

ARC DOCUMENT SOLUTIONS, INC.  
Form 10-Q  
November 06, 2015

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

Form 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2015

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-32407

ARC DOCUMENT SOLUTIONS, INC.  
(Exact name of Registrant as specified in its Charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)  
1981 N. Broadway, Suite 385  
Walnut Creek, California 94596  
(925) 949-5100

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

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

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

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

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

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

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

As of October 30, 2015, there were 46,992,165 shares of the issuer's common stock outstanding.

ARC DOCUMENT SOLUTIONS, INC.  
Form 10-Q  
For the Quarter Ended September 30, 2015  
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#### FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains statements that are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. When used in this Form 10-Q, the words “believe,” “expect,” “anticipate,” “estimate,” “intend,” “plan,” “project,” “target,” “likely,” “will,” “would,” “could,” and variations of such words and expressions as they relate to our management or to ARC Document Solutions, Inc. (the “Company”) are intended to identify forward-looking statements. These forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those contemplated herein. We have described in Part II, Item 1A-“Risk Factors” a number of factors that could cause our actual results to differ from our projections or estimates. These factors and other risk factors described in this Form 10-Q are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any of our forward-looking statements. Other unknown or unpredictable factors also could harm our results. Consequently, there can be no assurance that the actual results or developments anticipated by us will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, us. Given these uncertainties, you are cautioned not to place undue reliance on such forward-looking statements.

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

## PART I—FINANCIAL INFORMATION

## Item 1. Condensed Consolidated Financial Statements

## ARC DOCUMENT SOLUTIONS, INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except per share data)	September 30, 2015	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	\$20,824	\$22,636
Accounts receivable, net of allowances for accounts receivable of \$2,237 and \$2,413	64,600	62,045
Inventories, net	17,839	16,251
Deferred income taxes	3,798	278
Prepaid expenses	5,049	4,767
Other current assets	3,271	6,080
Total current assets	115,381	112,057
Property and equipment, net of accumulated depreciation of \$216,023 and \$214,697	58,459	59,520
Goodwill	212,608	212,608
Other intangible assets, net	19,339	23,841
Deferred financing fees, net	1,804	2,440
Deferred income taxes	71,989	1,110
Other assets	2,192	2,492
Total assets	\$481,772	\$414,068
Liabilities and Equity		
Current liabilities:		
Accounts payable	\$24,733	\$26,866
Accrued payroll and payroll-related expenses	13,820	13,765
Accrued expenses	18,713	22,793
Current portion of long-term debt and capital leases	17,268	27,969
Total current liabilities	74,534	91,393
Long-term debt and capital leases	163,151	175,916
Deferred income taxes	35,156	33,463
Other long-term liabilities	3,226	3,458
Total liabilities	276,067	304,230
Commitments and contingencies (Note 7)		
Stockholders' equity:		
ARC Document Solutions, Inc. stockholders' equity:		
Preferred stock, \$0.001 par value, 25,000 shares authorized; 0 shares issued and outstanding	—	—
Common stock, \$0.001 par value, 150,000 shares authorized; 47,093 and 46,800 shares issued and 46,992 and 46,723 shares outstanding	47	47
Additional paid-in capital	114,304	110,650
Retained earnings (deficit)	86,626	(7,353)
Accumulated other comprehensive loss	(1,693)	(161)
	199,284	103,183
Less cost of common stock in treasury, 101 and 77 shares	612	408
Total ARC Document Solutions, Inc. stockholders' equity	198,672	102,775
Noncontrolling interest	7,033	7,063

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Total equity	205,705	109,838
Total liabilities and equity	\$481,772	\$414,068

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

ARC DOCUMENT SOLUTIONS, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(Unaudited)

(In thousands, except per share data)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Service sales	\$94,384	\$94,426	\$287,045	\$279,555
Equipment and supplies sales	12,034	12,381	37,081	36,607
Total net sales	106,418	106,807	324,126	316,162
Cost of sales	70,475	70,584	211,303	206,798
Gross profit	35,943	36,223	112,823	109,364
Selling, general and administrative expenses	25,816	26,331	80,403	80,720
Amortization of intangible assets	1,375	1,497	4,306	4,498
Restructuring expense	4	11	89	765
Income from operations	8,748	8,384	28,025	23,381
Other income, net	(25	) (22	) (81	) (71
Loss on extinguishment of debt	96	347	193	347
Interest expense, net	1,679	3,780	5,475	11,637
Income before income tax (benefit) provision	6,998	4,279	22,438	11,468
Income tax (benefit) provision	(73,338	) 659	(71,766	) 1,930
Net income	80,336	3,620	94,204	9,538
(Income) loss attributable to the noncontrolling interest	(50	) 41	(225	) 64
Net income attributable to ARC Document Solutions, Inc. shareholders	\$80,286	\$3,661	\$93,979	\$9,602
Earnings per share attributable to ARC Document Solutions, Inc. shareholders:				
Basic	\$1.72	\$0.08	\$2.02	\$0.21
Diluted	\$1.69	\$0.08	\$1.98	\$0.20
Weighted average common shares outstanding:				
Basic	46,698	46,338	46,601	46,195
Diluted	47,557	47,015	47,541	46,856

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

ARC DOCUMENT SOLUTIONS, INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 (Unaudited)

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income	\$80,336	\$3,620	\$94,204	\$9,538
Other comprehensive loss, net of tax				
Foreign currency translation adjustments, net of tax	(1,434	) (428	) (1,524	) (463
Fair value adjustment of derivatives, net of tax	(69	) —	(263	) —
Other comprehensive loss, net of tax	(1,503	) (428	) (1,787	) (463
Comprehensive income	78,833	3,192	92,417	9,075
Comprehensive loss attributable to noncontrolling interest	(237	) (43	) (30	) (122
Comprehensive income attributable to ARC Document Solutions, Inc. shareholders	\$79,070	\$3,235	\$92,447	\$9,197

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

ARC DOCUMENT SOLUTIONS, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY  
(Unaudited)

(In thousands, except per share data)	ARC Document Solutions, Inc. Shareholders					Common Stock in Treasury	Noncontrolling Interest	Total
	Common Stock Shares	Par Value	Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income			
Balance at December 31, 2013	46,365	\$46	\$105,806	\$(14,628)	\$ 634	\$(168 )	\$ 7,449	\$99,139
Stock-based compensation	174	—	2,618	—	—	—	—	2,618
Issuance of common stock under Employee Stock Purchase Plan	11	—	65	—	—	—	—	65
Stock options exercised	216	—	1,201	—	—	—	—	1,201
Treasury shares	24	—	—	—	—	(151 )	—	(151 )
Dividends paid to noncontrolling interest	—	—	—	—	—	—	(486 )	(486 )
Comprehensive income:								
Net income (loss)	—	—	—	9,602	—	—	(64 )	9,538
Foreign currency translation adjustments, net of tax	—	—	—	—	(405 )	—	(58 )	(463 )
Comprehensive income								9,075
Balance at September 30, 2014	46,790	\$46	\$109,690	\$(5,026 )	\$ 229	\$(319 )	\$ 6,841	\$111,461

(In thousands, except per share data)	ARC Document Solutions, Inc. Shareholders					Common Stock in Treasury	Noncontrolling Interest	Total
	Common Stock Shares	Par Value	Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive loss			
Balance at December 31, 2014	46,800	\$47	\$110,650	\$(7,353 )	\$ (161 )	\$(408 )	\$ 7,063	\$109,838
Stock-based compensation	131	—	3,009	—	—	—	—	3,009
Issuance of common stock under Employee Stock Purchase Plan	13	—	83	—	—	—	—	83
Stock options exercised	125	—	562	—	—	—	—	562
Treasury shares	24	—	—	—	—	(204 )	—	(204 )
Comprehensive income:								
Net income	—	—	—	93,979	—	—	225	94,204
Foreign currency translation adjustments, net of tax	—	—	—	—	(1,269 )	—	(255 )	(1,524 )
	—	—	—	—	(263 )	—	—	(263 )





ARC DOCUMENT SOLUTIONS, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

(In thousands)	Three Months Ended		Nine Months Ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Cash flows from operating activities				
Net income	\$80,336	\$3,620	\$94,204	\$9,538
Adjustments to reconcile net income to net cash provided by operating activities:				
Allowance for accounts receivable	110	197	292	444
Depreciation	7,040	7,039	21,184	21,063
Amortization of intangible assets	1,375	1,497	4,306	4,498
Amortization of deferred financing costs	138	190	460	587
Amortization of discount on long-term debt	—	207	—	656
Stock-based compensation	735	956	2,739	2,618
Deferred income taxes	2,198	2,100	8,221	6,272
Deferred tax valuation allowance	(76,091 )	(1,615 )	(80,882 )	(4,652 )
Loss on early extinguishment of debt	96	347	193	347
Other non-cash items, net	(73 )	(401 )	(357 )	(337 )
Changes in operating assets and liabilities:				
Accounts receivable	2,996	(930 )	(3,637 )	(8,424 )
Inventory	1,083	(142 )	(1,775 )	(2,071 )
Prepaid expenses and other assets	1,224	(946 )	2,941	(309 )
Accounts payable and accrued expenses	(202 )	3,192	(4,772 )	6,819
Net cash provided by operating activities	20,965	15,311	43,117	37,049
Cash flows from investing activities				
Capital expenditures	(3,880 )	(3,430 )	(11,517 )	(10,027 )
Payments for businesses acquisitions	—	—	(142 )	(342 )
Other	266	105	656	505
Net cash used in investing activities	(3,614 )	(3,325 )	(11,003 )	(9,864 )
Cash flows from financing activities				
Proceeds from stock option exercises	1	191	562	1,201
Proceeds from issuance of common stock under Employee Stock Purchase Plan	25	17	83	65
Share repurchases, including shares surrendered for tax withholding	—	—	(204 )	(151 )
Contingent consideration on prior acquisitions	(360 )	—	(360 )	—
Early extinguishment of long-term debt	(3,625 )	(5,000 )	(10,875 )	(12,500 )
Payments on long-term debt agreements and capital leases	(7,262 )	(5,497 )	(20,042 )	(16,437 )
Net repayments under revolving credit facilities	(144 )	(532 )	(1,888 )	(828 )
Payment of deferred financing costs	—	—	(25 )	(454 )
Payment of hedge premium	—	—	(632 )	—
Dividends paid to noncontrolling interest	—	(486 )	—	(486 )
Net cash used in financing activities	(11,365 )	(11,307 )	(33,381 )	(29,590 )
Effect of foreign currency translation on cash balances	(598 )	(50 )	(545 )	(122 )
Net change in cash and cash equivalents	5,388	629	(1,812 )	(2,527 )
Cash and cash equivalents at beginning of period	15,436	24,206	22,636	27,362

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Cash and cash equivalents at end of period	\$20,824	\$24,835	\$20,824	\$24,835
Supplemental disclosure of cash flow information				
Noncash investing and financing activities				
Capital lease obligations incurred	\$2,625	\$5,506	\$9,667	\$14,909
Contingent liabilities in connection with acquisition of businesses	\$—	\$186	\$—	\$1,110

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

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ARC DOCUMENT SOLUTIONS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except per share data or where otherwise noted)

(Unaudited)

1. Description of Business and Basis of Presentation

ARC Document Solutions, Inc. ("ARC Document Solutions," "ARC" or the "Company") is a leading document solutions company serving businesses of all types, with an emphasis on the non-residential segment of the architecture, engineering and construction ("AEC") industry. ARC offers a variety of services including: Construction Document Information Management ("CDIM"), Managed Print Services ("MPS"), and Archive and Information Management ("AIM"). In addition, ARC also sells Equipment and Supplies. The Company conducts its operations through its wholly-owned operating subsidiary, ARC Document Solutions, LLC, a Texas limited liability company, and its affiliates.

Basis of Presentation

The accompanying interim Condensed Consolidated Financial Statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and in conformity with the requirements of the SEC. As permitted under those rules, certain footnotes or other financial information required by GAAP for complete financial statements have been condensed or omitted. In management's opinion, the accompanying interim Condensed Consolidated Financial Statements presented reflect all adjustments of a normal and recurring nature that are necessary to fairly present the interim Condensed Consolidated Financial Statements. All material intercompany accounts and transactions have been eliminated in consolidation. The operating results for the three and nine months ended September 30, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the interim Condensed Consolidated Financial Statements and accompanying notes. The Company evaluates its estimates and assumptions on an ongoing basis and relies on historical experience and various other factors that it believes to be reasonable under the circumstances to determine such estimates. Actual results could differ from those estimates, and such differences may be material to the interim Condensed Consolidated Financial Statements.

These interim Condensed Consolidated Financial Statements and accompanying notes should be read in conjunction with the consolidated financial statements and notes included in the Company's 2014 Form 10-K.

Recent Accounting Pronouncements

In July 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-11, Simplifying the Measurement of Inventory. The new guidance requires that inventory be measured at the lower of cost or net realizable value and amends existing guidance which requires inventory be measured at the lower of cost or market. Replacing the concept of market with the single measurement of net realizable value is intended to create efficiencies for financial statement preparers. ASU 2015-11 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early adoption is permitted. The Company is currently in the process of evaluating the impact of the adoption of ASU 2015-11 on its condensed consolidated financial statements.

In April 2015, the FASB issued ASU 2015-05, Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement. The new guidance amends Accounting Standards Codification ("ASC") 350-40, Intangibles - Goodwill and Other, Internal-Use Software, to provide guidance on determining whether a cloud computing arrangement contains a software license that should be accounted for as internal-use software. ASU 2015-05 is effective for annual reporting periods beginning after December 15, 2015, including interim periods within that reporting period. Early adoption is permitted. The Company is currently in the process of evaluating the impact of the adoption of ASU 2015-05 on its condensed consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs, which changes the presentation of deferred financing fees in an entity's financial

statements. Under the ASU, deferred financing fees are to be presented in the balance sheet as a direct deduction from the related debt liability rather than as an asset. ASU 2015-03 is effective for annual reporting periods beginning after December 15, 2015, including interim periods within that reporting period. Early adoption is permitted. The Company expects to adopt ASU 2015-03 for the quarterly report on Form 10-Q for the three months ended March 31, 2016. In August 2014, the FASB issued ASU 2014-15, Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. ASU 2014-15 requires management to evaluate whether there is substantial doubt about an entity's ability to continue

as a going concern and to provide related footnotes disclosures in certain circumstances. It is effective for annual and interim periods beginning on or after December 15, 2016, with early adoption permitted. We do not believe the adoption of this guidance will have an impact on our condensed consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the existing revenue recognition requirements in "Revenue Recognition (Topic 605)." The new guidance requires entities to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received in exchange for those goods or services. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Early adoption is not permitted. The Company is currently in the process of evaluating the impact of the adoption of ASU 2014-09 on its condensed consolidated financial statements.

In April 2014, the FASB issued ASU 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. The new guidance raises the threshold for a disposal to qualify as a discontinued operation and requires new disclosures of both discontinued operations and certain other disposals that do not meet the definition of a discontinued operation. It was effective for annual periods beginning on or after December 15, 2014. The adoption of ASU 2014-08 had no impact to the Company's condensed consolidated financial statements.

#### Segment Reporting

The provisions of ASC 280, Disclosures about Segments of an Enterprise and Related Information, require public companies to report financial and descriptive information about their reportable operating segments. The Company identifies operating segments based on the various business activities that earn revenue and incur expense and whose operating results are reviewed by the Company's Chief Executive Officer, who is the Company's chief operating decision maker. Because its operating segments have similar products and services, classes of customers, production processes, distribution methods and economic characteristics, the Company operates as a single reportable segment. In an effort to more closely align the Company's financial presentation to how it markets its services and products to its customers, during the first quarter of 2015, the Company re-categorized its offerings to better report distinct sales recognized from CDIM, MPS, AIM, and Equipment and Supplies Sales. MPS is a new categorization of sales, which combines the Company's previously reported Onsite Services sales with sales generated from the servicing of equipment, which was previously included in Traditional Reprographics. In addition, sales generated from the Company's AIM services were split out from the Company's previously reported Digital Services category and presented separately. The remaining sales generated from Traditional Reprographics, Color Services and Digital Services were combined into CDIM. Equipment and Supplies sales remained unchanged. Amounts for the prior year have been recast to conform to the current year presentation in the table below. The Company believes the updated presentation of its sales categories reflects the drivers of its consolidated sales and will provide greater insight into the opportunities and risk diversification provided by the Company's portfolio of service and product offerings.

Net sales of the Company's principal services and products were as follows:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Service Sales				
CDIM	\$54,710	\$55,352	\$168,187	\$166,234
MPS	35,923	36,464	108,934	105,216
AIM	3,751	2,610	9,924	8,105
Total service sales	94,384	94,426	287,045	279,555
Equipment and supplies sales	12,034	12,381	37,081	36,607
Total net sales	\$106,418	\$106,807	\$324,126	\$316,162

#### Risk and Uncertainties

The Company generates the majority of its revenue from sales of services and products to customers in the AEC industry. As a result, the Company's operating results and financial condition can be significantly affected by

economic factors that influence the AEC industry, such as non-residential construction spending, GDP growth, interest rates, unemployment rates, and office vacancy rates. Reduced activity (relative to historic levels) in the AEC industry would diminish demand for some of ARC's services

and products, and would therefore negatively affect revenues and have a material adverse effect on its business, operating results and financial condition.

As part of the Company's growth strategy, ARC intends to continue to offer and grow a variety of service offerings that are relatively new to the Company. The success of the Company's efforts will be affected by its ability to acquire new customers for the Company's new service offerings, as well as to sell the new service offerings to existing customers. The Company's inability to successfully market and execute these relatively new service offerings could significantly affect its business and reduce its long term revenue, resulting in an adverse effect on its results of operations and financial condition.

## 2. Earnings per Share

The Company accounts for earnings per share in accordance with ASC 260, Earnings Per Share. Basic earnings per share is computed by dividing net income attributable to ARC by the weighted-average number of common shares outstanding for the period. Diluted earnings per common share is computed similarly to basic earnings per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if common shares subject to outstanding options and acquisition rights had been issued and if the additional common shares were dilutive. Common share equivalents are excluded from the computation if their effect is anti-dilutive. For the three and nine months ended September 30, 2015, stock options for 2.1 million and 1.5 million common shares, respectively, were excluded from the calculation of diluted net income attributable to ARC per common share because they were anti-dilutive. For both the three and nine months ended September 30, 2014, stock options of 1.7 million common shares, were excluded from the calculation of diluted net income attributable to ARC per common share because they were anti-dilutive. The Company's common share equivalents consist of stock options issued under the Company's stock plan.

Basic and diluted weighted average common shares outstanding were calculated as follows for the three and nine months ended September 30, 2015 and 2014:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Weighted average common shares outstanding during the period—basic	46,698	46,338	46,601	46,195
Effect of dilutive stock options	859	677	940	661
Weighted average common shares outstanding during the period—diluted	47,557	47,015	47,541	46,856

## 3. Restructuring Expenses

To ensure that the Company's costs and resources were in line with demand for its current portfolio of services and products, management initiated a restructuring plan in the fourth quarter of 2012. Restructuring activities associated with the plan concluded in the fourth quarter of 2013. Through December 31, 2013, the restructuring plan included the closure or downsizing of 56 of the Company's service centers, which represented more than 25% of its total number of service center locations. In addition, as part of the restructuring plan, the Company reduced headcount and middle management associated with its service center locations, streamlined the senior operational management team, and allocated more resources into growing sales categories such as MPS. The reduction in headcount totaled approximately 300 full-time employees, which represented approximately 10% of the Company's then current total workforce. To date, the Company has incurred \$6.7 million of expense related to its restructuring plan.

Restructuring expenses include employee termination costs, estimated lease termination and obligation costs, and other restructuring expenses. Restructuring expenses for the three and nine months ended September 30, 2015 primarily consisted of revised estimated lease termination and obligation costs resulting from facilities closed in 2013. The following table summarizes restructuring expenses incurred in the three and nine