ARC DOCUMENT SOLUTIONS, INC.
Form 10-Q
August 06, 2014

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

Form 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2014

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)	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)

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 ý 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 ý 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 ý
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 ý

As of July 31, 2014, there were 46,682,151 shares of the issuer’s common stock outstanding.

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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 a 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)	June 30, 2014	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	$24,206	$27,362
Accounts receivable, net of allowances for accounts receivable of $2,506 and $2,517	63,622	56,328
Inventories, net	16,013	14,047
Deferred income taxes	207	356
Prepaid expenses	4,455	4,324
Other current assets	3,275	4,013
Total current assets	111,778	106,430
Property and equipment, net of accumulated depreciation of $214,115 and $206,636	57,923	56,181
Goodwill	212,608	212,608
Other intangible assets, net	26,078	27,856
Deferred financing fees, net	2,866	3,242
Deferred income taxes	1,254	1,186
Other assets	2,420	2,419
Total assets	$414,927	$409,922
Liabilities and Equity		
Current liabilities:		
Accounts payable	$25,793	$23,363
Accrued payroll and payroll-related expenses	11,698	11,497
Accrued expenses	23,096	21,365
Current portion of long-term debt and capital leases	13,859	21,500
Total current liabilities	74,446	77,725
Long-term debt and capital leases	196,977	198,228
Deferred income taxes	32,724	31,667
Other long-term liabilities	3,190	3,163
Total liabilities	307,337	310,783
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; 46,751 and 46,365 shares issued and 46,682 and 46,320 shares outstanding	46	46
Additional paid-in capital	108,525	105,806
Retained deficit	(8,687)	(14,628)
Accumulated other comprehensive income	655	634
	100,539	91,858
Less cost of common stock in treasury, 69 and 45 shares	319	168
Total ARC Document Solutions, Inc. stockholders’ equity	100,220	91,690
Noncontrolling interest	7,370	7,449

Total equity	107,590	99,139
Total liabilities and equity	$414,927	$409,922

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands, except per share data)	2014	2013	2014	2013
Service sales	$96,198	$91,628	$185,129	$179,428
Equipment and supplies sales	12,784	12,994	24,226	25,230
Total net sales	108,982	104,622	209,355	204,658
Cost of sales	69,775	69,011	136,214	136,668
Gross profit	39,207	35,611	73,141	67,990
Selling, general and administrative expenses	28,283	24,891	54,389	48,664
Amortization of intangible assets	1,503	1,699	3,001	3,446
Restructuring expense	271	636	754	1,108
Income from operations	9,150	8,385	14,997	14,772
Other income	(23)	(35)	(49)	(61)
Interest expense, net	3,944	6,076	7,857	12,117
Income before income tax provision	5,229	2,344	7,189	2,716
Income tax provision	607	1,467	1,271	1,156
Net income	4,622	877	5,918	1,560
(Income) loss attributable to noncontrolling interest	(77)	(155)	23	(423)
Net income attributable to ARC Document Solutions, Inc. shareholders	$4,545	$722	$5,941	$1,137
Earnings per share attributable to ARC Document Solutions, Inc. shareholders:				
Basic	$0.10	$0.02	$0.13	$0.02
Diluted	$0.10	$0.02	$0.13	$0.02
Weighted average common shares outstanding:				
Basic	46,254	45,901	46,122	45,832
Diluted	46,834	46,058	46,759	45,884

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2014	2013	2014	2013
Net income	$4,622	$877	$5,918	$1,560
Other comprehensive loss, net of tax				
Foreign currency translation adjustments	268	27	(35)	(126)
Other comprehensive loss, net of tax	268	27	(35)	(126)
Comprehensive income	4,890	904	5,883	1,434
Comprehensive income (loss) attributable to noncontrolling interest	86	266	(79)	575
Comprehensive income attributable to ARC Document Solutions, Inc. shareholders	$4,804	$638	$5,962	$859

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

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

	ARC Document Solutions, Inc. Shareholders							
	Common Stock							
(In thousands, except per share data)	Shares	Par Value	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (loss)	Common Stock in Treasury	Noncontrolling Interest	Total
Balance at December 31, 2012	46,274	$46	$102,510	$695	$ 689	$(44)	$ 6,941	$110,837
Stock-based compensation	51	—	1,321	—	—	—	—	1,321
Issuance of common stock under Employee Stock Purchase Plan	3	—	9	—	—	—	—	9
Treasury shares	28	—	—	—	—	(90)	—	(90)
Comprehensive income:								
Net income	—	—	—	1,137	—	—	423	1,560
Foreign currency translation adjustments	—	—	—	—	(278)	—	152	(126)
Comprehensive income								1,434
Balance at June 30, 2013	46,356	$46	$103,840	$1,832	$ 411	$(134)	$ 7,516	$113,511

	ARC Document Solutions, Inc. Shareholders							
	Common Stock							
(In thousands, except per share data)	Shares	Par Value	Additional Paid-in Capital	Retained Deficit	Accumulated Other Comprehensive Income	Common Stock in Treasury	Noncontrolling Interest	Total
Balance at December 31, 2013	46,365	$46	$105,806	$(14,628)	$ 634	$(168)	$ 7,449	$99,139
Stock-based compensation	173	—	1,662	—	—	—	—	1,662
Issuance of common stock under Employee Stock Purchase Plan	9	—	48	—	—	—	—	48
Stock options exercised	180	—	1,009	—	—	—	—	1,009
Treasury shares	24	—	—	—	—	(151)	—	(151)
Comprehensive income:								
Net income (loss)	—	—	—	5,941	—	—	(23)	5,918
Foreign currency translation adjustments	—	—	—	—	21	—	(56)	(35)
Comprehensive income								5,883
Balance at June 30, 2014	46,751	$46	$108,525	$(8,687)	$ 655	$(319)	$ 7,370	$107,590

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2014	2013	2014	2013
Cash flows from operating activities				
Net income	$4,622	$877	$5,918	$1,560
Adjustments to reconcile net income to net cash provided by operating activities:				
Allowance for accounts receivable	100	301	247	446
Depreciation	7,029	7,020	14,024	13,975
Amortization of intangible assets	1,503	1,699	3,001	3,446
Amortization of deferred financing costs	214	278	397	561
Amortization of discount on long-term debt	224	167	449	332
Stock-based compensation	881	729	1,662	1,321
Deferred income taxes	2,279	1,145	4,172	736
Deferred tax valuation allowance	(1,748)	154	(3,037)	174
Restructuring expense, non-cash portion	7	235	391	293
Other non-cash items, net	(157)	(181)	(327)	(295)
Changes in operating assets and liabilities:				
Accounts receivable	(4,059)	(2,666)	(7,494)	(11,849)
Inventory	85	234	(1,929)	280
Prepaid expenses and other assets	415	(619)	637	3,090
Accounts payable and accrued expenses	2,629	(1,263)	3,627	5,921
Net cash provided by operating activities	14,024	8,110	21,738	19,991
Cash flows from investing activities				
Capital expenditures	(3,032)	(4,430)	(6,597)	(10,042)
Payments related to business acquisitions	(342)	—	(342)	—
Other	236	182	400	539
Net cash used in investing activities	(3,138)	(4,248)	(6,539)	(9,503)
Cash flows from financing activities				
Proceeds from stock option exercises	568	—	1,009	—
Proceeds from issuance of common stock under Employee Stock Purchase Plan	27	9	48	9
Share repurchases, including shares surrendered for tax withholding	(151)	(90)	(151)	(90)
Proceeds from borrowings on long-term debt agreements	—	402	—	402
Payments on long-term debt agreements and capital leases	(10,477)	(3,075)	(18,440)	(6,407)
Net (repayments) borrowings under revolving credit facilities	(697)	929	(295)	(210)
Payment of deferred financing costs	3	—	(454)	—
Net cash used in financing activities	(10,727)	(1,825)	(18,283)	(6,296)
Effect of foreign currency translation on cash balances	54	121	(72)	164
Net change in cash and cash equivalents	213	2,158	(3,156)	4,356
Cash and cash equivalents at beginning of period	23,993	30,219	27,362	28,021
Cash and cash equivalents at end of period	$24,206	$32,377	$24,206	$32,377
Supplemental disclosure of cash flow information				
Noncash financing activities				

Capital lease obligations incurred	$5,315	$2,992	$9,403	$4,246
Contingent liabilities in connection with business acquisitions	$924	$—	$924	$—

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

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 the nation's leading document solutions provider for the architectural, engineering and construction (“AEC”) industry while also providing document solutions to businesses of all types. ARC offers a variety of services including: Onsite Services, Digital Services, Color Services, and Traditional Reprographics Services. In addition, ARC also sells Equipment and Supplies. The Company conducts its operations through its wholly-owned operating subsidiary, American Reprographics Company, L.L.C., a California limited liability company, and its subsidiaries.

Basis of Presentation

The accompanying interim Condensed Consolidated Financial Statements are prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and in conformity with the requirements of the 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 six months ended June 30, 2014 are not necessarily indicative of the results that may be expected for the year ending December 31, 2014.

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 2013 Form 10-K.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09 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, 2016, 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. 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 is effective for annual periods beginning on or after December 15, 2014. Early adoption is permitted but only for disposals that have not been reported in financial statements previously issued. The Company is currently in the process of evaluating the impact of the adoption on its condensed consolidated financial statements.

In March 2013, the FASB issued ASU 2013-05. The new guidance covers the accounting for a cumulative translation adjustment on the parent entity upon de-recognition of a subsidiary or group of assets within a foreign entity. This new guidance requires that the parent release any related cumulative translation adjustment into net income only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided. The adoption of ASU 2013-05 had no impact to the Company’s condensed consolidated financial statements.

Segment Reporting

The provisions of Accounting Standards Codification ("ASC") 280, Disclosures about Segments of an Enterprise and Related Information, require public companies to report financial and descriptive information about their reportable operating segments. The Company identifies operating segments based on the various business activities that earn revenue and incur expense, whose operating results are reviewed by the Company's Chief Executive Officer and Chief Operating Officer, who, acting jointly, are deemed to be the chief operating decision makers. Because its operating segments have similar products and services, classes of customers, production processes and economic characteristics, the Company is deemed to operate as a single reportable segment.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Service Sales				
Traditional reprographics	$30,181	$30,516	$58,506	$60,074
Color	23,148	21,846	44,313	42,751
Digital	8,759	8,690	16,818	17,051
Subtotal	62,088	61,052	119,637	119,876
Onsite services(1)	34,110	30,576	65,492	59,552
Total services sales	96,198	91,628	185,129	179,428
Equipment and supplies sales	12,784	12,994	24,226	25,230
Total net sales	$108,982	$104,622	$209,355	$204,658

(1) Represents work done at the Company’s customer sites which includes Managed Print Services (“MPS”) and Facilities Management (“FM”).

Risk and Uncertainties

The Company generates the majority of its revenue from sales of services and products to the AEC industry. As a result, the Company’s operating results and financial condition can be significantly affected by economic factors that influence the AEC industry, such as non-residential 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 share is computed similar to basic earnings per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if common shares subject to outstanding options and acquisition rights had been issued and if the additional common shares were dilutive. Common stock equivalents are excluded from the computation if their effect is anti-dilutive. For the three and six months ended June 30, 2014, stock options for 2.3 million and 1.7 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 the three and six months ended June 30, 2013, stock options for 2.2 million and 3.8 million common shares were excluded from the calculation of diluted net income attributable to ARC per common share because they were anti-dilutive.

Basic and diluted earnings per share for the three and six months ended June 30, 2014 and 2013 were calculated using the following common shares:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Weighted average common shares outstanding—basic	46,254	45,901	46,122	45,832
Effect of dilutive impact on equity-based compensation awards	580	157	637	52
Weighted average common shares outstanding—diluted	46,834	46,058	46,759	45,884

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 Onsite services. The reduction in headcount totaled approximately 300 full-time employees, which represented approximately 10% of the Company's total workforce. To date, the Company has incurred $6.6 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 six months ended June 30, 2014 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 six months ended June 30, 2014 and 2013:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Employee termination costs	$—	$—	$—	$11
Estimated lease termination and obligation costs	165	559	532	966
Other restructuring expenses	106	77	222	131
Total restructuring expenses	$271	$636	$754	$1,108

The changes in the restructuring liability from December 31, 2013 through June 30, 2014 are summarized as follows:

	Six Months Ended June 30, 2014
Balance, December 31, 2013	$539
Restructuring expenses	754
Payments	(616)
Balance, June 30, 2014	$677

4. Goodwill and Other Intangibles Resulting from Business Acquisitions

Goodwill

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

In accordance with ASC 350, Intangibles—Goodwill and Other, the Company assesses goodwill for impairment annually as of September 30, and more frequently if events and circumstances indicate that goodwill might be impaired. At September 30, 2013, the Company assessed goodwill for impairment and determined that goodwill was not impaired.

Based upon its assessment, the Company concluded that no goodwill impairment triggering events have occurred during 2014 that would require an interim goodwill impairment test.

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

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

The Company determines the fair value of its reporting units using an income approach. Under the income approach, the Company determined fair value based on estimated discounted future cash flows of each reporting unit. The cash flows are discounted by an estimated weighted-average cost of capital, which is intended to reflect the overall level of inherent risk of a reporting unit. Determining the fair value of a reporting unit is judgmental in nature and requires the use of significant estimates and assumptions, including revenue growth rates and EBITDA margins, discount rates and future market conditions, among others. The Company considered market information in assessing the reasonableness of the fair value under the income approach outlined above.

Given the current economic environment, the changing document and printing needs of the Company's customers, and the uncertainties regarding the related impact on the Company's business, there can be no assurance that the estimates and assumptions made for purposes of the Company's goodwill impairment testing in 2013 will prove to be accurate predictions of the future. If the Company's assumptions, including forecasted EBITDA of certain reporting units, are not achieved, the Company may be required to record additional goodwill impairment charges in future periods, whether in connection with the Company's next annual impairment testing in the third quarter of 2014, or on an interim basis, if any such change constitutes a triggering event (as defined under ASC 350, Intangibles—Goodwill and Other) outside of the quarter when the Company regularly performs its annual goodwill impairment test. It is not possible at this time to determine if any such future impairment charge would result or, if it does, whether such charge would be material.

There was no change to the carrying amount of goodwill from January 1, 2013 through June 30, 2014.

See "Critical Accounting Policies" in Management's Discussion and Analysis of Financial Condition and Results of Operations for further information