provisions of SFAS 123R. In accordance with SAB 107, the remaining unvested options issued by the Company prior to its initial public offering are not included in its SFAS 123R option pool. As a result unless subsequently modified, repurchased or canceled, such unvested options will not be included in stock-based compensation. The Company applies the Black-Scholes valuation model in determining the fair value of share-based payments to employees, which is then amortized on a straight-line basis over the requisite service period. Upon the adoption FSP FAS 123(R-3) the Company used the "shortcut method" for determining the historical windfall tax benefit.

Total stock-based compensation for the years ended December 31, 2006 and 2007, on income before income taxes and net income was \$2.2 million and \$3.5 million, respectively and was recorded in selling, general, and administrative expenses. In addition, upon the adoption of SFAS 123R, the net tax benefit resulting from the

AMERICAN REPROGRAPHICS COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

exercise of stock options, which were previously presented as operating cash inflows in the Consolidated Statement of Cash Flows, are classified as financing cash inflows.

Had compensation cost for the Company's option grants been determined based on their fair value at the grant date for awards consistent with the provisions of SFAS No. 123, the Company's net income per common share for the year ended December 31, 2005 would have been decreased to the adjusted pro forma amounts indicated below:

	Year Ended December 31, 2005
Net income attributed to common shares	
As reported	\$ 60,476
Equity-based employee compensation cost included in as reported net income	624
Equity-based employee compensation cost that would have been included in the determination of net income attributed to common shares if the fair value method had been applied	(953)
Adjusted	<u>\$ 60,147</u>
Basic earnings per common share:	
As reported	\$ 1.43
Equity-based employee compensation cost, net of related tax effects, included in as reported net income attributed to common shares	0.01
Equity-based employee compensation cost, net of related tax effects, that would have been included in the determination of net income attributed to common shares if the fair value method had been applied	(0.02)
Adjusted	<u>\$ 1.42</u>
Diluted earnings per common share:	
As reported	\$ 1.40
Equity-based employee compensation cost, net of related tax effects, included in as reported net income attributed to common shares	0.01
Equity-based employee compensation cost, net of related tax effects, that would have been included in the determination of net income attributed to common shares if the fair value method had been applied	(0.02)
Adjusted	<u>\$ 1.39</u>

Adjusted disclosure for the years ended December 31, 2006 and 2007, are not presented because the amounts are recognized in the consolidated financial statements.

For purposes of computing the pro forma disclosures required by SFAS No. 123, the fair value of each option granted to employees and directors is estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions for the year ended December 31, 2005: dividend yield of 0%; expected volatility of 28.3%; risk-free interest rate of 3.8%; and an expected life of 6.0 years.

AMERICAN REPROGRAPHICS COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The weighted average fair value at the grant date for options issued in the fiscal years ended December 31, 2005, 2006 and 2007, was \$8.45, \$10.56, and \$11.85 respectively. The fair value of each option grant was estimated on the date of grant using the Black-Scholes option-pricing model using the following weighted average assumptions for the year ended December 31, 2006 and 2007:

	Year Ended December 31,	
	2006	2007
Weighted average assumptions used:		
Risk free interest rate	4.77%	4.51%
Expected volatility	25.99%	25.28%
Expected dividend yield	0.00%	0.00%

The expected option term of 6.00 years for options vesting over a 3 year period, 6.25 years for options vesting over a 4 year period, 6.5 years for options vesting over a 5 year period, and 5.5 years for options vesting over a 1 year period under the “simplified” method as provided in Staff Accounting Bulletin (“SAB”) 107, were used for options granted during fiscal year 2006 and 2007.

For fiscal year 2006 and 2007, expected stock price volatility is based on a combined weighted average expected stock price volatility of three publicly traded peer companies deemed to be similar entities whose share or option prices are publicly available. Until such time that the Company has enough historical data, it will continue to rely on peer companies’ volatility and will ensure that the selected peer companies are still appropriate. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant with an equivalent remaining term. The Company has not paid dividends in the past and does not currently plan to pay dividends in the near future. The Company assumed a forfeiture rate of 3.75% based on the Company’s historical forfeiture rate. The Company reviews its forfeiture rate at least on an annual basis.

Research and Development Expenses

Research and development activities relate to costs associated with the design and testing of new technology or enhancements to existing technology and are expensed as incurred. In total, research and development amounted to \$3,027, \$3,684 and \$5,468 during the fiscal years ended December 31, 2005, 2006 and 2007, respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Earnings Per Share

The Company accounts for earnings per share in accordance with SFAS No. 128, “Earnings per Share”. Basic earnings per share are computed by dividing net income by the weighted-average number of common shares outstanding. Diluted earnings per common share is computed similar to basic earnings per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. Common share equivalents are excluded from the computation if their effect is anti-dilutive. There were 179,985 and 1,218,485 common stock options excluded for anti-dilutive effects for the year ended December 31, 2006 and 2007, respectively. The Company’s common share equivalents consist of stock options issued under the Company’s 2005 Stock Plan as well as warrants to purchase common shares issued during 2000 to certain creditors of the Company as discussed further in Note 11.

AMERICAN REPROGRAPHICS COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Basic and diluted earnings per common share were calculated using the following options for the years ended December 31, 2005, 2006 and 2007:

	Year Ended December 31,		
	2005	2006	2007
Weighted average common shares outstanding during the period — basic	42,264,001	45,014,786	45,421,498
Effect of dilutive stock options	833,579	580,164	407,512
Effect of dilutive warrants	80,421	—	—
Weighted average common shares outstanding during the period — diluted	43,178,001	45,594,950	45,829,010

Recent Accounting Pronouncements

On July 13, 2006, the FASB issued Interpretation No. 48 (FIN 48) “Accounting for Uncertainty in Income Taxes: an interpretation of FASB Statement No. 109”. This interpretation clarifies the accounting for uncertainty in income taxes recognized in an entity’s financial statements in accordance with SFAS No. 109, “Accounting for Income Taxes.” FIN 48 prescribes a recognition threshold and measurement principles for financial statement disclosure of tax positions taken or expected to be taken on a tax return. The Company adopted the provision of this interpretation effective January 1, 2007. The adoption of FIN 48 did not have a material impact on the Company’s consolidated financial position and results of operations. See Note 6, Income Taxes, for further discussion.

On September 15, 2006, the FASB issued SFAS No. 157, “Fair Value Measurements”. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosure about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements, the FASB having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this Statement does not require any new fair value measurements. SFAS No. 157 is effective for fiscal years beginning after December 15, 2007, or fiscal year 2008 for the Company. The adoption of SFAS No. 157 is not expected to have a material impact on the Company’s results of operations or cash flows.

In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities — Including an Amendment of FASB Statement No. 115”. SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. Unrealized gains and losses on items for which the fair value option has been elected will be recognized in earnings at each subsequent reporting date. SFAS No. 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007, which is the year beginning January 1, 2008 for the Company. The adoption of SFAS No. 159 is not expected to have a material impact on the Company’s results of operations or cash flows.

In December 2007, the FASB issued SFAS No. 141R (revised 2007), “Business Combinations”, which replaces SFAS No 141. SFAS 141R establishes the principles and requirements for how an acquirer: (i) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree; (ii) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and (iii) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS 141R makes some significant changes to existing accounting practices for acquisitions. SFAS 141R is to be applied prospectively to business combinations consummated on or after the beginning of the first annual reporting period on or after December 15, 2008, or fiscal year 2009 for the Company. We are currently evaluating the impact SFAS 141R will have on our future business combinations.

AMERICAN REPROGRAPHICS COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

3. ACQUISITIONS

During 2005, the Company acquired the assets and liabilities of 14 reprographics companies in the United States. The aggregate purchase price of such acquisitions, including related acquisition costs, amounted to approximately \$32,080, for which the Company paid \$21,786 in cash and issued \$10,293 of notes payable to the former owners of the acquired companies.

During 2006, the Company acquired the assets and liabilities of 16 reprographics companies of which 13 were in the United States and 3 were in Canada. The aggregate purchase price of such acquisitions, including related acquisition costs, amounted to approximately \$87,680, for which the Company paid \$61,794 in cash, accrued \$4,300 for additional cash payments, issued common stock valued at \$8,500, and issued \$13,086 of notes payable to the former owners of the acquired companies.

During 2007, the Company acquired the assets and liabilities of 19 reprographics companies of which 17 were in the United States and 2 were in Canada. The aggregate purchase price of such acquisitions, including related acquisition costs, amounted to approximately \$146,301, for which the Company paid \$122,543 in cash and issued \$23,758 of notes payable to the former owners of the acquired companies.

The results of operations of the companies acquired during the years ended December 31, 2005, 2006 and 2007 have been included in the consolidated financial statements from their respective dates of acquisition. Such acquisitions were accounted for using the purchase method of accounting, and, accordingly, the assets and liabilities of the acquired entities have been recorded at their estimated fair values at the dates of acquisition. The excess purchase price over the fair value of net tangible assets and identifiable intangible assets acquired has been allocated to goodwill. For U.S. income tax purposes, \$21,069, \$60,763, and \$114,474 of goodwill and intangibles resulting from acquisitions completed during the years ended December 31, 2005, 2006 and 2007, respectively, are amortized over a 15-year period. None of the Company's acquisitions were related or contingent upon any other acquisitions.

The assets and liabilities of the entities acquired during each period are as follows:

	December 31,	
	2006	2007
Purchase price	\$ 87,680	\$ 146,301
Cash and cash equivalents	841	1,195
Accounts receivable	9,466	13,198
Property and equipment	7,638	11,908
Inventories	2,173	4,112
Other assets	1,459	910
Total assets	21,577	31,323
Accounts payable and other liabilities	9,766	8,984
Debt and capital leases	1,552	3,145
Net assets acquired	10,259	19,194
Excess purchase price over net tangible assets acquired	\$ 77,421	\$ 127,107
Intangible assets:		
Customer relationships	\$ 29,603	\$ 31,361
Trade names	3,005	12,472
Non-compete agreements	1,025	656
Goodwill	43,788	82,618
	<u>\$ 77,421</u>	<u>\$ 127,107</u>

AMERICAN REPROGRAPHICS COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Customer relationships and trade names acquired are amortized over their estimated useful lives of thirteen (weighted average) and twenty years using accelerated (based on customer attrition rates) and straight-line methods, respectively. The non-compete agreements are amortized over their weighted average term on a straight-line basis.

The following summary presents the Company's unaudited pro forma results, as if the acquisitions had been completed at the beginning of the year of acquisition and the prior year, hence the 2005 information presented below does not include the impact of the 2007 acquisitions:

	Year Ended December 31,		
	2005	2006	2007
Net sales	\$604,797	\$756,693	\$759,060
Net income	\$ 76,118	\$ 57,340	\$ 71,914
Earnings per share — basic	\$ 1.80	\$ 1.27	\$ 1.58
Earnings per share — diluted	\$ 1.76	\$ 1.26	\$ 1.57

The above pro forma information is presented for comparative purposes only and is not necessarily indicative of what actually would have occurred had the acquisitions been completed as of the beginning of each period presented, nor are they necessarily indicative of future consolidated results.

Certain acquisition agreements entered into by the Company contain earnout agreements which provide for additional consideration (Earnout Payments) to be paid if the acquired entity's results of operations, or sales, exceed certain targeted levels measured on an annual basis generally three years after the acquisition. Earnout Payments are recorded as additional goodwill when earned and are to be paid annually in cash. Accrued expenses in the accompanying consolidated balance sheets include \$791 and \$570 of Earnout Payments payable as of December 31, 2006 and 2007, respectively, to former owners of acquired companies based on the earnings or revenues of acquired entities. The increase to goodwill as of December 31, 2006 and 2007 as a result of the Earnout Payments was \$2,063 and \$7,776, respectively.

The earnout provisions generally contain limits on the amount of Earnout Payments that may be payable over the term of the agreement. The Company's estimate of the aggregate amount of additional consideration that may be payable over the terms of the earnout agreements subsequent to December 31, 2007 is approximately \$8,800.

The Company made certain adjustments to goodwill as a result of changes to the purchase price of acquired entities. The net increase to goodwill as of December 31, 2006 and 2007 as a result of purchase price adjustments was \$1,174 and \$396, respectively.

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	December 31,	
	2006	2007
Machinery and equipment	\$ 148,825	\$ 191,675
Buildings and leasehold improvements	21,168	22,902
Furniture and fixtures	5,676	6,023
	175,669	220,600
Less accumulated depreciation and amortization	(115,531)	(135,966)
	\$ 60,138	\$ 84,634

Depreciation expense was \$17,045, \$22,694, and \$30,363 for the years ended December 31, 2005, 2006, and 2007, respectively.

AMERICAN REPROGRAPHICS COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

5. LONG-TERM DEBT

Long-term debt consists of the following:

	December 31, 2006	December 31, 2007
	(Dollars in thousands)	
Borrowings from Revolving Credit Facility; variable interest payable quarterly (weighted average 7.2% interest rate at December 31, 2007); any unpaid principal and interest due December 6, 2012	\$ —	\$ 22,000
Borrowings from Term Loan Credit Facility; variable interest payable quarterly (weighted average 7.1% and 6.9% interest rate at December 31, 2006 and December 31, 2007); principal payable in varying quarterly installments; any unpaid principal and interest due December 6, 2012	215,651	275,000
Various subordinated notes payable; interest ranging from 5% to 7.1%; principal and interest payable monthly through June 2012	20,103	38,082
Various capital leases; weighted average interest rate 9.47% and 8.81% at December 31, 2006 and 2007, respectively; principal and interest payable monthly through June 2013	37,391	55,185
	273,145	390,267
Less current portion	(21,048)	(69,254)
	<u>\$ 252,097</u>	<u>\$ 321,013</u>

In December 2005, the Company entered into a Second Amended and Restated Credit and Guaranty Agreement (the Second Amended and Restated Credit Agreement). The Second Amended and Restated Credit Agreement provided the Company a \$310.6 million Senior Secured Credit Facility, comprised of a \$280.6 million term loan facility and a \$30 million revolving credit facility.

As a result of the debt refinancing completed in December 2005, the Company recorded a \$9,344 loss on early debt extinguishment, comprised of the following: a) the write-off of \$5,406 in capitalized loan fees related to the Company's credit facilities existing prior to the debt refinancing; and b) \$3,938 in early redemption premiums related to the notes paid by the Company upon completion of the debt refinancing.

In July 2006, to finance an acquisition, the Company drew down \$30 million of the available \$50 million term loan facility. Subsequent to the borrowing, the Company entered into a First Amendment to Second Amended and Restated Credit and Guaranty Agreement (the First Amendment) in order to facilitate the consummation of certain proposed acquisitions. The First Amendment provided the Company with a \$30 million increase to its Term Loan Facility, thus restoring availability of the term loan facility to \$50 million, in addition to amending certain other terms including the following:

- An increase in the aggregate purchase price limitation for business acquisitions commencing with fiscal year ending December 31, 2006;
- An increase in the threshold for capital expenditures during any trailing twelve-month period; and
- Permit the company to issue certain shares of its common stock in connection with certain proposed acquisitions.

Except as described above, all other material terms and conditions, including the maturity dates of the Company's then existing senior secured credit facilities, remained unchanged.

AMERICAN REPROGRAPHICS COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

On April 27, 2007 the Company entered into a Second Amendment to Second Amended and Restated Credit and Guaranty Agreement (Second Amendment) in order to facilitate the consummation of a certain acquisition. In conjunction with the Second Amendment the Company borrowed \$50 million from its term loan facility.

Interest on borrowings under the Second Amended and Restated Credit Agreement was at either (i) a Eurodollar rate plus a margin (the Applicable Margin) that ranges from 2% to 2.75% per annum, depending on the Company's Leverage Ratio, as defined in the Second Amended and Restated Credit Agreement, or (ii) an Index Rate, as defined in the Second Amended and Restated Credit Agreement, plus the Applicable Margin. The first priority revolving credit facility was also subject to a commitment fee equal to 0.50% of the average daily unused portion of such revolving facility. Borrowings under the first priority term loan facility bore interest at either (i) a Eurodollar rate plus 1.75% per annum, or (ii) an Index Rate plus .75% per annum.

Borrowings under the Second Amended and Restated Credit Agreement were secured by substantially all of the assets of the Company. The Second Amended and Restated Credit Agreement also contained restrictive covenants which, among other things, provided limitations on capital expenditures, restrictions on indebtedness and distributions to stockholders. The Company was required to meet debt covenants based on certain financial ratio thresholds, as follows : (i) Interest Coverage Ratio not lower than 2.0, Fixed Charge Coverage Ratio not lower than 1.10, and Leverage Ratio not higher than 3.50 (all as defined in the Second Amended and Restated Credit Agreement).

On December 6, 2007, the Company entered into a new Credit and Guaranty Agreement (Credit Agreement). The Credit Agreement provides for senior secured credit facilities aggregating up to \$350 million, consisting of a \$275 million term loan facility and a \$75 million revolving credit facility. The Company used proceeds under the Credit Agreement in the amount of \$289.4 million to extinguish in full all principal and interest payable under the Second Amended and Restated Credit and Guaranty Agreement.

Loans to the Company under the Credit Agreement will bear interest, at the Company's option, at either the base rate, which is equal to the higher of the bank prime lending rate or the federal funds rate plus 0.5% or LIBOR, plus, in each case, the applicable rate. The applicable rate will be determined based upon the leverage ratio for the Company (as defined in the Credit Agreement), with a minimum and maximum applicable rate of 0.25% and 0.75%, respectively, for base rate loans and a minimum and maximum applicable rate of 1.25% and 1.75%, respectively, for LIBOR loans. During the continuation of certain events of default all amounts due under the Credit Agreement will bear interest at 2.0% above the rate otherwise applicable.

The Credit Agreement contains covenants which, among other things, require the Company to maintain a minimum interest coverage ratio of 2.25%, minimum fixed charge coverage ratio of 1.10%, and maximum leverage ratio of 3.0%. The Credit Agreement also contains customary events of default, including failure to make payments when due under the Credit Agreement; payment default under and cross-default to other material indebtedness; breach of covenants; breach of representations and warranties; bankruptcy; material judgments; dissolution; ERISA events; change of control; invalidity of guarantees or security documents or repudiation by the Company of its obligations thereunder. The Credit Agreement is secured by substantially all of the assets of the Company.

In addition, under the revolving facility, the Company is required to pay a fee, on a quarterly basis, for the total unused commitment amount. This fee ranges from 0.30% to 0.50% based on our leverage ratio at the time. The Company may also draw upon this credit facility through letters of credit, which carries a fee of 0.25% of the outstanding letters of credit. The Credit Agreement allows us to borrow Incremental Term Loans to the extent our senior secured leverage ratio (as defined in the Credit Agreement) remains below 2.50.

AMERICAN REPROGRAPHICS COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

As of December 31, 2006 and 2007, standby letters of credit aggregated to \$4.1 million and \$4.8 million, respectively. The standby letters of credit and borrowings under the revolving credit facility reduced the Company's borrowing availability under the revolving credit facility to \$25.9 million and \$48.2 million as of December 31, 2006 and 2007, respectively.

Minimum future maturities of long-term debt and capital lease obligations as of December 31, 2007 are as follows:

	<u>Long-Term Debt</u>	<u>Capital Lease Obligations</u>
Year ending December 31:		
2008	\$ 48,283	\$ 20,971
2009	31,103	16,145
2010	64,725	10,287
2011	73,639	5,086
2012	117,332	2,283
Thereafter	—	413
	<u>\$ 335,082</u>	<u>\$ 55,185</u>

6. INCOME TAXES

As discussed in Note 1, the Company was reorganized from a California limited liability company to a Delaware corporation immediately prior to the consummation of its initial public offering on February 9, 2005. As a result of the reorganization to a Delaware corporation, our total earnings are subject to federal, state and local income taxes.

Prior to the reorganization, a portion of the Company's business was operated as a limited liability company (LLC), taxed as a partnership. As a result, the members of the LLC paid the income tax on the earnings, not the LLC. Accordingly, no income taxes were provided on these earnings in 2005. The LLC had book income of \$384 for 2005.

AMERICAN REPROGRAPHICS COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table includes the consolidated income tax provision or (benefit) for federal, state, and local income taxes related to our total earnings for 2006 and 2007, and for that portion of the Company's business operating within corporations for 2005:

	Year Ended December 31,		
	2005	2006	2007
Current:			
Federal	\$ 14,401	\$ 29,318	\$ 30,362
State	4,078	6,598	6,156
Foreign	—	—	367
	<u>18,479</u>	<u>35,916</u>	<u>36,885</u>
Deferred:			
Federal	(21,713)	(3,059)	3,910
State	(3,102)	(875)	1,376
Foreign	—	—	32
	<u>(24,815)</u>	<u>(3,934)</u>	<u>5,318</u>
Income tax (benefit) provision	(6,336)	31,982	42,203
Deferred income tax benefit as a result of the Reorganization	27,701	—	—
Income tax provision excluding effects of Reorganization	<u>\$ 21,365</u>	<u>\$ 31,982</u>	<u>\$ 42,203</u>

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

	December 31,	
	2006	2007
Current portion of deferred tax assets (liabilities):		
Financial statement accruals not currently deductible	\$ 9,518	\$ 4,472
State taxes	1,445	1,319
Net current deferred tax assets	<u>10,963</u>	<u>5,791</u>
Non-current portion of deferred tax assets and (liabilities):		
Excess of income tax basis over net book value of intangible assets	27,223	24,227
Excess of income tax basis over net book value of property, plant and equipment	4,747	7,141
Stock-based compensation	836	1,697
Excess of net book value over income tax basis of intangible assets	<u>(21,561)</u>	<u>(22,355)</u>
Net non-current deferred tax assets	<u>11,245</u>	<u>10,710</u>
Net deferred tax assets	<u>\$ 22,208</u>	<u>\$ 16,501</u>

AMERICAN REPROGRAPHICS COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

	Year Ended December 31,		
	2005	2006	2007
Statutory federal income tax rate	35%	35%	35%
State taxes	5	4	5
Non-deductible expenses and other	(1)	—	1
Domestic Production Activities Deduction tax benefit	—	—	(2)
Non-recurring income tax benefit due to reorganization	(51)	—	—
Discrete item	—	(1)	(1)
Effective income tax rate	<u>(12)%</u>	<u>38%</u>	<u>38%</u>

Non-deductible other items include meals and entertainment, certain acquisition costs and other items that, individually, are not significant. The discrete item in 2006 is due to the release of a tax reserve for a prior year as the statute of limitations had closed. The discrete item in 2007 is due to the 2006 Domestic Production Activities Deduction.

The Company or one of its subsidiaries files income tax returns in the U.S. federal jurisdiction, and various states and foreign jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2003. The Internal Revenue Service (IRS) commenced an examination of the Company's U.S. income tax return for 2005 in the fourth quarter of 2007 that is anticipated to be completed by the end of 2008. As of December 31, 2007, the IRS has not proposed any adjustments to the Company.

The Company adopted the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes", on January 1, 2007. As a result of the implementation of Interpretation No. 48, the Company did not recognize any additional liability for unrecognized tax benefits. A reconciliation of the beginning and ending amount of unrecognized tax is as follows:

Balance at January 1, 2007	\$ 897
Additions based on tax positions related to the current year	379
Additions for tax positions of prior years	—
Reductions for tax positions of prior years	(176)
Balance at December 31, 2007	<u>\$1,100</u>

All of the unrecognized tax benefits, reflected above, would affect the Company's effective tax rate, if recognized.

The Company recognizes penalties and interest related to unrecognized tax benefits in tax expense. Interest expense of \$73 is included in the FIN 48 liability on the Company's balance sheet at December 31, 2007.

7. COMMITMENTS AND CONTINGENCIES

The Company leases machinery, equipment, and office and operational facilities under noncancelable operating lease agreements. Certain lease agreements for the Company's facilities generally contain renewal

AMERICAN REPROGRAPHICS COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

options and provide for annual increases in rent based on the local Consumer Price Index. The following is a schedule of the Company's future minimum lease payments as of December 31, 2007:

	<u>Third Party</u>	<u>Related Party</u>	<u>Total</u>
Year ending December 31:			
2008	\$ 30,301	\$ 1,586	\$ 31,887
2009	23,380	1,512	24,892
2010	17,121	1,378	18,499
2011	10,837	1,113	11,950
2012	7,118	937	8,055
Thereafter	17,965	707	18,672
	<u>\$106,722</u>	<u>\$ 7,233</u>	<u>\$113,955</u>

Total rent expense under operating leases, including month-to-month rentals, amounted to \$36,965, \$36,712, and \$36,185 during the years ended December 31, 2005, 2006 and 2007, respectively. Under certain lease agreements, the Company is responsible for other costs such as property taxes, insurance, maintenance, and utilities.

The Company has entered into indemnification agreements with each director and named executive officer which provide indemnification under certain circumstances for acts and omissions which may not be covered by any directors' and officers' liability insurance. The indemnification agreements may require the Company, among other things, to indemnify its officers and directors against certain liabilities that may arise by reason of their status or service as officers and directors (other than liabilities arising from willful misconduct of a culpable nature), to advance their expenses incurred as a result of any proceeding against them as to which they could be indemnified, and to obtain officers' and directors' insurance if available on reasonable terms. There have been no events to date which would require the Company to indemnify its officers or directors.

On November 8, 2007, the United States Bankruptcy Court, Southern District of New York, granted a motion approving settlement of the previously-disclosed Louis Frey litigation. The judgment entered in that litigation in 2006 awarded damages to plaintiff in the principal amount of \$11.1 million, \$0.2 million in preference claims, and interest totaling \$3.3 million through September 30, 2007. Pursuant to the settlement, the Company paid \$10.5 million to satisfy the judgment entered against the Company.

In accordance with generally accepted accounting principles (GAAP), the Company accounted for the judgment in 2006 by recording a one-time, non-recurring litigation charge of \$14 million, which included \$11.1 in awarded damages, \$0.2 million preference claim, and interest expense of \$2.7 million through December 31, 2006. These charges were offset by a corresponding tax benefit of \$5.6 million, resulting in a negative impact of \$8.4 million to net income in 2006.

The Company paid the \$0.2 million preference in 2006 and accrued an additional \$0.6 million for interest on the judgment for the nine months ended September 30, 2007. As a result of the \$10.5 million settlement, the Company recognized a pre-tax benefit of \$3.3 million (\$2.9 million litigation settlement gain, and \$0.4 million in interest reversal) in 2007.

As a result of a mediation conducted in June 2007, the Company settled lawsuits for reimbursement of incurred legal expenses and claims asserted by the Company alleging unfair competition, trade secret misappropriation, and breach of contract in consideration for a cash payment to the Company in the sum of \$3.3 million. The Company accounted for the settlement payment by recording the benefit of \$3.3 million as an offset to selling, general, and administrative expense during the second quarter of 2007. The Company received this sum on August 7, 2007.

AMERICAN REPROGRAPHICS COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

8. RELATED PARTY TRANSACTIONS

The Company leases several of its facilities under lease agreements with entities owned by certain of its current and former executive officers which expire through July 2019. Rental expense on these facilities amounted to \$1,561, \$1,572, and \$1,586 during the years ended December 31, 2005, 2006 and 2007, respectively.

The Company had a management agreement (the Management Agreement) with Code Hennessy & Simmons LLC (CHS) which required the Company to pay annual management fees to CHS as compensation for certain management services rendered to the Company. The Management Agreement terminated upon the consummation of the Company's initial public offering in 2005. Management fees paid by the Company to CHS amounted to \$217 for the year ended December 31, 2005.

9. RETIREMENT PLANS

The Company sponsors a 401(k) Plan, which covers substantially all employees of the Company who have attained age 21. Under the Company's 401(k) Plan, eligible employees may contribute up to 75% of their annual eligible compensation (or in the case of highly compensated employees, up to 6% of their annual eligible compensation), subject to contribution limitations imposed by the Internal Revenue Service. The Company makes an employer matching contribution equal to 20% of an employee's contributions, up to a total of 4% of that employee's compensation. An independent third party administers the 401(k) Plan. The Company's total expense under these plans amounted to \$593, \$770, and \$808 during the years ended December 31, 2005, 2006, and 2007, respectively.

10. EMPLOYEE STOCK PURCHASE PLAN AND STOCK OPTION PLAN

Employee Stock Purchase Plan

The Company has adopted the American Reprographics Company 2005 Employee Stock Purchase Plan, or ESPP, in connection with the consummation of its IPO in February 2005. Under the ESPP, purchase rights may be granted to eligible employees subject to a calendar year maximum per eligible employee of the lesser of (i) 400 shares of common stock, or (ii) a number of shares of common stock having an aggregate fair market value of \$25,000 as determined on the date of purchase. The purchase price of shares of common stock offered under the ESPP pursuant to such quarterly offerings is equal to 95% of the fair market value of such shares on the purchase date.

In 2005, the Company issued 362,061 shares of its common stock to 840 eligible employees in accordance with the ESPP at a purchase price of \$11.05 per share, resulting in \$4.0 million of cash proceeds to the Company. In 2006, the Company issued 9,032 shares of its common stock to 109 eligible employees in accordance with the ESPP at a weighted average purchase price of \$32.11 per share, resulting in \$0.3 million of cash proceeds to the Company. In 2007, the Company issued 4,600 shares of its common stock to 32 eligible employees in accordance with the ESPP at a weighted average price of \$21.65, resulting in \$0.1 million of cash proceeds to the Company.

The Stock Plan

The Company adopted the American Reprographics Company 2005 Stock Plan, or Stock Plan, in connection with the Company's IPO in February 2005. The Stock Plan provides for the grant of incentive and non-statutory stock options, stock appreciation rights, restricted stock purchase awards, restricted stock awards, and restricted stock units to employees, directors and consultants of the Company. The Stock Plan authorizes the Company to issue up to 5,000,000 shares of common stock. This amount will automatically increase annually on the first day of

AMERICAN REPROGRAPHICS COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

the Company's fiscal year, from 2006 through and including 2010, by the lesser of (i) 1.0% of the Company's outstanding shares on the date of the increase; (ii) 300,000 shares; or (iii) such smaller number of shares determined by the Company's board of directors. At December 31, 2007, 2,590,389 shares remain available for grant under the Stock Plan.

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

In addition, the Stock Plan provided for automatic grants, as of each annual meeting of the Company's stockholders commencing with the first such meeting, of non-statutory stock options to directors of the Company who were not employees of, or consultants to, the Company or any affiliate of the Company (non-employee directors). In May 2007, the Stock Plan was amended to provide for automatic grants of restricted stock awards, as of each annual meeting of the Company's stockholders commencing with the annual meeting in 2007, to non-employee directors of the Company. Under the amended Stock Plan each non-employee director is automatically granted a restricted stock award for that number of shares of our common stock having a then fair market value equal to \$60,000. Restricted stock granted to non-employee directors vests at a rate of $\frac{1}{12}$ per month of continuous service to the Company from the date of the annual meeting.

Prior to the amendment in May 2007 of the Stock Plan, each non-employee director automatically received a non-statutory option with a fair market value, as determined under the Black-Scholes option pricing formula as of the grant date, equal to \$50,000. Each non-statutory stock option under the Stock Plan covered the non-employee director's service since either the previous annual meeting or the date on which he or she was first elected or appointed. Options granted in 2005 and 2006 to non-employee directors vested in $\frac{1}{16}$ th increments for each month of continuous service to the Company from the date of grant. The Company's board of directors approved a one-time discretionary grant of 9,854 options to purchase shares of common stock to each of the Company's five non-employee directors as part of their compensation for 2005 service, since no annual meeting of the Company's stockholders was held in 2005. The total stock options granted to non-employee directors in 2005 amounted to 49,270 and had an exercise price of \$23.85 per share, and the total stock options granted to non-employee directors in 2006 amounted to 19,985 and had an exercise price of \$35.42 per share. The exercise prices equaled the fair market values of the stock, on the date of grants.

Of the total options outstanding at December 31, 2005, 1,032,183 options were exercisable at December 31, 2005, at exercise prices ranging from \$4.75 to \$23.85. As of December 31, 2005, the 1,422,585 options outstanding had a weighted average remaining contractual life of 61 months.

During 2006, the Company granted 682,485 options to purchase shares of common stock. As of December 31, 2006, the 1,683,600 options outstanding had a weighted average remaining contractual life of 84 months.

In March 2007, the Company made its regular annual stock option grants which consisted of 600,500 stock options to key employees with an exercise price equal to the fair market value on the date of grant. In the second quarter of 2007 the Company issued 7,500 stock options to an additional key employee with an exercise price equal to the fair market value. The stock options vest ratably over a period of three or five years and expire 10 years after the date of grant.

AMERICAN REPROGRAPHICS COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

	Year Ended December 31, 2007			
	Shares	Weighted Average Exercise Price	Weighted Average Contractual Life (In years)	Aggregate Intrinsic Value (In thousands)
Outstanding at December 31, 2005	1,422,585	\$ 5.90		
Granted	682,485	\$ 27.99		
Exercised	(383,070)	\$ 5.49		
Forfeited	(38,400)	\$ 17.55		
Outstanding at December 31, 2006	1,683,600	\$ 14.69		
Granted	608,000	\$ 32.22		
Exercised	(169,550)	\$ 6.54		
Forfeited	(64,254)	\$ 23.56		
Outstanding at December 31, 2007	2,057,796	\$ 20.26	7.1	\$ 9,006
Exercisable at December 31, 2007	912,396	\$ 9.89	5.1	\$ 8,166

The aggregate intrinsic value in the table above represents the total pretax intrinsic value (the difference between our closing stock price on December 31, 2007 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all the option holders exercised their options on December 31, 2007. This amount changes based on the fair market value of our stock. Total intrinsic value of options exercised during the years ended 2006 and 2007 was \$10.7 million and \$4.2 million, respectively.

A summary of the Company's non-vested stock options as of December 31, 2007, and changes during the fiscal year then ended is as follows:

Non-vested Options	Shares	Weighted Average Grant Date Fair Market Value
Non-vested at December 31, 2006	839,236	\$ 9.87
Granted	608,000	\$ 11.85
Vested	(249,083)	\$ 8.69
Forfeited	(52,754)	\$ 8.19
Non-vested at December 31, 2007	1,145,399	\$ 11.17

As of December 31, 2007, total unrecognized stock-based compensation expense related to nonvested stock options was approximately \$12.4 million, which is expected to be recognized over a weighted average period of approximately 3.3 years.

The following tabulation summarizes certain information concerning outstanding options at December 31, 2007:

Range of Exercise Price	Options Outstanding at December 31, 2007
\$ 4.75 – \$ 6.85	809,749
\$23.85 – \$25.95	480,062
\$30.79 – \$35.42	767,985
\$ 4.75 – \$35.42	2,057,796

AMERICAN REPROGRAPHICS COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Restricted Stock

In December 2004, the Company agreed to issue shares of restricted common stock at the prevailing market price in the amount of \$1,000,000 to the Company's Chief Technology Officer (CTO) upon the CTO's development of certain software applications. In November 2006, such software had been completed pursuant to the Company's specifications and the CTO was granted 28,253 shares (determined by the average NYSE closing price for the 10 days immediately preceding the fifth day prior to grant). Such shares vest on the fifth anniversary of grant, provided the CTO remains employed with the Company and satisfactorily maintains and enhances the software.

In March 2007, the Company issued shares of restricted common stock at the prevailing market price in the amount of \$500,004, or 15,504 shares, to each of the Company's then Chief Executive Officer and President/Chief Operating Officer, and \$60,000, or 1,966 shares, to each of the five non-employee directors. The shares of restricted stock issued to the Company's then Chief Executive Officer and President/Chief Operating Officer will vest on the fifth anniversary of the grant date; the shares of restricted stock granted to the non-employee directors will vest ¹/₁₂th per month over twelve months.

11. MEMBERS' EQUITY AND REDEEMABLE PREFERRED UNITS

Mandatorily Redeemable Preferred Membership Units

Holders of the Company's mandatorily redeemable preferred units were entitled to receive a yield of 13.25% of its Liquidation Value per annum for the first three years starting in April 2000, and increasing to 15% of the Liquidation Value per annum thereafter. The discount inherent in the yield for the first three years was recorded as an adjustment to the carrying amount of the mandatorily redeemable preferred units. This discount was amortized as a dividend over the initial three years. Of the total yield on the mandatorily redeemable preferred units, 48% was mandatorily payable quarterly in cash to the mandatorily redeemable preferred unit holders. The unpaid portion of the yield accumulated annually and was added to the Liquidation Value of the mandatorily redeemable preferred units. Such units had an aggregate liquidation preference over common units of \$20 million plus accumulated and unpaid yield. Mandatorily redeemable preferred units had no voting rights.

Mandatorily redeemable preferred units were redeemable without premium or penalty, wholly or in part, at the Company's option at any time, for the Liquidation Value, including any unpaid yield. Redeemable preferred units were mandatorily redeemable on the earlier to occur of (i) an initial public offering of the Company (to the extent of 25% of the net proceeds thereof), (ii) a sale of equity or assets of the Company or any of its principal operating subsidiaries after retirement in full of the Company's debt under its senior credit facilities, or (iii) April 10, 2010. At December 31, 2002, 2003, and 2004, the Company had 20,000 redeemable preferred membership units issued and outstanding. As discussed in Note 1 — "Reorganization and Initial Public Offering", the Company redeemed all of the Preferred Units on February 9, 2005 in connection with the consummation of its initial public offering (IPO). The redemption price amounted to \$28,263 based on the Preferred Units' Liquidation Value at the IPO date.

Distributions to Members

In accordance with the Company's Amended and Restated Operating Agreement, cash distributions were made first, to all preferred members; second, to all common members, based on their tax liability imposed on the Company's net LLC earnings before the reorganization. The Amended and Restated Operating Agreement also provides for certain members who receive less than their proportionate share of cash distributions, at their election or the election of the Company's management, to be granted an additional cash distribution to bring their proportionate share of cash distributions equal to the rest of the Company's common members. Any remaining cash available for distribution was to be distributed, at the discretion of the Company's board of advisors, first to all preferred members to the extent of the Liquidation Value of their preferred units; second, to all common members, except to those common members where such distribution would cause or increase a deficit to their capital accounts.

AMERICAN REPROGRAPHICS COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

12. QUARTERLY FINANCIAL DATA (Unaudited)

Quarterly financial data for the years ended December 31, 2006 and 2007 are as follows:

	Quarter Ended			
	March 31, 2006	June 30, 2006	September 30, 2006	December 31, 2006
Net sales	\$ 140,802	\$ 151,527	\$ 152,538	\$ 146,971
Gross profit	\$ 60,359	\$ 65,814	\$ 67,007	\$ 61,149
Net income	\$ 14,375	\$ 8,427	\$ 15,756	\$ 12,836
Net income per share:				
Basic	\$ 0.32	\$ 0.19	\$ 0.35	\$ 0.28
Diluted	\$ 0.32	\$ 0.18	\$ 0.35	\$ 0.28

	Quarter Ended			
	March 31, 2007	June 30, 2007	September 30, 2007	December 31, 2007
Net sales	\$ 160,214	\$ 177,783	\$ 176,212	\$ 174,146
Gross profit	\$ 67,779	\$ 74,816	\$ 72,664	\$ 71,778
Net income	\$ 16,844	\$ 19,612	\$ 15,945	\$ 16,737
Net income per share:				
Basic	\$ 0.37	\$ 0.43	\$ 0.35	\$ 0.37
Diluted	\$ 0.37	\$ 0.43	\$ 0.35	\$ 0.37

Schedule II

AMERICAN REPROGRAPHICS COMPANY AND SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS

	Balance at Beginning of Period	Charges to Cost and Expenses	Charged to Other Accounts(1)	Deductions(2)	Balance at End of Period
	(Dollars in thousands)				
Year ended December 31, 2005					
Allowance for trade receivables	\$ 3,053	\$ 1,241	\$ 333	\$ (1,455)	\$ 3,172
Allowance for inventory obsolescence	321	109	—	—	430
	<u>\$ 3,374</u>	<u>\$ 1,350</u>	<u>\$ 333</u>	<u>\$ (1,455)</u>	<u>\$ 3,602</u>
Year ended December 31, 2006					
Allowance for trade receivables	\$ 3,172	\$ 599	\$ 1,442	\$ (869)	\$ 4,344
Allowance for inventory obsolescence	430	68	115	(86)	527
	<u>\$ 3,602</u>	<u>\$ 667</u>	<u>\$ 1,557</u>	<u>\$ (955)</u>	<u>\$ 4,871</u>
Year ended December 31, 2007					
Allowance for trade receivables	\$ 4,344	\$ 1,315	\$ 708	\$ (1,275)	\$ 5,092
Allowance for inventory obsolescence	527	104	282	(156)	757
	<u>\$ 4,871</u>	<u>\$ 1,419</u>	<u>\$ 990</u>	<u>\$ (1,431)</u>	<u>\$ 5,849</u>

(1) Acquisition of businesses and sales returns and discounts.

(2) Deductions represent uncollectible accounts written-off net of recoveries and inventory adjustments.

SECURITY AGREEMENT

dated as of

December 6, 2007

among

AMERICAN REPROGRAPHICS COMPANY, L.L.C.,

AMERICAN REPROGRAPHICS COMPANY,

and

THE OTHER GRANTORS PARTY HERETO

and

JPMORGAN CHASE BANK, N.A.,
as Collateral Agent

TABLE OF CONTENTS

	Page
SECTION 1. <i>Definitions.</i>	1
SECTION 2. <i>Grant of Transaction Liens.</i>	9
SECTION 3. <i>General Representations and Warranties</i>	11
SECTION 4. <i>Further Assurances; General Covenants</i>	13
SECTION 5. <i>Accounts</i>	15
SECTION 6. <i>Equipment</i>	16
SECTION 7. <i>Recordable Intellectual Property</i>	16
SECTION 8. <i>Investment Property</i>	17
SECTION 9. <i>Controlled Deposit Accounts</i>	19
SECTION 10. <i>Cash Collateral Accounts</i>	20
SECTION 11. <i>Operation of Collateral Accounts.</i>	21
SECTION 12. <i>Transfer Of Record Ownership</i>	22
SECTION 13. <i>Right to Vote Securities</i>	22
SECTION 14. <i>Certain Cash Distributions</i>	23
SECTION 15. <i>Remedies upon Event of Default</i>	23
SECTION 16. <i>Application of Proceeds</i>	24
SECTION 17. <i>Fees and Expenses; Indemnification</i>	26
SECTION 18. <i>Authority to Administer Collateral</i>	28
SECTION 19. <i>Limitation on Duty in Respect of Collateral</i>	28
SECTION 20. <i>General Provisions Concerning the Collateral Agent.</i>	29
SECTION 21. <i>Termination of Transaction Liens; Release of Collateral</i>	30
SECTION 22. <i>Additional Grantors</i>	31
SECTION 23. <i>Notices</i>	31
SECTION 24. <i>No Implied Waivers; Remedies Not Exclusive</i>	31
SECTION 25. <i>Successors and Assigns</i>	31
SECTION 26. <i>Amendments and Waivers</i>	31
SECTION 27. <i>Choice of Law</i>	31
SECTION 28. <i>Waiver of Jury Trial</i>	32
SECTION 29. <i>Severability</i>	32

SCHEDULES:

- | | |
|-------------------|--|
| Schedule 1 | Equity Interests in Subsidiaries and Affiliates Owned by Original Grantors |
| Schedule 2 | Other Investment Property Owned by Original Grantors |
| Schedule 3 | Existing Secured Hedging Obligations |

EXHIBITS:

- | | |
|------------------|--------------------------------------|
| Exhibit A | Security Agreement Supplement |
| Exhibit B | Copyright Security Agreement |
| Exhibit C | Patent Security Agreement |
| Exhibit D | Trademark Security Agreement |
| Exhibit E | Perfection Certificate |
| Exhibit F | Issuer Control Agreement |
| Exhibit G | Securities Account Control Agreement |
| Exhibit H | Deposit Account Control Agreement |

SECURITY AGREEMENT

SECURITY AGREEMENT dated as of December 6, 2007 among AMERICAN REPROGRAPHICS COMPANY, L.L.C., (the “**Borrower**”), AMERICAN REPROGRAPHICS COMPANY (“**Holdings**”), the other Grantors party hereto and JPMORGAN CHASE BANK, N.A., as Collateral Agent.

WHEREAS, the Borrower is entering into the Credit Agreement described in Section 1 hereof, pursuant to which the Borrower intends to borrow funds and obtain letters of credit for the purposes set forth therein;

WHEREAS, the Borrower has agreed to secure (i) its obligations under the Credit Agreement and (ii) its obligations under interest rate hedging arrangements designed to mitigate the risk that interest rates payable under the Credit Agreement will fluctuate by granting Liens on its assets to the Collateral Agent as provided in the Security Documents;

WHEREAS, Holdings and each of the other Guarantors have agreed to guarantee the foregoing obligations of the Borrower as provide in the Credit Agreement, and to secure their respective guarantees thereof by granting Liens on their respective assets to the Collateral Agent as provided in the Security Documents;

WHEREAS, the Lenders and the Issuing Bank are not willing to make loans or issue or participate in letters of credit under the Credit Agreement, and the counterparties to the interest rate hedging arrangements referred to above are not willing to enter into or maintain them, unless (i) the foregoing obligations of the Borrower are secured and guaranteed as described above and (ii) each guarantee thereof is secured by Liens on assets of the relevant Guarantor as provided in the Security Documents; and

WHEREAS, upon any foreclosure or other enforcement of the Security Documents, the net proceeds of the relevant Collateral are to be received by or paid over to the Collateral Agent and applied as provided herein;

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. *Definitions.*

(a) *Terms Defined in Credit Agreement.* Terms defined in the Credit Agreement and not otherwise defined in subsection (b) or (c) of this Section 1 have, as used herein, the respective meanings provided for therein.

(b) *Terms Defined in UCC.* As used herein, each of the following terms has the meaning specified in the UCC:

Term	UCC
Account	9-102
Authenticate	9-102
Certificated Security	8-102
Chattel Paper	9-102
Commodity Account	9-102
Commodity Customer	9-102
Deposit Account	9-102
Document	9-102
Entitlement Holder	8-102
Entitlement Order	8-102
Equipment	9-102
Financial Asset	8-102 & 103
General Intangibles	9-102
Instrument	9-102
Inventory	9-102
Investment Property	9-102
Record	9-102
Securities Account	8-501
Securities Intermediary	8-102
Security	8-102 & 103
Security Entitlement	8-102
Supporting Obligations	9-102
Uncertificated Security	8-102

(c) *Additional Definitions.* The following additional terms, as used herein, have the following meanings:

“**Cash Collateral Account**” has the meaning set forth in Section 10(a).

“**Cash Distributions**” means dividends, interest and other distributions and payments (including proceeds of liquidation, sale or other disposition) made or received in cash upon or with respect to any Collateral.

“Collateral” means, collectively, all of the real, personal and mixed property (including Capital Stock), whether now owned or hereafter acquired, on which Liens are granted or purports to be granted pursuant to the Security Documents as security for the Obligations. When used with respect to a specific Grantor, the term “Collateral” means all of its property on which such a Lien is granted or purports to be granted.

“Collateral Accounts” means the Cash Collateral Accounts, the Controlled Deposit Accounts and the Controlled Securities Accounts.

“Contingent Obligation” means, at any time, any Obligation (or portion thereof) that is contingent in nature at such time, including any Obligation that is:

- (i) an obligation to reimburse a bank for drawings not yet made under a letter of credit issued by it;
- (ii) an obligation under a Hedging Agreement to make payments that cannot be quantified at such time;
- (iii) any other obligation (including any guarantee) that is contingent in nature at such time; or
- (iv) an obligation to provide collateral to secure any of the foregoing types of obligations.

“Control” has the following meanings:

- (a) when used with respect to any Security or Security Entitlement, the meaning specified in UCC Section 8-106; and
- (b) when used with respect to any Deposit Account, the meaning specified in UCC Section 9-104.

“Controlled Deposit Account” means a Deposit Account (i) that is subject to a Deposit Account Control Agreement or (ii) as to which the Collateral Agent is the Depository Bank’s “customer” (as defined in UCC Section 4-104).

“Controlled Securities Account” means a Securities Account that (i) is maintained in the name of a Grantor at an office of a Securities Intermediary located in the United States and (ii) together with all Financial Assets credited thereto and all related Security Entitlements, is subject to a Securities Account Control Agreement among such Grantor, the Collateral Agent and such Securities Intermediary.

“Copyright License” means any agreement now or hereafter in existence granting to any Grantor, or pursuant to which any Grantor grants to any other Person, any right to use, copy, reproduce, distribute, prepare derivative works, display or publish any records or other materials on which a Copyright is in existence or may come into existence.

“Copyrights” means all the following: (i) all copyrights under the laws of the United States or any other country (whether or not the underlying works of authorship have been published), all registrations and recordings thereof, all copyrightable works of authorship (whether or not published), and all applications for copyrights under the laws of the United States or any other country, including registrations, recordings and applications in the United States Copyright Office or in any similar office or agency of the United States, any State thereof or any other country or any political subdivision thereof, including those described in Schedule 1 to any Copyright Security Agreement, (ii) all renewals of any of the foregoing, (iii) all claims for, and rights to sue for, past or future infringements of any of the foregoing, and (iv) all income, royalties, damages and payments now or hereafter due or payable with respect to any of the foregoing, including damages and payments for past or future infringements thereof.

“Copyright Security Agreement” means a Copyright Security Agreement, substantially in the form of Exhibit B, executed and delivered by a Grantor in favor of the Collateral Agent for the benefit of the Secured Parties.

“Credit Agreement” means the Credit and Guaranty Agreement, dated as of December ___, 2007, among American Reprographics Company, L.L.C., American Reprographics Company and certain Subsidiaries of American Reprographics Company, L.L.C., as Guarantors, the financial institutions from time to time party thereto, as Lenders, and JPMorgan Chase Bank, N.A., as Administrative Agent and Collateral Agent.

“Deposit Account Control Agreement” means, with respect to any Deposit Account of any Grantor, a Deposit Account Control Agreement substantially in the form of Exhibit H (with any changes that the Collateral Agent shall have approved) among such Grantor, the Collateral Agent and the relevant Depositary Bank, (i) providing that such Depositary Bank will comply with instructions originated by the Collateral Agent directing disposition of the funds in such Deposit Account without further consent by such Grantor and (ii) subordinating to the relevant Transaction Lien all claims of the Depositary Bank to such Deposit Account (except its right to deduct its normal operating charges and any uncollected funds previously credited thereto).

“Depositary Bank” means a bank at which a Controlled Deposit Account is maintained.

“Equity Interest” means (i) in the case of a corporation, any shares of its capital stock, (ii) in the case of a limited liability company, any membership interest therein, (iii) in the case of a partnership, any partnership interest (whether general or limited) therein, (iv) in the case of any other business entity, any participation or other interest in the equity or profits thereof, (v) any warrant, option or other right to acquire any Equity Interest described in this definition or (vi) any Security Entitlement in respect of any Equity Interest described in this definition.

“Existing Secured Hedging Obligations” means the obligations of the Borrower or any other Credit Party in respect of the agreements listed on Schedule 3, but not in respect of any renewal, modification or extension thereof.

“Grantors” means the Borrower, each of the Persons listed on the signature pages hereof under the caption “Guarantors” and each Subsidiary of the Borrower that shall, at any time after the date hereof, become a “Grantor” pursuant to Section 22.

“Intellectual Property Filing” means (i) with respect to any Patent, Patent License, Trademark or Trademark License, the filing of the applicable Patent Security Agreement or Trademark Security Agreement with the United States Patent and Trademark Office, together with an appropriately completed recordation form, and (ii) with respect to any Copyright or Copyright License, the filing of the applicable Copyright Security Agreement with the United States Copyright Office, together with an appropriately completed recordation form, in each case sufficient to record the Transaction Lien granted to the Collateral Agent in such Recordable Intellectual Property.

“Intellectual Property Security Agreement” means a Copyright Security Agreement, a Patent Security Agreement or a Trademark Security Agreement.

“Issuer Control Agreement” means an Issuer Control Agreement substantially in the form of Exhibit F (with any changes that the Collateral Agent shall have approved).

“LLC Interest” means a membership interest or similar interest in a limited liability company.

“Mortgage” means a mortgage or deed of trust in form reasonably satisfactory to the Collateral Agent in each case creating a Lien on real property in favor of the Collateral Agent (or a sub-agent appointed pursuant to Section 20(b)) for the benefit of the Secured Parties and with such changes in the form thereof as the Collateral Agent shall reasonably request for the purpose of conforming to

local practice for similar instruments in the jurisdiction where such real property is located.

“Non-Contingent Obligation” means at any time any Obligation (or portion thereof) that is not a Contingent Obligation at such time.

“Obligations” means (i) all “Obligations” as defined in the Credit Agreement and (ii) without duplication, Existing Secured Hedging Obligations (including Post-Petition Interest) thereon.

“Opinion of Counsel” means a written opinion of legal counsel (who may be counsel to a Grantor or other counsel, in either case approved by the Collateral Agent in its reasonable discretion) addressed and delivered to the Collateral Agent.

“Original Grantor” means any Grantor that grants a Lien on any of its assets hereunder on the Closing Date.

“own” refers to the possession of sufficient rights in property to grant a security interest therein as contemplated by UCC Section 9-203, and **“acquire”** refers to the acquisition of any such rights.

“Partnership Interest” means a partnership interest, whether general or limited.

“Patent License” means any agreement now or hereafter in existence granting to any Grantor, or pursuant to which any Grantor grants to any other Person, any right with respect to any Patent or any invention now or hereafter in existence, whether patentable or not, whether a patent or application for patent is in existence on such invention or not, and whether a patent or application for patent on such invention may come into existence or not.

“Patents” means (i) all letters patent and design letters patent of the United States or any other country and all applications for letters patent or design letters patent of the United States or any other country, including applications in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country or any political subdivision thereof, including those described in Schedule 1 to any Patent Security Agreement, (ii) all reissues, divisions, continuations, continuations in part, revisions and extensions of any of the foregoing, (iii) all claims for, and rights to sue for, past or future infringements of any of the foregoing and (iv) all income, royalties, damages and payments now or hereafter due or payable with respect to any of the foregoing, including damages and payments for past or future infringements thereof.

“Patent Security Agreement” means a Patent Security Agreement, substantially in the form of Exhibit C, executed and delivered by a Grantor in favor of the Collateral Agent for the benefit of the Secured Parties.

“Perfection Certificate” means, with respect to the Grantors, a certificate substantially in the form of Exhibit E, completed and supplemented with the schedules contemplated thereby to the satisfaction of the Collateral Agent, and signed by an officer of each Grantor.

“Permitted Liens” means (i) the Transaction Liens and (ii) any other Liens on the Collateral permitted to be created or assumed or to exist pursuant to Section 6.02 of the Credit Agreement.

“Personal Property Collateral” means all property included in the Collateral except Real Property Collateral.

“Pledged”, when used in conjunction with any type of asset, means at any time an asset of such type that is included (or that creates rights that are included) in the Collateral at such time. For example, “Pledged Equity Interest” means an Equity Interest that is included in the Collateral at such time.

“Post-Petition Interest” means any interest that accrues after the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency or reorganization of any one or more of the Grantors (or would accrue but for the operation of applicable bankruptcy or insolvency laws), whether or not such interest is allowed or allowable as a claim in any such proceeding.

“Proceeds” means all proceeds of, and all other profits, products, rents or receipts, in whatever form, arising from the collection, sale, lease, exchange, assignment, licensing or other disposition of, or other realization upon, any Collateral, including all claims of the relevant Grantor against third parties for loss of, damage to or destruction of, or for proceeds payable under, or unearned premiums with respect to, policies of insurance in respect of, any Collateral, and any condemnation or requisition payments with respect to any Collateral.

“Real Property Collateral” means all real property (including leasehold interests in real property) included in the Collateral.

“Recordable Intellectual Property” means (i) any Patent registered with the United States Patent and Trademark Office, and any Patent License with respect to a Patent so registered, (ii) any Trademark registered with the United States Patent and Trademark Office, and any Trademark License with respect to a Trademark so registered, (iii) any Copyright registered with the United States

Copyright Office and any Copyright License with respect to a Copyright so registered, and all rights in or under any of the foregoing.

“Release Conditions” means the following conditions for terminating all the Transaction Liens:

- (i) all Commitments under the Credit Agreement shall have expired or been terminated;
- (ii) all Non-Contingent Obligations shall have been paid in full; and
- (iii) no Contingent Obligation (other than contingent indemnification and expense reimbursement obligations as to which no claim shall have been asserted) shall remain outstanding;

provided that the condition in clause (iii) shall not apply to outstanding Letters of Credit if (x) no Event of Default has occurred and is continuing and (y) the Borrower has granted to the Collateral Agent, for the benefit of the Lenders, a security interest in cash (or causes a bank acceptable to the Administrative Agent, the Collateral Agent and the Issuing Bank to issue a letter of credit naming the Issuing Bank as beneficiary) in an amount exceeding 105% of the LC Exposure (plus any accrued and unpaid interest thereon) as of the date of such termination, on terms and conditions and pursuant to documentation reasonably satisfactory to the Administrative Agent, the Collateral Agent and the Issuing Bank.

“Secured Agreement”, when used with respect to any Obligation, refers collectively to each instrument, agreement or other document that sets forth obligations of the Borrower, obligations of a Grantor and/or rights of the holder with respect to such Obligation.

“Secured Guarantee” means, with respect to each Grantor, its guarantee of the Obligations pursuant to Article 7 of the Credit Agreement (or pursuant to a Counterpart Agreement).

“Secured Party Requesting Notice” means, at any time, a Secured Party that has, at least five Business Days prior thereto, delivered to the Collateral Agent a written notice (i) stating that it holds one or more Obligations and wishes to receive copies of the notices referred to in Section 20(e) and (ii) setting forth its address, facsimile number and e-mail address to which copies of such notices should be sent.

“Securities Account Control Agreement” means, when used with respect to a Securities Account, a Securities Account Control Agreement substantially in the form of Exhibit D (with any changes that the Collateral Agent

shall have approved) among the relevant Securities Intermediary, the relevant Grantor and the Collateral Agent to the effect that such Securities Intermediary will comply with Entitlement Orders originated by the Collateral Agent with respect to such Securities Account without further consent by the relevant Grantor.

“Security Agreement Supplement” means a Security Agreement Supplement, substantially in the form of Exhibit A, signed and delivered to the Collateral Agent for the purpose of adding a Subsidiary as a party hereto pursuant to Section 22 and/or adding additional property to the Collateral.

“Security Documents” means, collectively, the Collateral Documents, the Deposit Account Control Agreements, the Issuer Control Agreements, the Securities Account Control Agreements, the Mortgages, the Intellectual Property Security Agreements and all other supplemental or additional security agreements, control agreements, mortgages or similar instruments delivered pursuant to the Credit Documents.

“Trademark License” means any agreement now or hereafter in existence granting to any Grantor, or pursuant to which any Grantor grants to any other Person, any right to use any Trademark.

“Trademarks” means: (i) all trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, logos, brand names, trade dress, prints and labels on which any of the foregoing have appeared or appear, package and other designs, and all other source or business identifiers, and all general intangibles of like nature, and the rights in any of the foregoing which arise under applicable law, (ii) the goodwill of the business symbolized thereby or associated with each of them, (iii) all registrations and applications in connection therewith, including registrations and applications in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country or any political subdivision thereof, including those described in Schedule 1 to any Trademark Security Agreement, (iv) all renewals of any of the foregoing, (v) all claims for, and rights to sue for, past or future infringements of any of the foregoing and (vi) all income, royalties, damages and payments now or hereafter due or payable with respect to any of the foregoing, including damages and payments for past or future infringements thereof.

“Trademark Security Agreement” means a Trademark Security Agreement, substantially in the form of Exhibit D, executed and delivered by a Grantor in favor of the Collateral Agent for the benefit of the Secured Parties.

“**Transaction Liens**” means the Liens granted by the Grantors under the Security Documents.

“**UCC**” means the Uniform Commercial Code as in effect from time to time in the State of New York; *provided* that, if perfection or the effect of perfection or non-perfection or the priority of any Transaction Lien on any Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than New York, “UCC” means the Uniform Commercial Code as in effect from time to time in such other jurisdiction for purposes of the provisions hereof relating to such perfection, effect of perfection or non-perfection or priority.

(d) *Terms Generally.* The definitions of terms herein (including those incorporated by reference to the UCC or to another document) apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun includes the corresponding masculine, feminine and neuter forms. The words “**include**”, “**includes**” and “**including**” shall be deemed to be followed by the phrase “**without limitation**”. The word “**will**” shall be construed to have the same meaning and effect as the word “**shall**”. Unless the context requires otherwise, (i) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (ii) any reference herein to any Person shall be construed to include such Person’s successors and assigns, (iii) the words “**herein**”, “**hereof**” and “**hereunder**”, and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (iv) all references herein to Sections, Exhibits and Schedules shall be construed to refer to Sections of, and Exhibits and Schedules to, this Agreement and (v) the word “**property**” shall be construed to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

SECTION 2. *Grant of Transaction Liens.*

(a) The Borrower, in order to secure the Obligations, and each Guarantor listed on the signature pages hereof, in order to secure its Secured Guarantee, grants to the Collateral Agent for the benefit of the Secured Parties a continuing security interest in all the following property of the Borrower or such Guarantor, as the case may be, whether now owned or existing or hereafter acquired or arising and regardless of where located:

- (i) all Accounts;

- (ii) all Chattel Paper;
- (iii) all Deposit Accounts;
- (iv) all Documents;
- (v) all Equipment;
- (vi) all General Intangibles (including any Equity Interests in other Persons that do not constitute Investment Property);
- (vii) all Instruments;
- (viii) all Inventory;
- (ix) all Investment Property;
- (x) all books and records (including customer lists, credit files, computer programs, printouts and other computer materials and records) of such Original Grantor pertaining to any of its Collateral;
- (xi) such Original Grantor's ownership interest in (1) its Collateral Accounts, (2) all Financial Assets credited to its Collateral Accounts from time to time and all Security Entitlements in respect thereof, (3) all cash held in its Collateral Accounts from time to time and (4) all other money in the possession of the Collateral Agent; and
- (xii) all Proceeds of the Collateral described in the foregoing clauses (i) through (xi);

provided that the following property is excluded from the foregoing security interests: (A) motor vehicles the perfection of a security interest in which is excluded from the Uniform Commercial Code in the relevant jurisdiction, (B) voting Equity Interests in any Foreign Subsidiary, to the extent (but only to the extent) required to prevent the Collateral from including more than 66% of all voting Equity Interests in such Foreign Subsidiary, (C) United States intent-to-use trademark applications to the extent that, and solely during the period in which, the grant of a security interest therein would impair the validity or enforceability of such intent-to-use trademark applications under applicable federal law, and (D) any property to the extent that the grant of a security interest therein is prohibited by any applicable law or regulation, requires a consent not obtained of any Governmental Authority pursuant to any applicable law or regulation, or is prohibited by, or constitutes a breach or default under or results in the termination of or requires any consent not obtained under, any contract, license, agreement, instrument or other document evidencing or giving rise to such property or, in the

case of any Investment Property, any applicable shareholder or similar agreement, except to the extent that such law or regulation or the term in such contract, license, agreement, instrument or other document or shareholder or similar agreement providing for such prohibition, breach, default or termination or requiring such consent is ineffective under applicable law. Each Original Grantor shall use all reasonable efforts to obtain any such required consent that is reasonably obtainable.

(b) With respect to each right to payment or performance included in the Collateral from time to time, the Transaction Lien granted therein includes a continuing security interest in (i) any Supporting Obligation that supports such payment or performance and (ii) any Lien that (x) secures such right to payment or performance or (y) secures any such Supporting Obligation.

(c) The Transaction Liens are granted as security only and shall not subject the Collateral Agent or any other Secured Party to, or transfer or in any way affect or modify, any obligation or liability of any Grantor with respect to any of the Collateral or any transaction in connection therewith.

SECTION 3. *General Representations and Warranties.* Each Original Grantor represents and warrants that:

(a) Such Grantor is duly organized, validly existing and in good standing under the laws of the jurisdiction identified as its jurisdiction of organization in its Perfection Certificate.

(b) Schedule 1 lists all Equity Interests in Subsidiaries and Affiliates owned by such Grantor as of the Closing Date. Such Grantor holds all such Equity Interests directly (*i.e.*, not through a Subsidiary, a Securities Intermediary or any other Person).

(c) Schedule 2 lists, as of the Closing Date, (i) all Securities owned by such Grantor (except Securities evidencing Equity Interests in Subsidiaries and Affiliates) and (ii) all Securities Accounts to which Financial Assets are credited in respect of which such Grantor owns Security Entitlements. Such Grantor owns no Commodity Account in respect of which such Grantor is the Commodity Customer.

(d) All Pledged Equity Interests owned by such Grantor are owned by it free and clear of any Lien other than (i) the Transaction Liens and (ii) any inchoate tax liens. All shares of capital stock included in such Pledged Equity Interests (including shares of capital stock in respect of which such Grantor owns a Security Entitlement) have been duly authorized and validly issued and are fully paid and non-assessable. None of such Pledged Equity Interests is subject to any

option to purchase or similar right of any Person. Such Grantor is not and will not become a party to or otherwise bound by any agreement (except the Credit Documents) which restricts in any manner the rights of any present or future holder of any Pledged Equity Interest with respect thereto.

(e) Such Grantor has good and marketable title to all its Collateral (subject to exceptions that are, in the aggregate, not material), and, upon the filing, as applicable, of the UCC-3 termination statements and other notices of termination in connection with (i) Recordable Intellectual Property and (ii) Copyrights, Patents and Trademarks arising under the laws of any jurisdiction other than the United States of America or any State thereof delivered to the Collateral Agent on the Closing Date (the “**Release Documents**”), free and clear of any Lien other than Permitted Liens.

(f) Such Grantor has not performed any acts that might reasonably be expected to prevent the Collateral Agent from enforcing any of the provisions of the Security Documents or that would limit the Collateral Agent in any such enforcement. Upon the filing of the Release Documents, no financing statement, security agreement, mortgage or similar or equivalent document or instrument covering all or part of the Collateral owned by such Grantor will be on file or of record in any jurisdiction in which such filing or recording would be effective to perfect or record a Lien on such Collateral, except financing statements, mortgages or other similar or equivalent documents with respect to Permitted Liens. After the Closing Date, no Collateral owned by such Grantor will be in the possession or under the Control of any other Person having a claim thereto or security interest therein, other than a Permitted Lien.

(g) The Transaction Liens on all Personal Property Collateral owned by such Grantor (i) have been validly created, (ii) will attach to each item of such Collateral on the Closing Date (or, if such Grantor first obtains rights thereto on a later date, on such later date) and (iii) when so attached, will secure all of the Obligations or such Grantor’s Secured Guarantee, as the case may be.

(h) When the relevant Mortgages have been duly executed and delivered, the Transaction Liens on all Real Property Collateral owned by such Grantor as of the Closing Date will have been validly created and will secure all of the Obligations or such Grantor’s Secured Guarantee, as the case may be. When such Mortgages have been duly recorded, such Transaction Liens will rank prior to all other Liens (except Permitted Liens) on such Real Property Collateral.

(i) Such Grantor has delivered a Perfection Certificate to the Collateral Agent. The information set forth therein is correct and complete as of the Closing Date.

(j) When UCC financing statements describing the Collateral as “all personal property” and the Release Documents have been filed in the offices specified in such Perfection Certificate, the Transaction Liens will constitute perfected security interests in the Personal Property Collateral owned by such Grantor to the extent that a security interest therein may be perfected by filing pursuant to the UCC, prior to all Liens and rights of others therein except Permitted Liens. When, in addition to the filing of such UCC financing statements and the Release Documents, the applicable Intellectual Property Filings have been made with respect to such Grantor’s Recordable Intellectual Property (including any future filings required pursuant to Sections 4(a) and 7(a)), the Transaction Liens will constitute perfected security interests in all right, title and interest of such Grantor in its Recordable Intellectual Property to the extent that security interests therein may be perfected by such filings, prior to all Liens and rights of others therein except Permitted Liens. Except for (i) the filing of such UCC financing statements, (ii) such Intellectual Property Filings and (iii) the due recordation of the Mortgages, no registration, recordation or filing with any governmental body, agency or official is required in connection with the execution or delivery of the Security Documents or is necessary for the validity or enforceability thereof or for the perfection or due recordation of the Transaction Liens or for the enforcement of the Transaction Liens, except to the extent that any of the Collateral consists of Patents, Trademarks or Copyrights issued by a jurisdiction other than the United States of America or any state thereof with respect to which perfection of the Transaction Liens cannot be effected in the manner described in clause (i), (ii) or (iii) above.

(k) Such Grantor has taken, and will continue to take, all actions necessary under the UCC to perfect its interest in any Accounts or Chattel Paper purchased or otherwise acquired by it, as against its assignors and creditors of its assignors.

(l) Such Grantor’s Collateral is insured as required by the Credit Agreement.

SECTION 4. *Further Assurances; General Covenants.* Each Grantor covenants as follows:

(a) Such Grantor will, from time to time, at the Borrower’s expense, execute, deliver, file and record any statement, assignment, instrument, document, agreement or other paper and take any other action (including any Intellectual Property Filing and any filing of financing or continuation statements under the UCC) that from time to time may be necessary or desirable, or that the Collateral Agent may reasonably request, in order to:

- (i) create, preserve, perfect, confirm or validate the Transaction Liens on such Grantor's Collateral;
- (ii) in the case of Pledged Deposit Accounts and Pledged Investment Property, cause the Collateral Agent to have Control thereof;
- (iii) enable the Collateral Agent and the other Secured Parties to obtain the full benefits of the Security Documents; or
- (iv) enable the Collateral Agent to exercise and enforce any of its rights, powers and remedies with respect to any of such Grantor's Collateral.

To the extent permitted by applicable law, such Grantor authorizes the Collateral Agent to execute and file such financing statements or continuation statements without such Grantor's signature appearing thereon. Such Grantor agrees that a carbon, photographic, photostatic or other reproduction of this Agreement or of a financing statement is sufficient as a financing statement. Such Grantor constitutes the Collateral Agent its attorney-in-fact to execute and file all Intellectual Property Filings and other filings required or so requested for the foregoing purposes, all acts of such attorney being hereby ratified and confirmed; and such power, being coupled with an interest, shall be irrevocable until all the Transaction Liens granted by such Grantor terminate pursuant to Section 21. The Borrower will pay the costs of, or incidental to, any Intellectual Property Filings and any recording or filing of any financing or continuation statements or other documents recorded or filed pursuant hereto.

(b) Such Grantor will not (i) change its name or corporate structure, (ii) change its location (determined as provided in UCC Section 9-307) or (iii) become bound, as provided in UCC Section 9-203(d) or otherwise, by a security agreement entered into by another Person, unless (i) it shall have given the Collateral Agent at least 15 days prior notice thereof and (ii) all filings required under the Uniform Commercial Code or otherwise to ensure that the Collateral Agent has a valid, legal and perfected security interest in the Collateral have been made.

(c) If any of its Collateral is in the possession or control of a warehouseman, bailee or agent at any time, such Grantor will (i) notify such warehouseman, bailee or agent of the relevant Transaction Liens, (ii) instruct such warehouseman, bailee or agent to hold all such Collateral for the Collateral Agent's account subject to the Collateral Agent's instructions (which shall permit such Collateral to be removed by such Grantor in the ordinary course of business until the Collateral Agent notifies such warehouseman, bailee or agent that an Event of Default has occurred and is continuing), (iii) cause such warehouseman,

bailee or agent to Authenticate a Record acknowledging that it holds possession of such Collateral for the Collateral Agent's benefit and (iv) make such Authenticated Record available to the Collateral Agent.

(d) Such Grantor will not sell, lease, exchange, assign or otherwise dispose of, or grant any option with respect to, any of its Collateral; *provided* that such Grantor may do any of the foregoing unless (i) doing so would violate a covenant in the Credit Agreement or (ii) an Event of Default shall have occurred and be continuing and the Collateral Agent shall have notified such Grantor that its right to do so is terminated, suspended or otherwise limited. Concurrently with any sale, lease or other disposition (except a sale or disposition to another Grantor or a lease) permitted by the foregoing *proviso*, the Transaction Liens on the assets sold or disposed of (but not in any Proceeds arising from such sale or disposition) will cease immediately without any action by the Collateral Agent or any other Secured Party. The Collateral Agent will, at the Borrower's expense, execute and deliver to the relevant Grantor such documents as such Grantor shall reasonably request to evidence the fact that any asset so sold or disposed of is no longer subject to a Transaction Lien.

(e) Such Grantor will, promptly upon request, provide to the Collateral Agent all information and evidence concerning such Grantor's Collateral that the Collateral Agent may reasonably request from time to time to enable it to enforce the provisions of the Security Documents.

SECTION 5. *Accounts*. Each Grantor represents, warrants and covenants as follows:

(a) Such Grantor will use commercially reasonable efforts to cause to be collected from its account debtors, when due, all amounts owing under its Accounts (including delinquent Accounts, which will be collected in accordance with lawful collection procedures) and will apply all amounts collected thereon, forthwith upon receipt thereof, to the outstanding balances of such Accounts. Subject to the rights of the Collateral Agent and the other Secured Parties hereunder if an Event of Default shall have occurred and be continuing, such Grantor may allow in the ordinary course of business as adjustments to amounts owing under its Accounts (i) any extension or renewal of the time or times for payment, or settlement for less than the total unpaid balance, that such Grantor finds appropriate in accordance with sound business judgment and (ii) refunds or credits, all in the ordinary course of business and consistent with such Grantor's historical collection practices. The costs and expenses (including attorney's fees) of collection, whether incurred by such Grantor or the Collateral Agent, shall be paid by such Grantor.

(b) If payments with respect to any of such Grantor's Accounts are received in a lockbox or similar account, such Grantor will (i) at all times cause such account to be a Controlled Deposit Account and (ii) cause the relevant depository bank to subordinate to the relevant Transaction Lien all its claims to such account (except its right to deduct its normal operating charges and any uncollected funds previously credited thereto). The Collateral Agent will instruct the relevant depository bank to transfer funds credited to any such account, as promptly as practicable after receipt thereof, to a Controlled Deposit Account designated by such Grantor; *provided* that, if an Event of Default shall have occurred and be continuing, the Collateral Agent may designate the Controlled Deposit Account to which such funds are transferred.

(c) If an Event of Default shall have occurred and be continuing, such Grantor will, if requested to do so by the Collateral Agent, promptly notify (and such Grantor authorizes the Collateral Agent so to notify) each account debtor in respect of any of its Accounts that such Accounts have been assigned to the Collateral Agent hereunder, and that any payments due or to become due in respect of such Accounts are to be made directly to the Collateral Agent or its designee.

SECTION 6. *Equipment.* Each Grantor covenants that it will not permit any of its Pledged Equipment to become a fixture to real estate or an accession to any personal property that is not included in the Collateral.

SECTION 7. *Recordable Intellectual Property.* Each Grantor covenants as follows:

(a) On the Closing Date (in the case of an Original Grantor) or the date on which it signs and delivers its first Security Agreement Supplement (in the case of any other Grantor), such Grantor will sign and deliver to the Collateral Agent Intellectual Property Security Agreements with respect to all Recordable Intellectual Property then owned by it. Within 30 days after each June 30 and December 31 thereafter, it will sign and deliver to the Collateral Agent an appropriate Intellectual Property Security Agreement covering any Recordable Intellectual Property owned by it on such June 30 or December 31 that is not covered by any previous Intellectual Property Security Agreement so signed and delivered by it. In each case, it will promptly make all Intellectual Property Filings necessary to record the Transaction Liens on such Recordable Intellectual Property.

(b) Such Grantor will notify the Collateral Agent promptly if it knows that any application or registration relating to any material Recordable Intellectual Property owned or licensed by it may become abandoned or dedicated to the public, or of any adverse determination or development (including the institution

of, or any adverse determination or development in, any proceeding in the United States Copyright Office, the United States Patent and Trademark Office or any court) regarding such Grantor's ownership of such Recordable Intellectual Property, its right to register or patent the same, or its right to keep and maintain the same. If any of such Grantor's rights to any Recordable Intellectual Property are infringed, misappropriated or diluted in any material respect by a third party, such Grantor will notify the Collateral Agent within 30 days after it learns thereof and will, unless such Grantor shall reasonably determine that such action would be of negligible value, economic or otherwise, take reasonable steps to protect its Recordable Intellectual Property, including promptly suing for infringement, misappropriation or dilution and to recover any and all damages for such infringement, misappropriation or dilution, and will take such other actions as such Grantor shall reasonably deem appropriate under the circumstances to protect such Recordable Intellectual Property.

SECTION 8. *Investment Property.* Each Grantor represents, warrants and covenants as follows:

(a) *Certificated Securities.* On the Closing Date (in the case of an Original Grantor) or the date on which it signs and delivers its first Security Agreement Supplement (in the case of any other Grantor), such Grantor will deliver to the Collateral Agent as Collateral hereunder all certificates representing Pledged Certificated Securities then owned by such Grantor. Thereafter, whenever such Grantor acquires any other certificate representing a Pledged Certificated Security, such Grantor will deliver such certificate to the Collateral Agent as Collateral hereunder within five days of its acquisition. The provisions of this subsection are subject to the limitation in Section 13(j) in the case of voting Equity Interests in a Foreign Subsidiary.

(b) *Uncertificated Securities.* On the Closing Date (in the case of an Original Grantor) or the date on which it signs and delivers its first Security Agreement Supplement (in the case of any other Grantor), such Grantor will enter into (and cause the relevant issuer to enter into) an Issuer Control Agreement in respect of each Pledged Uncertificated Security then owned by such Grantor and deliver such Issuer Control Agreement to the Collateral Agent (which shall enter into the same). Thereafter, whenever such Grantor acquires any other Pledged Uncertificated Security, such Grantor will enter into (and cause the relevant issuer to enter into) an Issuer Control Agreement in respect of such Pledged Uncertificated Security and deliver such Issuer Control Agreement to the Collateral Agent (which shall enter into the same). The provisions of this subsection are subject to the limitation in Section 13(j) in the case of voting Equity Interests in a Foreign Subsidiary.

(c) *Security Entitlements*. On the Closing Date (in the case of an Original Grantor) or the date on which it signs and delivers its first Security Agreement Supplement (in the case of any other Grantor), such Grantor will, with respect to each Security Entitlement then owned by it, enter into (and cause the relevant Securities Intermediary to enter into) a Securities Account Control Agreement in respect of such Security Entitlement and the Securities Account to which the underlying Financial Asset is credited and will deliver such Securities Account Control Agreement to the Collateral Agent (which shall enter into the same). Thereafter, whenever such Grantor acquires any other Security Entitlement, such Grantor will, as promptly as practicable, cause the underlying Financial Asset to be credited to a Controlled Securities Account.

(d) *Perfection as to Certificated Securities*. When such Grantor delivers the certificate representing any Pledged Certificated Security owned by it to the Collateral Agent and complies with Section 8(h) in connection with such delivery, (i) the Transaction Lien on such Pledged Certificated Security will be perfected, subject to no prior Liens or rights of others, (ii) the Collateral Agent will have Control of such Pledged Certificated Security and (iii) the Collateral Agent will be a protected purchaser (within the meaning of UCC Section 8-303) thereof.

(e) *Perfection as to Uncertificated Securities*. When such Grantor, the Collateral Agent and the issuer of any Pledged Uncertificated Security owned by such Grantor enter into an Issuer Control Agreement with respect thereto, (i) the Transaction Lien on such Pledged Uncertificated Security will be perfected, subject to no prior Liens or rights of others, (ii) the Collateral Agent will have Control of such Pledged Uncertificated Security and (iii) the Collateral Agent will be a protected purchaser (within the meaning of UCC Section 8-303) thereof.

(f) *Perfection as to Security Entitlements*. So long as the Financial Asset underlying any Security Entitlement owned by such Grantor is credited to a Controlled Securities Account, (i) the Transaction Lien on such Security Entitlement will be perfected, subject to no prior Liens or rights of others (except Liens and rights of the relevant Securities Intermediary that are Permitted Liens), (ii) the Collateral Agent will have Control of such Security Entitlement and (iii) no action based on an adverse claim to such Security Entitlement or such Financial Asset, whether framed in conversion, replevin, constructive trust, equitable lien or other theory, may be asserted against the Collateral Agent or any other Secured Party.

(g) *Agreement as to Applicable Jurisdiction*. In respect of all Security Entitlements owned by such Grantor, and all Securities Accounts to which the related Financial Assets are credited, the Securities Intermediary's jurisdiction (determined as provided in UCC Section 8-110(e)) will at all times be located in the United States.

(h) *Delivery of Pledged Certificates*. All Pledged Certificates, when delivered to the Collateral Agent, will be in suitable form for transfer by delivery, or accompanied by duly executed instruments of transfer or assignment in blank, all in form and substance reasonably satisfactory to the Collateral Agent.

(i) *Communications*. Each Grantor will promptly give to the Collateral Agent copies of any notices and other communications received by it with respect to (i) Pledged Securities registered in the name of such Grantor or its nominee and (ii) Pledged Security Entitlements as to which such Grantor is the Entitlement Holder.

(j) *Foreign Subsidiaries*. A Grantor will not be obligated to comply with the provisions of this Section at any time with respect to any voting Equity Interest in a Foreign Subsidiary if and to the extent (but only to the extent) that such voting Equity Interest is excluded from the Transaction Liens at such time pursuant to clause (B) of the proviso at the end of Section 2(a) and/or the comparable provisions of one or more Security Agreement Supplements.

(k) *Compliance with Applicable Foreign Laws*. If and so long as the Collateral includes (i) any Equity Interest in, or other Investment Property issued by, a legal entity organized under the laws of a jurisdiction outside the United States or (ii) any Security Entitlement in respect of a Financial Asset issued by such a foreign legal entity, the relevant Grantor will take all such reasonable action as may be required under the laws of such foreign jurisdiction to ensure that the Transaction Lien on such Collateral ranks prior to all Liens and rights of others therein.

SECTION 9. *Controlled Deposit Accounts*. Each Grantor represents, warrants and covenants as follows:

(a) All cash owned by such Grantor will be deposited, upon or promptly after the receipt thereof, in one or more Controlled Deposit Accounts. Each Controlled Deposit Account will be operated as provided in Section 11.

(b) In respect of each Controlled Deposit Account, the Depositary Bank's jurisdiction (determined as provided in UCC Section 9-304) will at all times be a jurisdiction in which Article 9 of the Uniform Commercial Code is in effect.

(c) So long as the Collateral Agent has Control of a Controlled Deposit Account, the Transaction Lien on such Controlled Deposit Account will be perfected, subject to no prior Liens or rights of others (except the Depositary Bank's right to deduct its normal operating charges and any uncollected funds previously credited thereto).

(d) *Materiality Exception.* The Grantors have the right not to comply with the foregoing provisions of this Section with respect to Deposit Accounts having total collected balances that do not at any time exceed \$3,000,000 in the aggregate for all Grantors. However, if an Event of Default occurs and is continuing, the Collateral Agent may terminate the foregoing right not to comply, or reduce the amount thereof, by giving at least 10 Business Days' notice of such termination or reduction to the relevant Grantors.

SECTION 10. *Cash Collateral Accounts.* (a) If and when required for purposes hereof, the Collateral Agent will establish with respect to the Grantors the following Deposit Accounts (each such Deposit Account, a “**Cash Collateral Account**”), in the name and under the exclusive control of the Collateral Agent, which will be operated as provided in this Section and Section 11 and into which all amounts owned by a Grantor that are to be deposited therein pursuant to the Credit Documents shall be deposited from time to time:

- (i) the Letter of Credit Account; and
- (ii) the Collection Account.

(b) The following amounts shall be deposited into the Cash Collateral Accounts:

- (i) the Grantors shall deposit into the Letter of Credit Account each amount required by Section 2.05(e) or Section 2.13(c) of the Credit Agreement to be deposited therein to be held as security for the LC Exposure;
- (ii) the Grantors shall deposit to the Collection Account each Cash Distribution required by Section 14 to be deposited therein; and
- (iii) the Collateral Agent shall deposit to the Collection Account each amount realized or otherwise received with respect to assets of any Grantor upon any exercise of remedies pursuant to any Security Document.

(c) The Collateral Agent shall maintain such records and/or establish such sub-accounts as shall be required to enable it to identify the amounts held in each Cash Collateral Account from time to time pursuant to each clause of subsection (b) of this Section.

(d) Unless (x) an Event of Default shall have occurred and be continuing or (y) the maturity of the Loans shall have been accelerated pursuant to Article 8 of the Credit Agreement, the Collateral Agent shall withdraw amounts from the Cash Collateral Accounts and apply them for the following purposes:

(i) any amount deposited to the Letter of Credit Account shall (i) be held as collateral security in respect of the Borrower's obligations in respect of any LC Exposure and shall be withdrawn and applied against the Borrower's reimbursement obligations in respect of any unreimbursed LC Disbursements as they become due and as otherwise provided in Section 2.05(e) and 2.13(c) of the Credit Agreement; *provided* that such amount (to the extent not theretofore so applied) shall be withdrawn and returned to the Borrower if and when permitted by said Sections 2.05(e) and 2.13(c); and

(ii) any Cash Distribution deposited pursuant to Section 14 shall, at the relevant Grantor's request, (x) be withdrawn and applied to pay Obligations that are then due and payable or (y) if no Event of Default has occurred and is continuing, be withdrawn and returned to such Grantor.

SECTION 11. *Operation of Collateral Accounts.* (a) All Cash Distributions received with respect to assets held in any Collateral Account shall be deposited therein promptly upon receipt thereof.

(b) Funds held in any Controlled Securities Account may, until withdrawn, be invested and reinvested in Cash or in such Cash Equivalents as the relevant Grantor shall request from time to time; *provided* that, if an Event of Default shall have occurred and be continuing, Collateral Agent may select such Cash Equivalents.

(c) Funds held in any Controlled Deposit Account or Cash Collateral Account may, until withdrawn, be invested and reinvested in Cash and in such Cash Equivalents as the relevant Grantor shall request from time to time; *provided* that if an Event of Default shall have occurred and be continuing, Collateral Agent may select such Cash Equivalents.

(d) With respect to each Collateral Account (except a Cash Collateral Account, as to which Section 10 applies), the Collateral Agent will instruct the relevant Securities Intermediary or Depositary Bank that the relevant Grantor may withdraw, or direct the disposition of, funds held therein unless and until the Collateral Agent rescinds such instruction. The Collateral Agent will not rescind such instructions unless an Event of Default shall have occurred and be continuing.

(e) If an Event of Default shall have occurred and be continuing, the Collateral Agent may (i) retain, or instruct the relevant Securities Intermediary or Depositary Bank to retain, all cash and investments then held in any Collateral Account, (ii) liquidate, or instruct the relevant Securities Intermediary or

Depository Bank to liquidate, any or all investments held therein and/or (iii) withdraw any amounts held therein and apply such amounts as provided in Section 16.

(f) If immediately available cash on deposit in any Collateral Account is not sufficient to make any distribution or withdrawal to be made pursuant hereto, the Collateral Agent will cause to be liquidated, as promptly as practicable, such investments held in or credited to such Collateral Account as shall be required to obtain sufficient cash to make such distribution or withdrawal and, notwithstanding any other provision hereof, such distribution or withdrawal shall not be made until such liquidation has taken place.

SECTION 12. *Transfer Of Record Ownership.* At any time when an Event of Default shall have occurred and be continuing for a period of at least ten days, the Collateral Agent may (and to the extent that action by it is required, the relevant Grantor, if directed to do so by the Collateral Agent, will as promptly as practicable) cause each of the Pledged Securities (or any portion thereof specified in such direction) to be transferred of record into the name of the Collateral Agent or its nominee. Each Grantor will take any and all actions reasonably requested by the Collateral Agent to facilitate compliance with this Section. If the provisions of this Section are implemented, Section 8(b) shall not thereafter apply to any Pledged Security that is registered in the name of the Collateral Agent or its nominee. The Collateral Agent will promptly give to the relevant Grantor copies of any notices and other communications received by the Collateral Agent with respect to Pledged Securities registered in the name of the Collateral Agent or its nominee.

SECTION 13. *Right to Vote Securities.* (a) Unless an Event of Default shall have occurred and be continuing for a period of at least ten days, each Grantor will have the right, from time to time, to vote and to give consents, ratifications and waivers with respect to any Pledged Security owned by it and the Financial Asset underlying any Pledged Security Entitlement owned by it, and the Collateral Agent will, upon receiving a written request from such Grantor, deliver to such Grantor or as specified in such request such proxies, powers of attorney, consents, ratifications and waivers in respect of any such Pledged Security that is registered in the name of the Collateral Agent or its nominee or any such Pledged Security Entitlement as to which the Collateral Agent or its nominee is the Entitlement Holder, in each case as shall be specified in such request and be in form and substance satisfactory to the Collateral Agent. Unless an Event of Default shall have occurred and be continuing for a period of at least ten days, the Collateral Agent will have no right to take any action which the owner of a Pledged Partnership Interest or Pledged LLC Interest is entitled to take with respect thereto, except the right to receive payments and other distributions to the extent provided herein.

(b) If an Event of Default shall have occurred and be continuing for a period of at least ten days, the Collateral Agent will have the right to the extent permitted by law (and, in the case of a Pledged Partnership Interest or Pledged LLC Interest, by the relevant partnership agreement, limited liability company agreement, operating agreement or other governing document) to vote, to give consents, ratifications and waivers and to take any other action with respect to the Pledged Investment Property, the other Pledged Equity Interests (if any) and the Financial Assets underlying the Pledged Security Entitlements, with the same force and effect as if the Collateral Agent were the absolute and sole owner thereof, and each Grantor will take all such action as the Collateral Agent may reasonably request from time to time to give effect to such right.

SECTION 14. *Certain Cash Distributions.* Cash Distributions with respect to assets held in a Collateral Account shall be deposited and held therein, or withdrawn therefrom, as provided in Section 11. Cash Distributions with respect to any Pledged Equity Interest or Pledged Debt that is not held in a Collateral Account (whether held in the name of a Grantor or in the name of the Collateral Agent or its nominee) shall be deposited, promptly upon receipt thereof, in a Controlled Deposit Account of the relevant Grantor; *provided* that, if an Event of Default shall have occurred and be continuing for a period of at least ten days, the Collateral Agent may deposit, or direct the recipient thereof to deposit, each such Cash Distribution in the relevant Grantor's Collection Account.

SECTION 15. *Remedies upon Event of Default.* (a) If an Event of Default shall have occurred and be continuing, the Collateral Agent may exercise (or cause its sub-agents to exercise) any or all of the remedies available to it (or to such sub-agents) under the Security Documents.

(b) Without limiting the generality of the foregoing, if an Event of Default shall have occurred and be continuing, the Collateral Agent may exercise on behalf of the Secured Parties all the rights of a secured party under the UCC (whether or not in effect in the jurisdiction where such rights are exercised) with respect to any Personal Property Collateral and, in addition, the Collateral Agent may, without being required to give any notice, except as herein provided or as may be required by mandatory provisions of law, withdraw all cash held in the Collateral Accounts and apply such cash as provided in Section 16 and, if there shall be no such cash or if such cash shall be insufficient to pay all the Obligations in full, sell, lease, license or otherwise dispose of the Collateral or any part thereof. Notice of any such sale or other disposition shall be given to the relevant Grantor(s) as required by Section 18. The foregoing provisions of this subsection shall apply to Real Property Collateral only to the extent permitted by applicable law and the provisions of any applicable Mortgage or other document.

(c) Without limiting the generality of the foregoing, if an Event of Default shall have occurred and be continuing:

(i) the Collateral Agent may license or sublicense, whether general, special or otherwise, and whether on an exclusive or non-exclusive basis, any Pledged intellectual property (including any Pledged Recordable Intellectual Property) throughout the world for such term or terms, on such conditions and in such manner as the Collateral Agent shall in its sole discretion determine; *provided* that such licenses or sublicenses do not conflict with any existing license of which the Collateral Agent shall have received a copy;

(ii) the Collateral Agent may (without assuming any obligation or liability thereunder), at any time and from time to time, in its sole and reasonable discretion, enforce (and shall have the exclusive right to enforce) against any licensee or sublicensee all rights and remedies of any Grantor in, to and under any of its Pledged intellectual property and take or refrain from taking any action under any thereof, and each Grantor releases the Collateral Agent and each other Secured Party from liability for, and agrees to hold the Collateral Agent and each other Secured Party free and harmless from and against any claims and expenses arising out of, any lawful action so taken or omitted to be taken with respect thereto, except for claims and expenses arising from the Collateral Agent's or such Secured Party's gross negligence or willful misconduct; and

(iii) upon request by the Collateral Agent (which shall not be construed as implying any limitation on its rights or powers), each Grantor will execute and deliver to the Collateral Agent a power of attorney, in form and substance satisfactory to the Collateral Agent, for the implementation of any sale, lease, license or other disposition of any of such Grantor's Pledged intellectual property or any action related thereto. In connection with any such disposition, but subject to any confidentiality restrictions imposed on such Grantor in any license or similar agreement, such Grantor will supply to the Collateral Agent its know-how and expertise relating to the relevant intellectual property or the products or services made or rendered in connection with such intellectual property, and its customer lists and other records relating to such intellectual property and to the distribution of said products or services.

SECTION 16. *Application of Proceeds.* (a) If an Event of Default shall have occurred and be continuing, the Collateral Agent may apply (i) any cash held in the Collateral Accounts and (ii) the proceeds of any sale or other disposition of all or any part of the Collateral, in the following order of priorities:

first, to pay the expenses of such sale or other disposition, including reasonable compensation to agents of and counsel for the Administrative Agent and the Collateral Agent, and all expenses, liabilities and advances incurred or made by the Administrative Agent and the Collateral Agent in connection with the Security Documents, and any other amounts then due and payable to the Administrative Agent or the Collateral Agent pursuant to Section 17 or pursuant to Section 10.03 of the Credit Agreement;

second, to pay the unpaid principal of the Obligations (including all obligations in respect of Hedge Agreements, Banking Services Obligations and Existing Secured Hedging Obligations) ratably (or provide for the payment thereof pursuant to Section 16(b)), until payment in full of the foregoing Obligations shall have been made (or so provided for);

third, to pay ratably all interest (including Post-Petition Interest) on the Obligations payable under the Credit Agreement, until payment in full of all such interest and fees shall have been made;

fourth, to pay all other Obligations ratably (or provide for the payment thereof pursuant to Section 16(b)), until payment in full of all such other Obligations shall have been made (or so provided for); and

finally, to pay to the relevant Grantor, or as a court of competent jurisdiction may direct, any surplus then remaining from the proceeds of the Collateral owned by it;

provided that Collateral owned by a Guarantor and any proceeds thereof shall be applied pursuant to the foregoing clauses *first*, *second*, *third* and *fourth* only to the extent of such Guarantor's Maximum Liability. The Collateral Agent may make such distributions hereunder in cash or in kind or, on a ratable basis, in any combination thereof.

(b) If at any time any portion of any monies collected or received by the Collateral Agent would, but for the provisions of this Section 16(b), be payable pursuant to Section 16(a) in respect of a Contingent Obligation, the Collateral Agent shall not apply any monies to pay such Contingent Obligation but instead shall request the holder thereof, at least 10 days before each proposed distribution hereunder, to notify the Collateral Agent as to the maximum amount of such Contingent Obligation if then ascertainable (*e.g.*, in the case of a letter of credit, the maximum amount available for subsequent drawings thereunder). If the holder of such Contingent Obligation does not notify the Collateral Agent of the maximum ascertainable amount thereof at least two Business Days before such

distribution, such holder will not be entitled to share in such distribution. If such holder does so notify the Collateral Agent as to the maximum ascertainable amount thereof, the Collateral Agent will allocate to such holder a portion of the monies to be distributed in such distribution, calculated as if such Contingent Obligation were outstanding in such maximum ascertainable amount. However, the Collateral Agent will not apply such portion of such monies to pay such Contingent Obligation, but instead will hold such monies or invest such monies in Cash and Cash Equivalents. All such monies and Cash and Cash Equivalents and all proceeds thereof will constitute Collateral hereunder, but will be subject to distribution in accordance with this Section 16(b) rather than Section 16(a). The Collateral Agent will hold all such monies and Cash and Cash Equivalents and the net proceeds thereof in trust until all or part of such Contingent Obligation becomes a Non-Contingent Obligation, whereupon the Collateral Agent at the request of the relevant Secured Party will apply the amount so held in trust to pay such Non-Contingent Obligation; *provided* that, if the other Obligations theretofore paid pursuant to the same clause of Section 16(a) (*i.e.*, clause *second* or *fourth*) were not paid in full, the Collateral Agent will apply the amount so held in trust to pay the same percentage of such Non-Contingent Obligation as the percentage of such other Obligations theretofore paid pursuant to the same clause of Section 16(a). If (i) the holder of such Contingent Obligation shall advise the Collateral Agent that no portion thereof remains in the category of a Contingent Obligation and (ii) the Collateral Agent still holds any amount held in trust pursuant to this Section 16(b) in respect of such Contingent Obligation (after paying all amounts payable pursuant to the preceding sentence with respect to any portions thereof that became Non-Contingent Obligations), such remaining amount will be applied by the Collateral Agent in the order of priorities set forth in Section 16(a).

(c) In making the payments and allocations required by this Section, the Collateral Agent may rely upon information supplied to it pursuant to Section 20(c). All distributions made by the Collateral Agent pursuant to this Section shall be final (except in the event of manifest error) and the Collateral Agent shall have no duty to inquire as to the application by any Secured Party of any amount distributed to it.

SECTION 17. *Fees and Expenses; Indemnification.* (a) The Borrower will forthwith upon demand pay to the Collateral Agent:

(i) the amount of any taxes that the Collateral Agent may have been required to pay by reason of the Transaction Liens or to free any Collateral from any other Lien thereon;

(ii) the amount of any and all reasonable out-of-pocket expenses, including transfer taxes and reasonable fees and expenses of

counsel and other experts, that the Collateral Agent may incur in connection with (x) the administration or enforcement of the Security Documents, including such expenses as are incurred to preserve the value of the Collateral or the validity, perfection, rank or value of any Transaction Lien, (y) the collection, sale or other disposition of any Collateral or (z) the exercise by the Collateral Agent of any of its rights or powers under the Security Documents;

(iii) the amount of any fees that the Borrower shall have agreed in writing to pay to the Administrative Agent or the Collateral Agent and that shall have become due and payable in accordance with such written agreement; and

(iv) the amount required to indemnify the Administrative Agent and/or the Collateral Agent for, or hold either or both of them harmless and defend either or both of them against, any loss, liability or expense (including the reasonable fees and expenses of its counsel and any experts or sub-agents appointed hereunder) incurred or suffered by the Administrative Agent and/or the Collateral Agent in connection with the Security Documents, except to the extent that such loss, liability or expense arises from the Administrative Agent's or the Collateral Agent's gross negligence or willful misconduct or a breach of any duty that the Administrative Agent or the Collateral Agent has under this Agreement (after giving effect to Sections 19 and 20).

Any such amount not paid on demand will bear interest for each day thereafter until paid at a rate per annum equal to the sum of 2% plus the rate applicable to ABR Loans for such day.

(b) If any transfer tax, documentary stamp tax or other tax is payable in connection with any transfer or other transaction provided for in the Security Documents, the Borrower will pay such tax and provide any required tax stamps to the Collateral Agent or as otherwise required by law.

(c) The Borrower shall indemnify each of the Secured Parties, their respective affiliates and the respective directors, officers, agents and employees of the foregoing (each an "**Indemnatee**") against, and hold each Indemnatee harmless from, any and all liabilities, losses, damages, costs and expenses of any kind (including reasonable expenses of investigation by engineers, environmental consultants and similar technical personnel and reasonable fees and disbursements of counsel) arising out of, or in connection with any and all Environmental Liabilities. Without limiting the generality of the foregoing, each Grantor waives all rights for contribution and all other rights of recovery with respect to liabilities, losses, damages, costs and expenses arising under or related to

Environmental Laws that it might have by statute or otherwise against any Indemnitee.

SECTION 18. *Authority to Administer Collateral.* Each Grantor irrevocably appoints the Collateral Agent its true and lawful attorney, with full power of substitution, in the name of such Grantor, any Secured Party or otherwise, for the sole use and benefit of the Secured Parties, but at the Borrower's expense, to the extent permitted by law to exercise, at any time and from time to time while an Event of Default shall have occurred and be continuing, all or any of the following powers with respect to all or any of such Grantor's Collateral:

- (a) to demand, sue for, collect, receive and give acquittance for any and all monies due or to become due upon or by virtue thereof,
- (b) to settle, compromise, compound, prosecute or defend any action or proceeding with respect thereto,
- (c) to sell, lease, license or otherwise dispose of the same or the proceeds or avails thereof, as fully and effectually as if the Collateral Agent were the absolute owner thereof, and
- (d) to extend the time of payment of any or all thereof and to make any allowance or other adjustment with reference thereto;

provided that, except in the case of Personal Property Collateral that is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, the Collateral Agent will give the relevant Grantor at least ten days' prior written notice of the time and place of any public sale thereof or the time after which any private sale or other intended disposition thereof will be made. Any such notice shall (i) contain the information specified in UCC Section 9-613, (ii) be Authenticated and (iii) be sent to the parties required to be notified pursuant to UCC Section 9-611(c); *provided* that, if the Collateral Agent fails to comply with this sentence in any respect, its liability for such failure shall be limited to the liability (if any) imposed on it as a matter of law under the UCC.

SECTION 19. *Limitation on Duty in Respect of Collateral.* Beyond the exercise of reasonable care in the custody and preservation thereof, the Collateral Agent will have no duty as to any Collateral in its possession or control or in the possession or control of any sub-agent or bailee or any income therefrom or as to the preservation of rights against prior parties or any other rights pertaining thereto. The Collateral Agent will be deemed to have exercised reasonable care in the custody and preservation of the Collateral in its possession or control if such Collateral is accorded treatment substantially equal to that which it accords its

own property, and will not be liable or responsible for any loss or damage to any Collateral, or for any diminution in the value thereof, by reason of any act or omission of any sub-agent or bailee selected by the Collateral Agent in good faith, except to the extent that such liability arises from the Collateral Agent's gross negligence or willful misconduct.

SECTION 20. *General Provisions Concerning the Collateral Agent.*

(a) The provisions of Article 9 of the Credit Agreement shall inure to the benefit of the Collateral Agent, and shall be binding upon all Grantors and all Secured Parties, in connection with this Agreement and the other Security Documents. Without limiting the generality of the foregoing, (i) the Collateral Agent shall not be subject to any fiduciary or other implied duties, regardless of whether an Event of Default has occurred and is continuing, (ii) the Collateral Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated by the Security Documents that the Collateral Agent is required in writing to exercise by the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 10.02 of the Credit Agreement), and (iii) except as expressly set forth in the Credit Documents, the Collateral Agent shall not have any duty to disclose, and shall not be liable for any failure to disclose, any information relating to Holdings or any of its Subsidiaries that is communicated to or obtained by the Collateral Agent or any of its Affiliates in any capacity. The Collateral Agent shall not be responsible for the existence, genuineness or value of any Collateral or for the validity, perfection, priority or enforceability of any Transaction Lien, whether impaired by operation of law or by reason of any action or omission to act on its part under the Security Documents. The Collateral Agent shall be deemed not to have knowledge of any Event of Default unless and until written notice thereof is given to the Collateral Agent by Holdings, the Borrower or a Secured Party.

(b) *Sub-Agents and Related Parties*. The Collateral Agent may perform any of its duties and exercise any of its rights and powers through one or more sub-agents appointed by it. The Collateral Agent and any such sub-agent may perform any of its duties and exercise any of its rights and powers through its Related Parties. The exculpatory provisions of Section 19 and this Section shall apply to any such sub-agent and to the Related Parties of the Collateral Agent and any such sub-agent, except to the extent resulting from the gross negligence or willful misconduct of such subagent.

(c) *Information as to Obligations and Actions by Secured Parties*. For all purposes of the Security Documents, including determining the amounts of the Obligations and whether an Obligation is a Contingent Obligation or not, or

whether any action has been taken under any Secured Agreement, the Collateral Agent will be entitled to rely on information from (i) its own records for information as to the Secured Parties, their Obligations and actions taken by them, (ii) any Secured Party for information as to its Obligations and actions taken by it, to the extent that the Collateral Agent has not obtained such information from its own records, and (iii) the Borrower, to the extent that the Collateral Agent has not obtained information from the foregoing sources.

(d) *Refusal to Act.* The Collateral Agent may refuse to act on any notice, consent, direction or instruction from any Secured Parties or any agent, trustee or similar representative thereof that, in the Collateral Agent's opinion, (i) is contrary to law or the provisions of any Security Document, (ii) may expose the Collateral Agent to liability (unless the Collateral Agent shall have been indemnified, to its reasonable satisfaction, for such liability by the Secured Parties that gave such notice, consent, direction or instruction) or (iii) is unduly prejudicial to Secured Parties not joining in such notice, consent, direction or instruction.

(e) *Copies of Certain Notices.* Within two Business Days after it receives or sends any notice referred to in this subsection, the Collateral Agent shall send to the Lenders and each Secured Party Requesting Notice, copies of any notice given by the Collateral Agent to any Grantor, or received by it from any Grantor, pursuant to Section 15, 16, 18 or 21.

SECTION 21. *Termination of Transaction Liens; Release of Collateral.* (a) The Transaction Liens granted by each Guarantor shall terminate when its Secured Guarantee terminates in accordance with the Credit Agreement.

(b) The Transaction Liens shall terminate when all the Release Conditions are satisfied; *provided*, that if at any time any payment of an Obligation is rescinded or must be otherwise restored or returned upon the insolvency or receivership of the Borrower or otherwise, the Transaction Liens shall be reinstated.

(c) At any time before the Transaction Liens terminate, the Collateral Agent may, at the written request of the Borrower, (i) release any Collateral (but not all or substantially all the Collateral) with the prior written consent of the Required Lenders or (ii) release all or substantially all the Collateral with the prior written consent of all Lenders.

(d) Upon any termination of a Transaction Lien or release of Collateral, the Collateral Agent will, at the expense of the relevant Grantor, execute and deliver to such Grantor such documents as such Grantor shall reasonably request

to evidence the termination of such Transaction Lien or the release of such Collateral, as the case may be.

SECTION 22. *Additional Grantors.* Any Subsidiary may become a party hereto by signing and delivering to the Collateral Agent a Security Agreement Supplement, whereupon such Subsidiary shall become a “Grantor” as defined herein.

SECTION 23. *Notices.* Each notice, request or other communication given to any party hereunder shall be given in accordance with Section 10.01 of the Credit Agreement, and in the case of any such notice, request or other communication to a Grantor other than the Borrower, shall be given to it in care of the Borrower.

SECTION 24. *No Implied Waivers; Remedies Not Exclusive.* No failure by the Collateral Agent or any Secured Party to exercise, and no delay in exercising and no course of dealing with respect to, any right or remedy under any Security Document shall operate as a waiver thereof; nor shall any single or partial exercise by the Collateral Agent or any Secured Party of any right or remedy under any Credit Document preclude any other or further exercise thereof or the exercise of any other right or remedy. The rights and remedies specified in the Credit Documents are cumulative and are not exclusive of any other rights or remedies provided by law.

SECTION 25. *Successors and Assigns.* This Agreement is for the benefit of the Collateral Agent and the Secured Parties. If all or any part of any Secured Party’s interest in any Obligation is assigned or otherwise transferred, the transferor’s rights hereunder, to the extent applicable to the obligation so transferred, shall be automatically transferred with such obligation. This Agreement shall be binding on the Grantors and their respective successors and assigns.

SECTION 26. *Amendments and Waivers.* Neither this Agreement nor any provision hereof may be waived, amended, modified or terminated except pursuant to an agreement or agreements in writing entered into by the Collateral Agent, with the consent of such Lenders as are required to consent thereto under Section 10.02 of the Credit Agreement. No such waiver, amendment or modification shall (i) be binding upon any Grantor, except with the written consent of the Borrower, or (ii) affect the rights of a Secured Party (other than a Lender) hereunder more adversely than it affects the comparable rights of the Lenders hereunder, without the consent of such Secured Party.

SECTION 27. *Choice of Law.* This Agreement shall be construed in accordance with and governed by the laws of the State of New York, except as

otherwise required by mandatory provisions of law and except to the extent that remedies provided by the laws of any jurisdiction other than the State of New York are governed by the laws of such jurisdiction.

SECTION 28. *Waiver of Jury Trial.* EACH PARTY HERETO WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO ANY SECURITY DOCUMENT OR ANY TRANSACTION CONTEMPLATED THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 29. *Severability.* If any provision of any Security Document is invalid or unenforceable in any jurisdiction, then, to the fullest extent permitted by law, (i) the other provisions of the Security Documents shall remain in full force and effect in such jurisdiction and shall be liberally construed in favor of the Collateral Agent and the Secured Parties in order to carry out the intentions of the parties thereto as nearly as may be possible and (ii) the invalidity or unenforceability of such provision in such jurisdiction shall not affect the validity or enforceability thereof in any other jurisdiction.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Borrower:

AMERICAN REPROGRAPHICS COMPANY, L.L.C.

By: /s/ Kumarakulasingam Suriyakumar

Name: Kumarakulasingam Suriyakumar

Title: Chief Executive Officer

Collateral Agent:

JPMORGAN CHASE BANK, N.A.

By: /s/ Kumarakulasingam Suriyakumar

Name: Kumarakulasingam Suriyakumar

Title: Chief Executive Officer

Guarantors:

AMERICAN REPROGRAPHICS COMPANY

By: /s/ Kumarakulasingam Suriyakumar

Name: Kumarakulasingam Suriyakumar

Title: Chief Executive Officer

Signature page to Security Agreement

AMERICAN REPROGRAPHICS SOUTHEAST, LLC

By: /s/ Kumarakulasingam Suriyakumar

Name: Kumarakulasingam Suriyakumar

Title: Chief Executive Officer

A-C REPRODUCTION COMPANY

By: /s/ Kumarakulasingam Suriyakumar

Name: Kumarakulasingam Suriyakumar

Title: Chief Executive Officer

ARC ACQUISITION CORPORATION

By: /s/ Kumarakulasingam Suriyakumar

Name: Kumarakulasingam Suriyakumar

Title: Chief Executive Officer

BLUE PRINT SERVICE COMPANY, INC.

By: /s/ Kumarakulasingam Suriyakumar

Name: Kumarakulasingam Suriyakumar

Title: Chief Executive Officer

BPI REPRO, LLC

By: /s/ Kumarakulasingam Suriyakumar

Name: Kumarakulasingam Suriyakumar

Title: Chief Executive Officer

Signature page to Security Agreement

DUNN BLUE PRINT COMPANY

By: /s/ Kumarakulasingam Suriyakumar
Name: Kumarakulasingam Suriyakumar
Title: Chief Executive Officer

E.PAVILION, L.L.C.

By: /s/ Kumarakulasingam Suriyakumar
Name: Kumarakulasingam Suriyakumar
Title: Chief Executive Officer

ENGINEERING REPRO SYSTEMS, INC.

By: /s/ Kumarakulasingam Suriyakumar
Name: Kumarakulasingam Suriyakumar
Title: Chief Executive Officer

FRANKLIN GRAPHICS CORPORATION

By: /s/ Kumarakulasingam Suriyakumar
Name: Kumarakulasingam Suriyakumar
Title: Chief Executive Officer

GEORGIA BLUE PRINT COMPANY, L.L.C.

By: /s/ Kumarakulasingam Suriyakumar
Name: Kumarakulasingam Suriyakumar
Title: Chief Executive Officer

Signature page to Security Agreement

LEET-MELBROOK, INC.

By: /s/ Kumarakulasingam Suriyakumar

Name: Kumarakulasingam Suriyakumar

Title: Chief Executive Officer

LICENSING SERVICES INTERNATIONAL, LLC

By: /s/ Kumarakulasingam Suriyakumar

Name: Kumarakulasingam Suriyakumar

Title: Chief Executive Officer

MBC PRECISION IMAGING, INC.

By: /s/ Kumarakulasingam Suriyakumar

Name: Kumarakulasingam Suriyakumar

Title: Chief Executive Officer

MCKEE ENTERPRISES, INC.

By: /s/ Kumarakulasingam Suriyakumar

Name: Kumarakulasingam Suriyakumar

Title: Chief Executive Officer

MIRROR PLUS TECHNOLOGIES, INC.

By: /s/ Kumarakulasingam Suriyakumar

Name: Kumarakulasingam Suriyakumar

Title: Chief Executive Officer

Signature page to Security Agreement

OCB, LLC

By: /s/ Kumarakulasingam Suriyakumar
Name: Kumarakulasingam Suriyakumar
Title: Chief Executive Officer

OLYMPIC REPROGRAPHICS, LLC

By: /s/ Kumarakulasingam Suriyakumar
Name: Kumarakulasingam Suriyakumar
Title: Chief Executive Officer

PENINSULA BLUEPRINT, INC.

By: /s/ Kumarakulasingam Suriyakumar
Name: Kumarakulasingam Suriyakumar
Title: Chief Executive Officer

PLANWELL, LLC

By: /s/ Kumarakulasingam Suriyakumar
Name: Kumarakulasingam Suriyakumar
Title: Chief Executive Officer

QUALITY REPROGRAPHIC SERVICES, INC

By: /s/ Kumarakulasingam Suriyakumar
Name: Kumarakulasingam Suriyakumar
Title: Chief Executive Officer

Signature page to Security Agreement

REPROGRAPHICS NORTHWEST, LLC

By: /s/ Kumarakulasingam Suriyakumar
Name: Kumarakulasingam Suriyakumar
Title: Chief Executive Officer

RHODE ISLAND BLUEPRINT CO.

By: /s/ Kumarakulasingam Suriyakumar
Name: Kumarakulasingam Suriyakumar
Title: Chief Executive Officer

RIDGWAY'S GP, LLC

By: /s/ Kumarakulasingam Suriyakumar
Name: Kumarakulasingam Suriyakumar
Title: Chief Executive Officer

RIDGWAY'S, LTD.

By: Ridgway's GP, LLC,
its General Partner

By: /s/ Kumarakulasingam Suriyakumar
Name: Kumarakulasingam Suriyakumar
Title: Chief Executive Officer

SUBHUB, INC.

By: /s/ Kumarakulasingam Suriyakumar
Name: Kumarakulasingam Suriyakumar
Title: Chief Executive Officer

Signature page to Security Agreement

THE PEIR GROUP, LLC

By: /s/ Kumarakulasingam Suriyakumar
Name: Kumarakulasingam Suriyakumar
Title: Chief Executive Officer

THE PEIR GROUP INTERNATIONAL, LLC

By: /s/ Kumarakulasingam Suriyakumar
Name: Kumarakulasingam Suriyakumar
Title: Chief Executive Officer

T-SQUARE EXPRESS, INC.

By: /s/ Kumarakulasingam Suriyakumar
Name: Kumarakulasingam Suriyakumar
Title: Chief Executive Officer

WESTERN BLUE PRINT COMPANY, L.L.C.

By: /s/ Kumarakulasingam Suriyakumar
Name: Kumarakulasingam Suriyakumar
Title: Chief Executive Officer

WILCO REPROGRAPHICS, INC.

By: /s/ Kumarakulasingam Suriyakumar
Name: Kumarakulasingam Suriyakumar
Title: Chief Executive Officer

Signature page to Security Agreement

**EQUITY INTERESTS IN SUBSIDIARIES AND AFFILIATES
OWNED BY ORIGINAL GRANTORS
(as of the Closing Date)**

Issuer	Jurisdiction of Organization	Owner of Equity Interest	Percentage Owned	# of Shares Owned	Certificate No.
American Reprographics Company, L.L.C.	California	American Reprographics Company	100%	100	4
ARC Acquisition Corporation	California	American Reprographics Company, L.L.C.	100%	500	2
ARC Reprographics Canada Corp.	British Columbia, Canada	American Reprographics Company.	100%	635 Class A Common	A-4
E.Pavilion, L.L.C.	California	American Reprographics Company, L.L.C.	60%	60	3
The PEiR Group International, LLC	California	American Reprographics Company, L.L.C.	100%	N/A	N/A
The PEiR Group, LLC	California	American Reprographics Company, L.L.C.	100%	N/A	N/A
A-C Reproduction Company	Pennsylvania	ARC Acquisition Corporation	100%	80	3
American Reprographics Southeast, LLC	North Carolina	ARC Acquisition Corporation	100%	N/A	N/A
Argo-ICC Reprographics Ltd.	Ontario, Canada	ARC Acquisition Corporation	100%	2	C-002
Blue Print Service Company, Inc.	California	ARC Acquisition Corporation	100%	100	334
BPI Repro, LLC	California	ARC Acquisition Corporation	100%	1,105	1 & 4
Dunn Blue Print Company	Michigan	ARC Acquisition Corporation	100%	35,540	89
Engineering Repro Systems, Inc.	Minnesota	ARC Acquisition Corporation	100%	100	7
Franklin Graphics Corporation	Michigan	ARC Acquisition Corporation	100%	10,000	4
Licensing Services International, LLC	California	ARC Acquisition Corporation	100%	N/A	N/A

Issuer	Jurisdiction of Organization	Owner of Equity Interest	Percentage Owned	# of Shares Owned	Certificate No.
MBC Precision Imaging, Inc.	Maryland	ARC Acquisition Corporation	100%	222 Class A 2,000 Class B	CA-1 and CB-1
McKee Enterprises, Inc.	Arizona	ARC Acquisition Corporation	100%	71,196	18
Mirror Plus Technologies, Inc.	California	ARC Acquisition Corporation	100%	100,000,000	5
OCB, LLC	California	ARC Acquisition Corporation	100%	1,000	1 & 3
Olympic Reprographics, LLC	Washington	ARC Acquisition Corporation	100%	N/A	N/A
Peninsula Blueprint, Inc.	California	ARC Acquisition Corporation	100%	558,097	8
Planwell, LLC	California	ARC Acquisition Corporation	100%	N/A	N/A
Quality Reprographic Services, Inc.	Georgia	ARC Acquisition Corporation	100%	500	3
Reprographics Northwest, LLC	California	ARC Acquisition Corporation	100%	1,000	1 & 3
Rhode Island Blueprint Co.	Rhode Island	ARC Acquisition Corporation	100%	294	6
SubHub, Inc.	California	ARC Acquisition Corporation	100%	100	1
T-Square Express, Inc.	Florida	ARC Acquisition Corporation	100%	100	6
Western Blue Print Company, LLC	Missouri	ARC Acquisition Corporation	100%	N/A	N/A
Wilco Reprographics, Inc.	Delaware	ARC Acquisition Corporation	100%	1,000	11 and 12
Leet-Melbrook, Inc.	Maryland	Franklin Graphics Corporation	100%	96	25
Georgia Blue Print Company, L.L.C.	Delaware	Quality Reprographic Services, Inc.	100%	N/A	N/A
Ridgway's GP, LLC	Delaware	Wilco Reprographics, Inc.	100%	N/A	N/A
Ridgway's, Ltd.	Texas	Ridgway's GP, LLC	1%	10.78 units	N/A
Ridgway's, Ltd.	Texas	Wilco Reprographics, Inc.	99%	1057.32 units	N/A
American Reprographics - Servicios, S.A.de C.V.	Mexico	American Reprographics Company, L.L.C.	50%	16,500	*
American Reprographics - Servicios, S.A.de C.V.	Mexico	ARC Acquisition Corporation	50%	16,500	*
Reprografia Digital de Mexico, S.A.de C.V.	Mexico	American Reprographics Company, L.L.C.	50%	16,500	*

<u>Issuer</u>	<u>Jurisdiction of Organization</u>	<u>Owner of Equity Interest</u>	<u>Percentage Owned</u>	<u># of Shares Owned</u>	<u>Certificate No.</u>
Reprograpia Digital de Mexico, S.A.de C.V.	Mexico	ARC Acquisition Corporation	50%	16,500	*
American Reprographics Company India Private Limited	India	ARC Acquisition Corporation	99.00098%	32,499	9

* Certificate to be delivered within 30 days of closing.

INVESTMENT PROPERTY
(other than Equity Interests in Subsidiaries and Affiliates)
OWNED BY ORIGINAL GRANTORS
(as of the Closing Date)

PART 1 — Securities

<u>Issuer</u>	<u>Jurisdiction of Organization</u>	<u>Owner of Securities</u>	<u>Amount Owned</u>	<u>Type of Security</u>
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PART 2 — Securities Accounts

The Original Grantors own Security Entitlements with respect to Financial Assets credited to the following Securities Accounts:

<u>Owner</u>	<u>Securities Intermediary</u>	<u>Account Number</u>
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EXISTING SECURED HEDGING OBLIGATIONS

ISDA Master Agreement, dated as of January 13, 2004 (as supplemented by (i) that certain instrument dated as of March 21, 2006, with reference number LTAA1705733537.0/00641256301, in respect of an interest rate cap; and (ii) that certain instrument dated March 21, 2006, with reference number LTAA1705733593.0/00641256301, in respect of an interest rate floor, and as further amended, restated, supplemented or otherwise modified through the Closing Date), by and between American Reprographics Co., L.L.C. and Goldman Sachs Capital Markets, L.P.

SECURITY AGREEMENT SUPPLEMENT

SECURITY AGREEMENT SUPPLEMENT dated as of _____, _____, between [NAME OF GRANTOR] (the “**Grantor**”) and JPMORGAN CHASE BANK, N.A., as Collateral Agent.

WHEREAS, American Reprographics Company, American Reprographics Company, L.L.C., the other Grantors party thereto and JPMorgan Chase Bank, N.A., as Collateral Agent, are parties to a Security Agreement dated as of December ___, 2007 (as heretofore amended and/or supplemented, the “**Security Agreement**”) under which American Reprographics Company, L.L.C. secures certain of its obligations (the “**Obligations**”) and the Grantors party thereto secure their respective Secured Guarantees of the Obligations;

WHEREAS, [name of Grantor] has executed a Counterpart Agreement and become a Guarantor; ¹ and

WHEREAS, [name of Grantor] desires to become [is] a party to the Security Agreement as a Grantor thereunder; ² and

WHEREAS, terms defined in the Security Agreement (or whose definitions are incorporated by reference in Section 1 of the Security Agreement) and not otherwise defined herein have, as used herein, the respective meanings provided for therein;

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. *Grant of Transaction Liens.* (a) In order to secure the its [Secured Guarantee] [the Obligations], the Grantor grants to the Collateral Agent for the benefit of the Secured Parties a continuing security interest in all the following property of the Grantor, whether now owned or existing or hereafter acquired or arising and regardless of where located (the “**New Collateral**”):

¹ If the Grantor is the Borrower, delete this recital.

² If the Grantor is the Borrower, delete this recital.

[describe property being added to the Collateral]¹

(b) With respect to each right to payment or performance included in the Collateral from time to time, the Transaction Lien granted therein includes a continuing security interest in (i) any Supporting Obligation that supports such payment or performance and (ii) any Lien that (x) secures such right to payment or performance or (y) secures any such Supporting Obligation.

(c) The foregoing Transaction Liens are granted as security only and shall not subject the Collateral Agent or any other Secured Party to, or transfer or in any way affect or modify, any obligation or liability of the Grantor with respect to any of the New Collateral or any transaction in connection therewith.

2. *Delivery of Collateral.* Concurrently with delivering this Security Agreement Supplement to the Collateral Agent, the Grantor is complying with the provisions of Section 8 of the Security Agreement with respect to Investment Property, in each case if and to the extent included in the New Collateral at such time.

3. *Party to Security Agreement.* Upon delivering this Security Agreement Supplement to the Collateral Agent, the Grantor will become a party to the Security Agreement and will thereafter have all the rights and obligations of a Grantor thereunder and be bound by all the provisions thereof as fully as if the Grantor were one of the original parties thereto.³

4. *Representations and Warranties.* (a) The Grantor is duly organized, validly existing and in good standing under the laws of [jurisdiction of organization].

(b) The Grantor has delivered a Perfection Certificate to the Collateral Agent. The information set forth therein is correct and complete as of the date hereof. Within 60 days after the date hereof, the Grantor will furnish to the Collateral Agent a file search report from each UCC filing office listed in such Perfection Certificate, showing the filing made at such filing office to perfect the Transaction Liens on the New Collateral.

³ Delete Section 4 if the Grantor is already a party to the Security Agreement.

(c) The execution and delivery of this Security Agreement Supplement by the Grantor and the performance by it of its obligations under the Security Agreement as supplemented hereby are within its corporate or other powers, have been duly authorized by all necessary corporate or other action, require no action by or in respect of, or filing with, any governmental body, agency or official and do not contravene, or constitute a default under, any provision of applicable law or regulation or of its Organizational Documents, or of any agreement, judgment, injunction, order, decree or other instrument binding upon it or result in the creation or imposition of any Lien (except a Transaction Lien) on any of its assets.

(d) The Security Agreement as supplemented hereby constitutes a valid and binding agreement of the Grantor, enforceable in accordance with its terms, except as limited by (i) applicable bankruptcy, insolvency, fraudulent conveyance or other similar laws affecting creditors' rights generally and (ii) general principles of equity.

(e) Each of the representations and warranties set forth in Sections 3 through 12 of the Security Agreement is true as applied to the Grantor and the New Collateral. For purposes of the foregoing sentence, references in said Sections to a "Grantor" shall be deemed to refer to the Grantor, references to Schedules to the Security Agreement shall be deemed to refer to the corresponding Schedules to this Security Agreement Supplement, references to "Collateral" shall be deemed to refer to the New Collateral, and references to the "Closing Date" shall be deemed to refer to the date on which the Grantor signs and delivers this Security Agreement Supplement.

5. [*Compliance with Foreign Law*. The Grantor represents that it has taken, and agrees that it will continue to take, all actions required under the laws (including the conflict of laws rules) of its jurisdiction of organization to ensure that the Transaction Liens on the New Collateral rank prior to all Liens and rights of others therein.⁴]

6. *Governing Law*. This Security Agreement Supplement shall be construed in accordance with and governed by the laws of the State of New York.

⁴ Include Section 6 if the Grantor is organized under the laws of a jurisdiction outside the United States.

IN WITNESS WHEREOF, the parties hereto have caused this Security Agreement Supplement to be duly executed by their respective authorized officers as of the day and year first above written.

[NAME OF GRANTOR]

By: _____
Name:
Title:

JPMORGAN CHASE BANK, N.A., as
Collateral Agent

By: _____
Name:
Title:

A-4

EQUITY INTERESTS IN SUBSIDIARIES AND AFFILIATES
OWNED BY GRANTOR

Issuer	Jurisdiction of Organization	Percentage Owned	Number of Shares or Units
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INVESTMENT PROPERTY
(other than Equity Interests in Subsidiaries and Affiliates)
OWNED BY GRANTOR

PART 1 — Securities

Issuer	Jurisdiction of Organization	Amount Owned	Type of Security
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PART 2 — Securities Accounts

The Grantor owns Security Entitlements with respect to Financial Assets credited to the following Securities Accounts:

Securities Intermediary	Account Number
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COPYRIGHT SECURITY AGREEMENT

(Copyrights, Copyright Registrations, Copyright
Applications and Copyright Licenses)

WHEREAS, [name of Grantor], a _____ corporation¹ (herein referred to as the “**Grantor**”) owns, or in the case of licenses is a party to, the Copyright Collateral (as defined below);

WHEREAS, American Reprographics Company, L.L.C. (the “**Borrower**”), American Reprographics Company (“**Holdings**”), the Lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent and Collateral Agent, are parties to a Credit Agreement dated as of December __, 2007 (as amended from time to time, the “**Credit Agreement**”); and

WHEREAS, pursuant to (i) a Security Agreement dated as of December __, 2007 (as amended and/or supplemented from time to time, the “**Security Agreement**”) among Holdings, the Borrower, the other Grantors party thereto and JPMorgan Chase Bank, N.A., as Collateral Agent for the Secured Parties referred to therein (in such capacity, together with its successors in such capacity, the “**Grantee**”), and (ii) certain other Security Documents (including this Copyright Security Agreement), the Grantor [has secured certain of its obligations (the “**Obligations**”)]² [has secured its guarantee of certain obligations of the Borrower (the “**Grantor’s Secured Guarantee**”)]³ by granting to the Grantee for the benefit of such Secured Parties a continuing security interest in personal property of the Grantor, including all right, title and interest of the Grantor in, to and under the Copyright Collateral (as defined below);

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Grantor grants to the Grantee, to secure the [Obligations] [Grantor’s Secured Guarantee], a continuing security interest in all of the Grantor’s right, title and interest in, to and under the

¹ Modify as needed if the Grantor is not a corporation.

² Delete these bracketed words if the Grantor is a Guarantor.

³ Delete these bracketed words if the Grantor is the Borrower.

following (all of the following items or types of property being herein collectively referred to as the “ **Copyright Collateral**”), whether now owned or existing or hereafter acquired or arising:

(i) each Copyright (as defined in the Security Agreement) owned by the Grantor, including, without limitation, each Copyright registration or application therefor referred to in Schedule 1 hereto;

(ii) each Copyright License (as defined in the Security Agreement) to which the Grantor is a party; and

(iii) all proceeds of, revenues from, and accounts and general intangibles arising out of, the foregoing, including, without limitation, all proceeds of and revenues from any claim by the Grantor against third parties for past, present or future infringement of any Copyright (including, without limitation, any Copyright owned by the Grantor and identified in Schedule 1), and all rights and benefits of the Grantor under any Copyright License.

The Grantor irrevocably constitutes and appoints the Grantee and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full power and authority in the name of the Grantor or in the Grantee’s name, from time to time, in the Grantee’s discretion, so long as any Event of Default shall have occurred and be continuing, to take with respect to the Copyright Collateral any and all appropriate action which the Grantor might take with respect to the Copyright Collateral and to execute any and all documents and instruments which may be necessary or desirable to carry out the terms of this Copyright Security Agreement and to accomplish the purposes hereof.

Except to the extent expressly permitted in the Security Agreement or the Credit Agreement, the Grantor agrees not to sell, license, exchange, assign or otherwise transfer or dispose of, or grant any rights with respect to, or mortgage or otherwise encumber, any of the Copyright Collateral.

The foregoing security interest is granted in conjunction with the security interests granted by the Grantor to the Grantee pursuant to the Security Agreement. The Grantor acknowledges and affirms that the rights and remedies of the Grantee with respect to the security interest in the Copyright Collateral granted hereby are more fully set forth in the Security Agreement, the terms and provisions of which are incorporated by reference herein as if fully set forth herein.

IN WITNESS WHEREOF, the Grantor has caused this Copyright Security Agreement to be duly executed by its officer thereunto duly authorized as of the ____ day of _____, ____.

[NAME OF GRANTOR]

By: _____
Name:
Title:

Acknowledged:

JPMORGAN CHASE BANK, N.A.,
as Collateral Agent

By: _____
Name:
Title:

STATE OF _____)
) ss.:
COUNTY OF _____)

I, _____, a Notary Public in and for said County, in the State aforesaid, DO HEREBY CERTIFY, that _____, _____ of [NAME OF GRANTOR] (the “**Company**”), personally known to me to be the same person whose name is subscribed to the foregoing instrument as such _____, appeared before me this day in person and acknowledged that (s)he signed, executed and delivered the said instrument as her/his own free and voluntary act and as the free and voluntary act of said Company, for the uses and purposes therein set forth being duly authorized so to do.

GIVEN under my hand and Notarial Seal this ____ day of _____, ____.

[Seal]

Signature of notary public
My Commission expires _____

[NAME OF GRANTOR]

COPYRIGHT REGISTRATIONS

Registration No.	Registration Date	Title	Expiration Date
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COPYRIGHT APPLICATIONS

Case No.	Serial No.	Country	Date	Filing Title
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PATENT SECURITY AGREEMENT

(Patents, Patent Applications and Patent Licenses)

WHEREAS, [name of Grantor], a _____ corporation¹ (herein referred to as the “**Grantor**”) owns, or in the case of licenses is a party to, the Patent Collateral (as defined below);

WHEREAS, American Reprographics Company, L.L.C. (the “**Borrower**”), American Reprographics Company (“**Holdings**”), the Lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent and Collateral Agent, are parties to a Credit Agreement dated as of December ___, 2007 (as amended from time to time, the “**Credit Agreement**”); and

WHEREAS, pursuant to (i) a Security Agreement dated as of December ___, 2007 (as amended and/or supplemented from time to time, the “**Security Agreement**”) among Holdings, the Borrower, the other Grantors party thereto and JPMorgan Chase Bank, N.A., as Collateral Agent for the Secured Parties referred to therein (in such capacity, together with its successors in such capacity, the “**Grantee**”), and (ii) certain other Security Documents (including this Patent Security Agreement), the Grantor has [secured certain of its obligations (the “**Obligations**”)]² [has secured its guarantee of certain obligations of the Borrower (the “**Grantor’s Secured Guarantee**”)]³ by granting to the Grantee for the benefit of such Secured Parties a continuing security interest in personal property of the Grantor, including all right, title and interest of the Grantor in, to and under the Patent Collateral (as defined below);

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Grantor grants to the Grantee, to secure the [Obligations] [Grantor’s Secured Guarantee], a continuing security interest in all of the Grantor’s right, title and interest in, to and under the following (all of the following items or types of property being herein collectively

¹ Modify as needed if the Grantor is not a corporation.

² Delete these bracketed words if the Grantor is a Guarantor.

³ Delete these bracketed words if the Grantor is the Borrower.

referred to as the “**Patent Collateral**”), whether now owned or existing or hereafter acquired or arising:

- (i) each Patent (as defined in the Security Agreement) owned by the Grantor, including, without limitation, each Patent referred to in Schedule 1 hereto;
- (ii) each Patent License (as defined in the Security Agreement) to which the Grantor is a party; and
- (iii) all proceeds of and revenues from the foregoing, including, without limitation, all proceeds of and revenues from any claim by the Grantor against third parties for past, present or future infringement of any Patent owned by the Grantor (including, without limitation, any Patent identified in Schedule 1 hereto) and all rights and benefits of the Grantor under any Patent License.

The Grantor irrevocably constitutes and appoints the Grantee and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full power and authority in the name of the Grantor or in the Grantee’s name, from time to time, in the Grantee’s discretion, so long as any Event of Default shall have occurred and be continuing, to take with respect to the Patent Collateral any and all appropriate action which the Grantor might take with respect to the Patent Collateral and to execute any and all documents and instruments which may be necessary or desirable to carry out the terms of this Patent Security Agreement and to accomplish the purposes hereof.

Except to the extent expressly permitted in the Security Agreement or the Credit Agreement, the Grantor agrees not to sell, license, exchange, assign or otherwise transfer or dispose of, or grant any rights with respect to, or mortgage or otherwise encumber, any of the Patent Collateral.

The foregoing security interest is granted in conjunction with the security interests granted by the Grantor to the Grantee pursuant to the Security Agreement. The Grantor acknowledges and affirms that the rights and remedies of the Grantee with respect to the security interest in the Patent Collateral granted hereby are more fully set forth in the Security Agreement, the terms and provisions of which are incorporated by reference herein as if fully set forth herein.

IN WITNESS WHEREOF, the Grantor has caused this Patent Security Agreement to be duly executed by its officer thereunto duly authorized as of the ____ day of _____, ____.

[NAME OF GRANTOR]

By: _____

Name:

Title:

Acknowledged:

JPMORGAN CHASE BANK, N.A.,
as Collateral Agent

By: _____

Name:

Title:

STATE OF _____)
) ss.:
COUNTY OF _____)

I, _____, a Notary Public in and for said County, in the State aforesaid, DO HEREBY CERTIFY, that
_____, _____ of [NAME OF GRANTOR] (the “**Company**”), personally known to me to be the same
person whose name is subscribed to the foregoing instrument as such _____, appeared before me this day in person and acknowledged
that (s)he signed, executed and delivered the said instrument as her/his own free and voluntary act and as the free and voluntary act of said Company, for the
uses and purposes therein set forth being duly authorized so to do.

GIVEN under my hand and Notarial Seal this ____ day of _____, ____.

[Seal]

Signature of notary public
My Commission expires _____

[NAME OF GRANTOR]
PATENTS AND DESIGN PATENTS

Patent No.	Issued	Expiration	Country	Title

PATENT APPLICATIONS

Case No.	Serial No.	Country	Date	Filing Title

TRADEMARK SECURITY AGREEMENT
(Trademarks, Trademark Registrations, Trademark
Applications and Trademark Licenses)

WHEREAS, [name of Grantor], a _____ corporation¹ (herein referred to as the “**Grantor**”) owns, or in the case of licenses is a party to, the Trademark Collateral (as defined below);

WHEREAS, American Reprographics Company, L.L.C. (the “**Borrower**”), American Reprographics Company (“**Holdings**”), the Lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent and Collateral Agent, are parties to a Credit Agreement dated as of December __, 2007 (as amended from time to time, the “**Credit Agreement**”); and

WHEREAS, pursuant to (i) a Security Agreement dated as of December __, 2007 (as amended and/or supplemented from time to time, the “**Security Agreement**”) among the Borrower, the other Grantors party thereto and JPMorgan Chase Bank, N.A., as Collateral Agent for the Secured Parties referred to therein (in such capacity, together with its successors in such capacity, the “**Grantee**”), and (ii) certain other Security Documents (including this Trademark Security Agreement), the Grantor has [secured certain of its obligations (the “**Obligations**”)]² [has secured its guarantee of certain obligations of the Borrower (the “**Grantor’s Secured Guarantee**”)]³ by granting to the Grantee for the benefit of such Secured Parties a continuing security interest in personal property of the Grantor, including all right, title and interest of the Grantor in, to and under the Trademark Collateral (as defined below);

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Grantor grants to the Grantee, to secure the [Obligations] [Grantor’s Secured Guarantee], a continuing security interest in all of the Grantor’s right, title and interest in, to and under the

¹ Modify as needed if the Grantor is not a corporation.

² Delete these bracketed words if the Grantor is a Guarantor.

³ Delete these bracketed words if the Grantor is the Borrower.

following (all of the following items or types of property being herein collectively referred to as the “ **Trademark Collateral**”), whether now owned or existing or hereafter acquired or arising:

(i) each Trademark (as defined in the Security Agreement) owned by the Grantor, including, without limitation, each Trademark registration and application referred to in Schedule 1 hereto, and all of the goodwill of the business connected with the use of, or symbolized by, each Trademark (provided that no security interest shall be granted in the United States intent-to-use trademark applications to the extent that, and solely during the period in which, the grant of a security interest therein would impair the validity or enforceability of such intent-to-use trademark applications under applicable federal law);

(ii) each Trademark License (as defined in the Security Agreement) to which the Grantor is a party, and all of the goodwill of the business connected with the use of, or symbolized by, each Trademark licensed pursuant thereto; and

(iii) all proceeds of and revenues from the foregoing, including, without limitation, all proceeds of and revenues from any claim by the Grantor against third parties for past, present or future unfair competition with, or violation of intellectual property rights in connection with or injury to, or infringement or dilution of, any Trademark owned by the Grantor (including, without limitation, any Trademark identified in Schedule 1 hereto), and all rights and benefits of the Grantor under any Trademark License, or for injury to the goodwill associated with any of the foregoing.

The Grantor irrevocably constitutes and appoints the Grantee and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full power and authority in the name of the Grantor or in the Grantee’s name, from time to time, in the Grantee’s discretion, so long as any Event of Default shall have occurred and be continuing, to take with respect to the Trademark Collateral any and all appropriate action which the Grantor might take with respect to the Trademark Collateral and to execute any and all documents and instruments which may be necessary or desirable to carry out the terms of this Trademark Security Agreement and to accomplish the purposes hereof.

Except to the extent expressly permitted in the Security Agreement or the Credit Agreement, the Grantor agrees not to sell, license, exchange, assign or otherwise transfer or dispose of, or grant any rights with respect to, or mortgage or otherwise encumber, any of the Trademark Collateral.

The foregoing security interest is granted in conjunction with the security interests granted by the Grantor to the Grantee pursuant to the Security Agreement. The Grantor acknowledges and affirms that the rights and remedies of the Grantee with respect to the security interest in the Trademark Collateral granted hereby are more fully set forth in the Security Agreement, the terms and provisions of which are incorporated by reference herein as if fully set forth herein.

IN WITNESS WHEREOF, the Grantor has caused this Trademark Security Agreement to be duly executed by its officer thereunto duly authorized as of the ____ day of _____, ____.

[NAME OF GRANTOR]

By: _____
Name:
Title:

Acknowledged:

JPMORGAN CHASE BANK, N.A.,
as Collateral Agent

By: _____
Name:
Title:

STATE OF _____)
) ss.:
COUNTY OF _____)

I, _____, a Notary Public in and for said County, in the State aforesaid, DO HEREBY CERTIFY, that
_____, _____ of [NAME OF GRANTOR] (the “**Company**”), personally known to me to be the same
person whose name is subscribed to the foregoing instrument as such _____, appeared before me this day in person and acknowledged that (s)he
signed, executed and delivered the said instrument as her/his own free and voluntary act and as the free and voluntary act of said Company, for the uses and
purposes therein set forth being duly authorized so to do.

GIVEN under my hand and Notarial Seal this ____ day of _____, ____.

[Seal]

Signature of notary public
My Commission expires _____

[NAME OF GRANTOR]
U.S. TRADEMARK REGISTRATIONS

TRADEMARK	REG. NO.	REG. DATE

U.S. TRADEMARK APPLICATIONS

TRADEMARK	REG. NO.	REG. DATE

PERFECTION CERTIFICATE

The undersigned is a duly authorized officer of [NAME OF GRANTOR] (the “**Grantor**”). With reference to the Security Agreement dated as of December ___, 2007 among American Reprographics Company, American Reprographics Company, L.L.C., the other Grantors party thereto and JPMorgan Chase Bank, N.A., as Collateral Agent (terms defined therein being used herein as therein defined), the undersigned certifies to the Collateral Agent and each other Secured Party as follows:

A. Information Required for Filings and Searches for Prior Filings.²

1. *Jurisdiction of Organization*. The Grantor is a [corporation]³ organized under the laws of _____.
2. *Name*. The exact [corporate] name of the Grantor as it appears in its [certificate of incorporation] is as follows:
3. *Prior Names; Predecessors*. (a) Set forth below is each other [corporate] name that the Grantor has had since its organization, together with the date of the relevant change:
 - (b) Except as set forth in Schedule ___ hereto, the Grantor has not changed its corporate structure in any way within the past five years.
 - (c) None of the Grantor’s Collateral was acquired from another Person within the past five years, except
 - (i) property sold to the Grantor by another Person in the ordinary course of such other Person’s business;
 - (ii) property with respect to which the Transaction Liens are to be perfected by taking possession or control thereof;
 - (iii) property acquired in transactions described in Schedule ___ hereto; and

(iv) other property having an aggregate fair market value not exceeding \$ _____.

4. *Organizational ID Number*. Set forth below is the Organizational Identification Number, if any, issued by the jurisdiction of organization of the Grantor.

5. *Taxpayer ID Number*. Set forth below is the Federal Taxpayer Identification Number of the Grantor: [only necessary for filing in North Dakota and South Dakota.]

6. *Chief Executive Office*. The chief executive office of the Grantor (or its place of business if there is only one) is located at the address set forth below:

Mailing Address	County	State

B. Search Reports.

Attached hereto as Schedule ____ is a true copy of a file search report from the central UCC filing office in each jurisdiction identified in Part A—4 above with respect to each name set forth in Part A—2 and Part A—3 above (searches in local filing offices, if any, are not required). Attached hereto as Schedule ____ is a true copy of each financing statement or other filing identified in such file search reports.

C. Absence of Certain Property.

The Grantor does not own any assets of material value which constitute commercial tort claims, farm products, electronic chattel paper, letter-of-credit rights which are not supporting obligations or as-extracted collateral, as each of the foregoing terms is defined in the UCC.

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of _____, ____.

Name:
Title:

ISSUER CONTROL AGREEMENT

ISSUER CONTROL AGREEMENT dated as of _____, _____ among _____ (the “**Grantor**”), JPMorgan Chase Bank, N.A., as Collateral Agent (the “**Secured Party**”), and _____ (the “**Issuer**”). All references herein to the “**UCC**” refer to the Uniform Commercial Code as in effect from time to time in [Issuer’s jurisdiction of incorporation].

WITNESSETH:

WHEREAS, the Grantor is the registered holder of [specify Pledged Uncertificated Securities issued by the Issuer] issued by the Issuer (the “**Securities**”);

WHEREAS, pursuant to a Security Agreement dated as of December ___, 2007 (as such agreement may be amended and/or supplemented from time to time, the “**Security Agreement**”), the Grantor has granted to the Secured Party a continuing security interest (the “**Transaction Lien**”) in all right, title and interest of the Grantor in, to and under the Securities, whether now existing or hereafter arising; and

WHEREAS, the parties hereto are entering into this Agreement in order to perfect the Transaction Lien on the Securities;

NOW, THEREFORE, the parties hereto agree as follows:

Section 1. *Nature of Securities.* The Issuer confirms that (i) the Securities are “uncertificated securities” (as defined in Section 8-102 of the UCC) and (ii) the Grantor is registered on the books of the Issuer as the registered holder of the Securities.

Section 2. *Instructions.* The Issuer agrees to comply with any “instruction” (as defined in Section 8-102 of the UCC) originated by the Secured Party and relating to the Securities without further consent by the Grantor or any other person. The Grantor consents to the foregoing agreement by the Issuer.

Section 3. *Waiver of Lien; Waiver of Set-off.* The Issuer waives any security interest, lien or right of set-off that it may now have or hereafter acquire in or with respect to the Securities. The Issuer’s obligations in respect of the

Securities will not be subject to deduction, set-off or any other right in favor of any person other than the Secured Party.

Section 4. *Choice of Law.* This Agreement shall be governed by the laws of [Issuer's jurisdiction of incorporation].

Section 5. *Conflict with Other Agreements.* There is no agreement (except this Agreement) between the Issuer and the Grantor with respect to the Securities [except for [identify any existing other agreements] (the “**Existing Other Agreements**”)]. In the event of any conflict between this Agreement (or any portion hereof) and any other agreement [(including any Existing Other Agreement)] between the Issuer and the Grantor with respect to the Securities, whether now existing or hereafter entered into, the terms of this Agreement shall prevail.

Section 6. *Amendments.* No amendment or modification of this Agreement or waiver of any right hereunder shall be binding on any party hereto unless it is in writing and is signed by all the parties hereto.

Section 7. *Notice of Adverse Claims.* Except for the claims and interests of the Secured Party and the Grantor in the Securities, the Issuer does not know of any claim to, or interest in, the Securities. If any person asserts any lien, encumbrance or adverse claim (including any writ, garnishment, judgment, attachment, execution or similar process) against the Securities, the Issuer will promptly notify the Secured Party and the Grantor thereof.

Section 8. *Maintenance of Securities.* In addition to, and not in lieu of, the obligation of the Issuer to honor instructions as agreed in Section 2 hereof, the Issuer agrees as follows:

(i) *Grantor Instructions; Notice of Exclusive Control.* So long as the Issuer has not received a Notice of Exclusive Control (as defined below), the Issuer may comply with instructions of the Grantor or any duly authorized agent of the Grantor in respect of the Securities. After the Issuer receives a written notice from the Secured Party that it is exercising exclusive control over the Securities (a “**Notice of Exclusive Control**”), the Issuer will cease complying with instructions of the Grantor or any of its agents.

(ii) *Non-Cash Dividends and Distributions.* The Issuer shall deliver to the Secured Party all non-cash dividends, interest and other distributions paid or made upon or with respect to the Securities or subject same to an issuer control agreement substantially in the form of this Agreement.

(iii) *Voting Rights*. Until the Issuer receives a Notice of Exclusive Control, the Grantor shall be entitled to direct the Issuer with respect to voting the Securities.

(iv) *Statements and Confirmations*. The Issuer will promptly send copies of all statements and other correspondence concerning the Securities simultaneously to each of the Grantor and the Secured Party at their respective addresses specified in Section 11 hereof.

(v) *Tax Reporting*. All items of income, gain, expense and loss recognized in respect of the Securities shall be reported to the Internal Revenue Service and all state and local taxing authorities under the name and taxpayer identification number of the Grantor.

Section 9. *Representations, Warranties and Covenants of the Issuer*. The Issuer makes the following representations, warranties and covenants:

(i) This Agreement is a valid and binding agreement of the Issuer enforceable in accordance with its terms.

(ii) The Issuer has not entered into, and until the termination of this Agreement will not enter into, any agreement with any other person relating to the Securities pursuant to which it has agreed, or will agree, to comply with instructions (as defined in Section 8-102 of the UCC) of such person. The Issuer has not entered into any other agreement with the Grantor or the Secured Party purporting to limit or condition the obligation of the Issuer to comply with instructions as agreed in Section 2 hereof.

Section 10. *Successors*. This Agreement shall be binding upon, and shall inure to the benefit of, the parties hereto and their respective successors and assigns.

Section 11. *Notices*. Each notice, request or other communication given to any party hereunder shall be in writing (which term includes facsimile or other electronic transmission) and shall be effective (i) when delivered to such party at its address specified below, (ii) when sent to such party by facsimile or other electronic transmission, addressed to it at its facsimile number or electronic address specified below, and such party sends back an electronic confirmation of receipt or (iii) ten days after being sent to such party by certified or registered United States mail, addressed to it at its address specified below, with first class or airmail postage prepaid:

Grantor:

Secured Party:

Issuer:

Any party may change its address, facsimile number and/or e-mail address for purposes of this Section by giving notice of such change to the other parties in the manner specified above.

Section 12. *Termination*. The rights and powers granted herein to the Secured Party (i) have been granted in order to perfect the Transaction Lien, (ii) are powers coupled with an interest and (iii) will not be affected by any bankruptcy of the Grantor or any lapse of time. The obligations of the Issuer hereunder shall continue in effect until the Secured Party has notified the Issuer in writing that the Transaction Lien has been terminated pursuant to the Security Agreement.

Section 13. *Counterparts*. This Agreement may be executed in any number of counterparts, all of which shall constitute one and the same instrument, and any party hereto may execute this Agreement by signing and delivering one or more counterparts.

[NAME OF GRANTOR]

By: _____
Name:
Title:

JPMORGAN CHASE BANK, N.A.,
as Collateral Agent

By: _____
Name:
Title:

[NAME OF ISSUER]

By: _____

Name:

Title:

F-5

[Letterhead of Secured Party]

[Date]

[Name and Address of Issuer]

Attention: _____

Re: Notice of Exclusive Control

Ladies and Gentlemen:

As referenced in the Issuer Control Agreement dated as of ___, ___ among [name of Grantor], us and you (a copy of which is attached), we notify you that we will hereafter exercise exclusive control over [specify Pledged Uncertificated Securities] registered in the name of [name of Grantor] (the “ **Securities**”). You are instructed not to accept any directions or instructions with respect to the Securities from any person other than the undersigned unless otherwise ordered by a court of competent jurisdiction.

You are instructed to deliver a copy of this notice by facsimile transmission to [name of Grantor].

Very truly yours,

JPMORGAN CHASE BANK, N.A.,
as Collateral Agent

By: _____

Name:

Title:

cc: [name of Grantor]

SECURITIES ACCOUNT CONTROL AGREEMENT

SECURITIES ACCOUNT CONTROL AGREEMENT dated as of _____, ____ among _____ (the “**Grantor**”), JPMORGAN CHASE BANK, N.A., as Collateral Agent (the “**Secured Party**”), and _____ (the “**Securities Intermediary**”). All references herein to the “**UCC**” refer to the Uniform Commercial Code as in effect from time to time in the State of New York. Terms defined in the UCC have the same meanings when used herein.

WITNESSETH:

WHEREAS, the Grantor is the entitlement holder with respect to the Account (as defined below);

WHEREAS, pursuant to a Security Agreement dated as of December ___, 2007 (as such agreement may be amended and/or supplemented from time to time, the “**Security Agreement**”), the Grantor has granted to the Secured Party a continuing security interest (the “**Transaction Lien**”) in all right, title and interest of the Grantor in, to and under the Account, all financial assets credited thereto and all security entitlements in respect thereof, whether now owned or existing or hereafter acquired or arising; and

WHEREAS, the parties hereto are entering into this Agreement in order to perfect the Transaction Lien on the Account, all financial assets from time to time credited thereto and all security entitlements in respect thereof;

NOW, THEREFORE, the parties hereto agree as follows:

Section 1. *Establishment of Account.* The Securities Intermediary confirms that:

(i) the Securities Intermediary has established account number [identify account number] in the name of “[name of Grantor]” (such account and any successor account, the “**Account**”),

(ii) the Account is a “securities account” as defined in Section 8-501 of the UCC,

- (iii) the Securities Intermediary is acting as a “securities intermediary” (as defined in Section 8-102 of the UCC) in respect of the Account,
- (iv) the Securities Intermediary shall, subject to the terms of this Agreement, treat the Grantor as entitled to exercise the rights that comprise all financial assets from time to time credited to the Account,
- (v) all property delivered to the Securities Intermediary by or on behalf of the Grantor will be promptly credited to the Account, and
- (vi) all financial assets (except cash) credited to the Account will be registered in the name of the Securities Intermediary, indorsed to the Securities Intermediary or in blank or credited to another securities account maintained in the name of the Securities Intermediary and in no case will any financial asset credited to the Account be registered in the name of the Grantor, payable to the order of the Grantor or specially indorsed to the Grantor unless such financial asset has been further indorsed to the Securities Intermediary or in blank.

Section 2. *“Financial Assets” Election.* The parties hereto agree that each item of property (whether investment property, financial asset, security, instrument, cash or other property) credited to the Account shall be treated as a “financial asset” within the meaning of Sections 8-102(a)(9) and 8-103 of the UCC.

Section 3. *Entitlement Orders.* The Securities Intermediary agrees to comply with any “entitlement order” (as defined in Section 8-102 of the UCC) originated by the Secured Party and relating to the Account or any financial asset credited thereto without further consent by the Grantor or any other person. The Grantor consents to the foregoing agreement by the Securities Intermediary.

Section 4. *Waiver of Lien; Waiver of Set-off.* The Securities Intermediary waives any security interest, lien or right to make deductions or setoffs that it may now have or hereafter acquire in or with respect to the Account, any financial asset credited thereto or any security entitlement in respect thereof. Neither the financial assets credited to the Account nor the security entitlements in respect thereof will be subject to deduction, set-off, banker’s lien, or any other right in favor of any person other than the Secured Party (except that the Securities Intermediary may set off (i) all amounts due to it in respect of its customary fees and expenses for the routine maintenance and operation of the Account and (ii) the face amount of any checks that have been credited to the Account but are subsequently returned unpaid because of uncollected or insufficient funds).

Section 5. *Choice of Law.* This Agreement shall be construed in accordance with and governed by the laws of the State of New York. The State of New York shall be deemed to be the Securities Intermediary's jurisdiction for purposes of the UCC (including, without limitation, Section 8-110 thereof).

Section 6. *Conflict with Other Agreements.* There is no agreement (except this Agreement) between the Securities Intermediary and the Grantor with respect to the Account [except for [identify any existing other agreements] (the "**Existing Other Agreements**")]. In the event of any conflict between this Agreement (or any portion hereof) and any other agreement [(including any Existing Other Agreement)] between the Securities Intermediary and the Grantor with respect to the Account, whether now existing or hereafter entered into, the terms of this Agreement shall prevail. If any Existing Other Agreement does not specify that it is governed by the laws of the jurisdiction specified in Section 5, such Existing Other Agreement is hereby amended to specify that it is governed by the laws of the jurisdiction specified in Section 5.

Section 7. *Amendments.* No amendment or modification of this Agreement or waiver of any right hereunder shall be binding on any party hereto unless it is in writing and is signed by all the parties hereto.

Section 8. *Notice of Adverse Claims.* Except for the claims and interests of the Secured Party and the Grantor, the Securities Intermediary does not know of any claim to, or interest in, the Account, any financial asset credited thereto or any security entitlement in respect thereof. If any person asserts any lien, encumbrance or adverse claim (including any writ, garnishment, judgment, attachment, execution or similar process) against the Account, any financial asset credited thereto or any security entitlement in respect thereof, the Securities Intermediary will promptly notify the Secured Party and the Grantor thereof.

Section 9. *Maintenance of Account.* In addition to, and not in lieu of, the obligation of the Securities Intermediary to honor entitlement orders as agreed in Section 3 hereof, the Securities Intermediary agrees to maintain the Account as follows:

(i) *Grantor Entitlement Orders; Notice of Exclusive Control.* So long as the Securities Intermediary has not received a Notice of Exclusive Control (as defined below), the Securities Intermediary may, subject to paragraph (iii) below, comply with entitlement orders of the Grantor or any duly authorized agent of the Grantor in respect of the Account and any or all financial assets credited thereto. After the Securities Intermediary receives a written notice from the Secured Party that is exercising exclusive control over the Account (a "**Notice of**

Exclusive Control”), the Securities Intermediary will cease complying with entitlement orders of the Grantor or any of its agents.

(ii) *Voting Rights.* Until the Securities Intermediary receives a Notice of Exclusive Control, the Grantor shall be entitled to direct the Securities Intermediary with respect to the voting of any financial assets credited to the Account.

(iii) *Permitted Investments.* Until the Securities Intermediary receives a Notice of Exclusive Control, the Grantor shall be entitled to direct the Securities Intermediary with respect to the selection of investments to be made and credited to the Account.

(iv) *Statements and Confirmations.* The Securities Intermediary will promptly send copies of all statements, confirmations and other correspondence concerning the Account and/or any financial assets credited thereto simultaneously to each of the Grantors and the Secured Party at their respective addresses specified in Section 12 hereof.

(v) *Tax Reporting.* All items of income, gain, expense and loss recognized in the Account or in respect of any financial assets credited thereto shall be reported to the Internal Revenue Service and all state and local taxing authorities under the name and taxpayer identification number of the Grantor.

Section 10. *Representations, Warranties and Covenants of the Securities Intermediary.* The Securities Intermediary makes the following representations, warranties and covenants:

(i) The Account has been established as set forth in Section 1 above and will be maintained in the manner set forth herein until this Agreement is terminated. The Securities Intermediary will not change the name or account number of the Account without the prior written consent of the Secured Party.

(ii) No financial asset credited to the Account is or will be registered in the name of the Grantor, payable to the order of the Grantor, or specially indorsed to the Grantor, unless such financial asset has been further indorsed by the Grantor to the Securities Intermediary or in blank.

(iii) This Agreement is a valid and binding agreement of the Securities Intermediary enforceable in accordance with its terms.

(iv) The Securities Intermediary has not entered into, and until the termination of this Agreement will not enter into, any agreement with

any person (other than the Secured Party) relating to the Account and/or any financial asset credited thereto pursuant to which it has agreed, or will agree, to comply with entitlement orders of such person. The Securities Intermediary has not entered into any other agreement with the Grantor or the Secured Party purporting to limit or condition the obligation of the Securities Intermediary to comply with entitlement orders as agreed in Section 3 hereof.

Section 11. *Successors.* This Agreement shall be binding upon, and shall inure to the benefit of, the parties hereto and their respective successors and assigns.

Section 12. *Notices.* Each notice, request or other communication given to any party hereunder shall be in writing (which term includes facsimile or other electronic transmission) and shall be effective (i) when delivered to such party at its address specified below, (ii) when sent to such party by facsimile or other electronic transmission, addressed to it at its facsimile number or electronic address specified below, and such party sends back an electronic confirmation of receipt or (iii) ten days after being sent to such party by certified or registered United States mail, addressed to it at its address specified below, with first class or airmail postage prepaid:

Grantor:

Secured Party:

Securities Intermediary:

Any party may change its address, facsimile number and/or e-mail address for purposes of this Section by giving notice of such change to the other parties in the manner specified above.

Section 13. *Termination.* The rights and powers granted herein to the Secured Party (i) have been granted in order to perfect the Transaction Lien, (ii) are powers coupled with an interest and (iii) will not be affected by any bankruptcy of the Grantor or any lapse of time. The obligations of the Securities Intermediary hereunder shall continue in effect until the Secured Party has notified the Securities Intermediary in writing that the Transaction Lien has been terminated pursuant to the terms of the Security Agreement.

[NAME OF GRANTOR]

By: _____
Name:
Title:

JPMORGAN CHASE BANK, N.A.,
as Collateral Agent

By: _____
Name:
Title:

[NAME OF SECURITIES
INTERMEDIARY]

By: _____
Name:
Title:

[Letterhead of Secured Party]

[Date]

[Name and Address of Securities Intermediary]

Attention: _____

Re: Notice of Exclusive Control

Ladies and Gentlemen:

As referenced in the Securities Account Control Agreement dated as of _____, ____ among [name of Grantor], us and you (a copy of which is attached), we notify you that we will hereafter exercise exclusive control over securities account number _____ (the “ **Account**”), all financial assets from time to time credited thereto and all security entitlements in respect thereof. You are instructed not to accept any directions, instructions or entitlement orders with respect to the Account or the financial assets credited thereto from any person other than the undersigned unless otherwise ordered by a court of competent jurisdiction.

You are instructed to deliver a copy of this notice by facsimile transmission to [name of Grantor].

Very truly yours,

JPMORGAN CHASE BANK, N.A.,
as Collateral Agent

By: _____

Name:

Title:

cc: [name of Grantor]

G-7

DEPOSIT ACCOUNT CONTROL AGREEMENT

DEPOSIT ACCOUNT CONTROL AGREEMENT dated as of _____, ____ among _____ (the “**Grantor**”), JPMORGAN CHASE BANK, N.A., as Collateral Agent (the “**Secured Party**”), and _____ (the “**Bank**”). All references herein to the “**UCC**” refer to the Uniform Commercial Code as in effect from time to time in the State of New York. Terms defined in the UCC have the same meanings when used herein.

WITNESSETH:

WHEREAS, the Grantor is the Bank’s customer (as defined in Section 4-104(1)(e) of the UCC) with respect to the Account (as defined below);

WHEREAS, pursuant to a Security Agreement dated as of December ___, 2007 (as such agreement may be amended and/or supplemented from time to time, the “**Security Agreement**”), the Grantor has granted to the Secured Party a continuing security interest (the “**Transaction Lien**”) in all right, title and interest of the Grantor in, to and under the Account; and

WHEREAS, the parties hereto are entering into this Agreement in order to perfect the Transaction Lien on the Account and any and all funds or deposits from time to time held therein or credited thereto, whether now owned or existing or hereafter acquired or arising;

NOW, THEREFORE, the parties hereto agree as follows:

Section 1. *Establishment of Account.* The Bank confirms that:

- (i) the Bank has established account number [identify account number] in the name of “[name of Grantor]” (such account and any successor account, the “**Account**”);
- (ii) the Account is a “deposit account” as defined in Section 9-102(a)(29) of the UCC; and
- (iii) the Bank is a “bank” (as defined in section 9-102 of the UCC) and is acting in such capacity in respect of the Account.

Section 2. *Instructions.* The Grantor, the Secured Party and the Bank agree that the Bank will comply with (i) any instruction originated by the Secured Party directing disposition of funds in the Account and (ii) any other instruction

from the Secured Party in respect of the Account, in each case without further consent by the Grantor or any other person.

Section 3. *Waiver of Lien; Waiver of Set-off.* The Bank waives any security interest, lien or right to make deductions or setoffs that it may now have or hereafter acquire in or with respect to the Account or any or all funds or deposits from time to time held therein or credited thereto. No amounts credited to the Account will be subject to deduction, set-off, banker's lien, or any other right in favor of any person other than the Secured Party (except that the Bank may set off (i) all amounts due to it in respect of its customary fees and expenses for the routine maintenance and operation of the Account and (ii) the face amount of any checks that have been credited to the Account but are subsequently returned unpaid because of uncollected or insufficient funds).

Section 4. *Choice of Law.* This Agreement shall be construed in accordance with and governed by the laws of the State of New York. The State of New York shall be deemed to be the bank's jurisdiction (as defined in Section 9-304 of the UCC) with respect to the Account.

Section 5. *Conflict with Other Agreements.* There is no agreement (except this Agreement) between the Bank and the Grantor with respect to the Account [except for [identify any existing other agreements] (the "**Existing Other Agreements**")]. In the event of any conflict between this Agreement (or any portion hereof) and any other agreement [(including any Existing Other Agreement)] between the Bank and the Grantor with respect to the Account or any or all funds or deposits from time to time held therein or credited thereto, whether now existing or hereafter entered into, the terms of this Agreement shall prevail. If any Existing Other Agreement does not specify that it is governed by the laws of the jurisdiction specified in Section 4, such Existing Other Agreement is hereby amended to specify that it is governed by the laws of the jurisdiction specified in Section 4.

Section 6. *Amendments.* No amendment or modification of this Agreement or waiver of any right hereunder shall be binding on any party hereto unless it is in writing and is signed by all the parties hereto.

Section 7. *Notice of Adverse Claims.* Except for the claims and interests of the Secured Party and the Grantor, the Bank does not know of any claim to, or interest in, the Account or any or all funds or deposits held therein or credited thereto. If any person asserts any lien, encumbrance or adverse claim (including any writ, garnishment, judgment, attachment, execution or similar process) against the Account or any or all funds or deposits held therein or credited thereto, the Bank will promptly notify the Secured Party and the Grantor thereof.

Section 8. *Maintenance of Account.* In addition to, and not in lieu of, the obligation of the Bank to honor instructions originated by the Secured Party as agreed in Section 2 hereof, the Bank agrees to maintain the Account as follows:

(i) *Grantor Entitlement Orders; Notice of Exclusive Control.* So long as the Bank has not received a Notice of Exclusive Control (as defined below), the Bank may comply with instructions originated by the Grantor or any duly authorized agent of the Grantor in respect of the Account and any or all funds or deposits held therein or credited thereto. After the Bank receives a written notice from the Secured Party that it is exercising exclusive control over the Account (a “**Notice of Exclusive Control**”), the Bank will cease complying with instructions originated by the Grantor or any of its agents.

(ii) *Statements.* The Bank will promptly send copies of all statements and other correspondence concerning the Account simultaneously to each of the Grantor and the Secured Party at their respective addresses specified in Section 11 hereof.

(iii) *Tax Reporting.* All items of income, gain, expense and loss recognized in the Account or in respect of any funds or deposits held therein or credited thereto shall be reported to the Internal Revenue Service and all state and local taxing authorities under the name and taxpayer identification number of the Grantor.

Section 9. *Representations, Warranties and Covenants of the Bank.* The Bank makes the following representations, warranties and covenants:

(i) The Account has been established as set forth in Section 1 above and will be maintained in the manner set forth herein until this Agreement is terminated. The Bank will not change the name or account number of the Account without the prior written consent of the Secured Party.

(ii) Neither the Account nor any funds or deposits at any time held therein or credited thereto is or will be evidenced by any instrument (as defined in Section 9-102 of the UCC) or constitutes or will constitute investment property (as defined in Section 9-102 of the UCC)

(iii) This Agreement is a valid and binding agreement of the Bank enforceable in accordance with its terms.

(iv) The Bank has not entered into, and until the termination of this Agreement will not enter into, any agreement with any person (other

than the Secured Party) relating to the Account and/or any funds or deposits held therein or credited thereto pursuant to which it has agreed, or will agree, to comply with instructions of such person. The Bank has not entered into any other agreement with the Grantor or the Secured Party purporting to limit or condition the obligation of the Bank to comply with instructions originated by the Secured Party as agreed in Section 2 hereof.

Section 10. *Successors*. This Agreement shall be binding upon, and shall inure to the benefit of, the parties hereto and their respective successors and assigns.

Section 11. *Notices*. Each notice, request or other communication given to any party hereunder shall be in writing (which term includes facsimile or other electronic transmission) and shall be effective (i) when delivered to such party at its address specified below, (ii) when sent to such party by facsimile or other electronic transmission, addressed to it at its facsimile number or electronic address specified below, and such party sends back an electronic confirmation of receipt or (iii) ten days after being sent to such party by certified or registered United States mail, addressed to it at its address specified below, with first class or airmail postage prepaid:

Grantor:

Secured Party:

Bank:

Any party may change its address, facsimile number and/or e-mail address for purposes of this Section by giving notice of such change to the other parties in the manner specified above.

Section 12. *Termination*. The rights and powers granted herein to the Secured Party (i) have been granted in order to perfect the Transaction Lien, (ii) are powers coupled with an interest and (iii) will not be affected by any bankruptcy of the Grantor or any lapse of time. The obligations of the Bank hereunder shall continue in effect until the Secured Party has notified the Bank in writing that the Transaction Lien has been terminated pursuant to the terms of the Security Agreement.

[NAME OF GRANTOR]

By: _____
Name:
Title:

JPMORGAN CHASE BANK, N.A.,
as Collateral Agent

By: _____
Name:
Title:

[NAME OF BANK]

By: _____
Name:
Title:

H-5

[Letterhead of Secured Party]

[Date]

[Name and Address of Bank]

Attention: _____

Re: Notice of Exclusive Control

Ladies and Gentlemen:

As referenced in the Deposit Account Control Agreement dated as of _____, ____ among [name of Grantor], us and you (a copy of which is attached), we notify you that we will hereafter exercise exclusive control over deposit account number _____ (the “ **Account**”) and all funds and deposits from time to time held therein or credited thereto. You are instructed not to accept any directions or instructions with respect to the Account or the funds or deposits held therein or credited thereto from any person other than the undersigned unless otherwise ordered by a court of competent jurisdiction.

You are instructed to deliver a copy of this notice by facsimile transmission to [name of Grantor].

Very truly yours,

JPMORGAN CHASE BANK, N.A.,
as Collateral Agent

By: _____

Name:

Title:

cc: [name of Grantor]

AMERICAN REPROGRAPHICS COMPANY

TO: JONATHAN R. MATHER
FROM: SATHIYAMURTHY CHANDRAMOHAN
SUBJECT: 2007 INCENTIVE BONUS; DELIVERABLES
DATE: 2/20/2007
CC: K. SURIYAKUMAR

Jonathan, pursuant to Section 3(b) of your November 29, 2006 Employment Agreement with American Reprographics Company ("ARC"), this memorandum shall serve to confirm the performance criteria to be satisfied during ARC's 2007 fiscal year in order for you, as "Executive," to earn an "Incentive Bonus" for this year. As we discussed and agreed, those criteria include each and every one of the following:

- a) Cash generated before acquisitions and debt service, 95% of EBITDA for 2007;
- b) Closed 2007 acquisitions to generate \$42.5 million revenues in 2007;
- c) Successfully manage ARC corporate budget, including bonus and expenses incurred in connection with follow-on offering, not to exceed \$17.565 million for 2007; and
- d) Implement financial reporting with budgeting and variance reporting by Q4 of 2007.

As further agreed, in the event that each and every of these 2007 objectives has been achieved this year, the Incentive Bonus shall be fully payable pursuant to the terms of the Employment Agreement, and in the event each and every of these 2007 objectives is not so achieved, including item d) to my reasonable satisfaction, payment of any, or no, portion of the 2007 Incentive Bonus shall be as I determine, in my sole and absolute discretion.

Kindly sign below to confirm our agreement in this regard. This memorandum shall not amend or modify the Employment Agreement, which remains in full force and effect.

AMERICAN REPROGRAPHICS COMPANY,
a Delaware corporation

EXECUTIVE

By: /s/ Sathiyamurthy Chandramohan
Name: Sathiyamurthy Chandramohan
Title: CEO

By: /s/ Jonathan R. Mather
Name: Jonathan R. Mather

LIST OF SUBSIDIARIES

	<u>Jurisdiction</u>	<u>Current Names Under Which Do Business</u>
American Reprographics Company, L.L.C.	California	Blair Graphics BRAT Blueprinting Brownie's Blueprint Central Valley Reprographics Consolidated Reprographics Dayton Blueprint Company Dieterich Post Digital Print Center (DPC) FDC Digital Imaging Solutions Ford Graphics IDM Group InPrint Corporation Mercury/LDO Reprographics Micro Device Mossner/IDM Pikes Peak Reprographics Reliable Graphics Royal Blue Print Company San Jose Blue SBD Reprographics Stockton Blueprint University Imaging Veenstra Wray's Enterprises
American Reprographics Company India Private Limited	India	
American Reprographics Southeast, L.L.C.	North Carolina	Imaging Technology Services (ITS) Macon Prints & Instruments
American Reprographics Servicios, S.A. de D.V.	Mexico	
ARC Acquisition Corporation	California	
Arcprint and Imaging Ltd.	British Columbia	Arcprint and Imaging
ARC Reprographics Canada Corp.	British Columbia	

	<u>Jurisdiction</u>	<u>Current Names Under Which Do Business</u>
Argo-ICC Reprographics Ltd.	Ontario, Canada	ICC Repro Argo Graph J. Harvey Rose
Blue Print Service Company, Inc.	California	BPS American Draftsource Elite Reprographics
BPI Repro, LLC	California	Action Reprographics B & B Blueprint Barry Blueprint BPI Repro Circle Blueprint Independent Printing Reprographics Plus
Dunn Blue Print Company	Michigan	Dunn Blue Detroit Reprographics Entire Reprographics Great Lakes Laminating Letter Perfect Design
Engineering Repro Systems, Inc.	Minnesota	Atlas Blueprint eBlueprint Engineering Repro Queen City Reprographics
Leet- Melbrook, Inc.	Maryland	Leet-Melbrook
Licensing Services International, LLC	California	
MBC Precision Imaging, Inc.	Maryland	MBC Precision Imaging
McKee Enterprises, Inc.	Arizona	Advance Reprographics ScottBlue
Mirror Plus Technologies, Inc.	California	ARC Technologies Holdings Mirror Plus
OCB, LLC	California	OCB Team Reprographics
Olympic Reprographics, LLC	Washington	Olympic Reprographics
Peninsula Blueprint, Inc.	California	Peninsula Blueprint

	<u>Jurisdiction</u>	<u>Current Names Under Which Do Business</u>
Planwell, LLC	California	Planwell
Quality Reprographic Services, Inc.	Georgia	Georgia Blue QRS
Reprografia Digital De Mexico, S.A. de C.V.	Mexico	
Reprographics Northwest, LLC	California	Ford Graphics Seattle Kestrel Blueprint Repro Northwest Superior Reprographics Tacoma Reprographics
Ridgway's, L.L.C.	Texas	A-C Reproduction A-Plus Digital Reprographics A&E AEC Supply Company Best Digital City Digital Imaging Crest Graphics Kansas Blueprint Metro Digital Imaging NGI Digital Orlando Reprographics Rapid Blueprint Supply Co. Rhode Island Blue Print Ridgway's Ridgway's Digital Imaging of Destin Strato Grafix Tampa Reprographics & Supply Torrance Document Service
SubHub, Inc.	California	SUBHUB
The PEiR Group, LLC	California	The PEiR Group
The PEiR Group International, LLC	California	The PEiR Group International
T-Square Express, Inc.	Florida	Best Digital T-Square
Western Blue Print Company, LLC	Missouri	Western Blue Print
Wilco Reprographics, Inc.	Delaware	Wilco Reprographics

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3 (No. 333-141009 and No. 333-132530) and Form S-8 (No. 333-122637) of American Reprographics Company of our report dated February 26, 2008 relating to the financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Los Angeles, California
February 27, 2008

CERTIFICATIONS
CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT

I, Kumarakulasingam Suriyakumar, certify that:

1. I have reviewed this report on Form 10-K of American Reprographics Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

/s/ KUMARAKULASINGAM SURIYAKUMAR

Kumarakulasingam Suriyakumar
President and Chief Executive Officer
(Principal Executive Officer)

Date: February 27, 2008

CERTIFICATIONS
CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT

I, Jonathan R. Mather, certify that:

1. I have reviewed this report on Form 10-K of American Reprographics Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

/s/ JONATHAN R. MATHER

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

Date: February 27, 2008

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND
CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of American Reprographics Company (the “Company”) on Form 10-K for the year ended December 31, 2007 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Kumarakulasingam Suriyakumar, as Chief Executive Officer of the Company, and Jonathan R. Mather, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of his knowledge, respectively, that (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and (2) the information contained in the Report fairly presents in all material respects, the financial condition and results of operations of the Company.

/s/ KUMARAKULASINGAM SURIYAKUMAR

Kumarakulasingam Suriyakumar
President and Chief Executive Officer

/s/ JONATHAN R. MATHER

Jonathan R. Mather
Chief Financial Officer and Secretary

Date: February 27, 2008