American Reprographics CO
Form S-1/A
February 01, 2005

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As filed with the Securities and Exchange Commission on February 1, 2005
Registration No. 333-119788

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Amendment No. 3
to

Form S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

American Reprographics Company
(Exact Name of Registrant as Specified in Its Charter)

Delaware	**7334**	**20-1700361**
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification Number)*

700 North Central Avenue, Suite 550

Glendale, California 91203
(818) 500-0225
(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Sathiyamurthy Chandramohan
Chief Executive Officer
American Reprographics Company
700 North Central Avenue, Suite 550
Glendale, California 91203
(818) 500-0225
(Name, address, including zip code, and telephone number, including area code, of agent for service)
Copies to:

Teresa V. Pahl	**Brett E. Cooper**	**Frank H. Golay, Jr.**
Hanson, Bridgett, Marcus, Vlahos & Rudy, LLP	**Orrick, Herrington & Sutcliffe LLP**	**Sullivan & Cromwell LLP**
333 Market Street, Suite 2100	**The Orrick Building**	**1888 Century Park East**
San Francisco, California 94105	**405 Howard Street**	**Los Angeles, California 90067**
(415) 777-3200	**San Francisco, California 94105**	**(310) 712-6600**
	(415) 773-5700	

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price(1)(2)	Amount of Registration Fee
Common Stock, $.001 par value per share	15,352,500	$16.00	$245,640,000	$30,982(3)

(1) Includes shares to be sold upon exercise of the underwriters over-allotment option.

(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.

(3) Previously paid.

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion. Dated February 1, 2005.

13,350,000 Shares

Common Stock

This is an initial public offering of shares of common stock of American Reprographics Company (ARC).

ARC is offering 7,666,667 of the shares to be sold in the offering. The selling stockholders identified in this prospectus are offering an additional 5,683,333 shares. ARC will not receive any of the proceeds from the sale of the shares being sold by the selling stockholders.

Prior to this offering, there has been no public market for the common stock. It is currently estimated that the initial public offering price will be between $14.00 and $16.00 per share. ARC s common stock has been approved for listing on the New York Stock Exchange under the symbol ARP .

See Risk Factors beginning on page 12 to read about factors you should consider before buying shares of the common stock.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Initial public offering price	$	$
Underwriting discount	$	$
Proceeds, before expenses, to ARC	$	$
Proceeds, before expenses, to the selling stockholders	$	$

To the extent the underwriters sell more than 13,350,000 shares of common stock, the underwriters have the option to purchase up to an additional 2,002,500 shares of common stock from the selling stockholders at the initial public offering price less the underwriting discount.

The underwriters expect to deliver the shares against payment in New York, New York on 2005.

Goldman, Sachs & Co. **JPMorgan**

Credit Suisse First Boston

Robert W. Baird & Co. **CIBC World Markets**

Prospectus dated 2005.

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PROSPECTUS SUMMARY

This summary highlights only selected information contained elsewhere in this prospectus and does not contain all of the information you should consider before investing in our common stock. You should read this entire prospectus carefully, including Risk Factors, Forward-Looking Statements, and the consolidated financial statements and related notes.

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 also require sophisticated document management services. We provide our core services through our suite of reprographics technology products, a network of 177 locally branded reprographics service centers in 135 cities, and more than 1,760 facilities management programs at our customers locations throughout the country. Our 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 more than 65,000 active customers and employ over 3,450 people, including a sales force of approximately 270 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 more than eight times as many cities and with more than five times the number of service facilities as our next largest competitor.

Reprographics services typically encompass the management and reproduction of construction documents or other graphics-related material and the 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*. We also sell reprographics equipment and supplies to complement these offerings. We also serve other independent reprographers by licensing our suite of reprographics technology products, including our flagship internet-based application, PlanWell. In addition, we operate PEiR (Profit and Education in Reprographics), a privately held trade organization through which we charge membership fees and provide purchasing, technology and educational benefits to other reprographers, while promoting our reprographics technology as the industry standard.

For the year ended December 31, 2003, our net sales were $416.0 million, our income from operations was $61.0 million, and our net income was $3.6 million. For the nine months ended September 30, 2004, our net sales were $336.3 million, our income from operations was $56.9 million, and our net income was $25.5 million. For the nine months ended September 30, 2004, we believe that the AEC market accounted for approximately 80% of our net sales, with the remaining 20% consisting of sales to non-AEC markets.

Industry Overview

According to the International Reprographics Association, or IRgA, and other industry sources, the reprographics industry in the United States is estimated to be approximately $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 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 2005 is estimated at $1.0 trillion, with expenditures divided between residential construction (55%) and

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commercial and public, or non-residential, construction (45%). The $5 billion reprographics industry is approximately 0.5% of the $1.0 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 construction industry are projected to grow at an average of 5.4% 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 U.S. gross domestic product, or GDP, which is projected to have grown 4.4% in 2004 and is projected to grow 3.7% in 2005 according to Wall Street s consensus estimates.

Our Competitive Strengths

We believe that our growth will be driven by our competitive strengths, which 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 planrooms are 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 complementary services and increase our revenue.

Extensive National Footprint with Regional Expertise. Our national network of service centers maintains local customer relationships while benefiting from our 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. We have also successfully retained approximately 93% of the managers of the 84 businesses we have acquired since 1997.

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Our Business Strategy

Our objective is to continue to strengthen our competitive position as the preferred provider of business-to-business *document management, document distribution and logistics, and print-on-demand services*. Our key strategies to accomplish this objective include:

Continue to Increase Our Market Penetration and Expand Our Nationwide Footprint. We intend to increase our existing presence in key U.S. markets while expanding into under-penetrated regions through our facilities management contracts, targeted branch openings, strategic acquisitions, and national accounts.

Õ*Facilities Management Contracts.* We expect to capitalize on the continued trend of our customers to outsource their document management services, including their in-house operations, thus building our base of recurring revenue while increasing our presence in local markets.

Õ*Targeted Branch Openings.* We seek to expand our geographic coverage, capture new customers and increase our market share by opening additional satellite branches at relatively low cost in regions near our established operations.

Õ*Strategic Acquisitions.* Because our industry consists primarily of small, privately-held companies that serve only local markets, we believe that we can continue to grow our business by successfully acquiring additional reprographics companies at reasonable prices.

Õ*National Accounts.* We will continue to pursue large customers that operate on regional and national levels through our Premier Accounts business unit, which offers a comprehensive suite of local reprographics services and centralized administrative functions to regional and national companies through our national network of reprographics service centers.

Promote PlanWell as the Industry Standard for Procuring Reprographics Services Online. Through continuing sales efforts and product enhancements, we plan to increase the market penetration of PlanWell and create a standardized, internet-based portal to manage, store, and retrieve documents. In order to achieve greater market share and build industry standardization, we will continue to license our PlanWell technology to other reprographics companies, including members of PEiR.

Expand Our Non-AEC and Ancillary Product and Service Offerings. By leveraging advances in digital production equipment and our expertise in providing highly customized, quick-turn services to the AEC industry, we will continue to actively pursue customers from non-AEC industries that require rapid production of educational and training materials, short-run publishing materials, and marketing materials.

In addition to expanding our non-AEC revenues, we continue to focus on creating new value-added services beyond traditional reprographics to offer all of our customers. We are actively engaged in services such as bid facilitation, print network management for offices and on-site production facilities, and on-demand color publishing. We seek to capitalize on our technological innovation to enhance our existing services and to create new reprographics technologies.

Corporate Reorganization

Our predecessor, Ford Graphics, was founded in Los Angeles, California in 1960. We are currently organized as American Reprographics Holdings, L.L.C., a California limited liability company, or Holdings. 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. Immediately prior to this offering, we will be reorganized as a Delaware corporation, American Reprographics Company. In this prospectus, unless the context indicates otherwise, we,

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us, American Reprographics, ARC, our company, and similar terms refer to Holdings and its consolidated subsidiaries.

Our principal executive offices are located at 700 North Central Avenue, Suite 550, Glendale, California 91203 and our telephone number at that address is (818) 500-0225. Our website address is www.e-arc.com. The information found on our website, however, is not a part of this prospectus.

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The Offering

Common stock offered by us	7,666,667 shares
Common stock offered by the selling stockholders	5,683,333 shares
Total common stock offered	13,350,000 shares (30.4% of common stock to be outstanding after this offering)
Common stock to be outstanding after this offering	43,963,796 shares
Use of proceeds	We expect to use approximately $28.0 million of the net proceeds from this offering to repurchase our preferred equity (including accrued interest); approximately $50.7 million to repay a portion of our senior second priority secured term loan facility; and the balance of approximately $24.9 million to repay a portion of our senior first priority secured term loan facility. We will not receive any proceeds from the sale of shares by the selling stockholders.
Dividend policy	We do not anticipate paying any dividends on our common stock in the foreseeable future.
New York Stock Exchange symbol	ARP

Unless otherwise noted, the information in this prospectus, including the information above:

- assumes our conversion from a California limited liability company to a Delaware corporation, which will occur prior to this offering;
- assumes 35,487,511 shares of common stock outstanding at September 30, 2004;
- excludes 1,712,915 shares of common stock subject to outstanding options at September 30, 2004 issued at a weighted average exercise price of $5.22 per share;
- excludes 22,500 shares of common stock issued upon option exercises since September 30, 2004;
- excludes 5,000,000 shares of common stock reserved for future issuance under our 2005 Stock Plan, and 750,000 shares of common stock reserved for future issuance under our 2005 Employee Stock Purchase Plan;
- includes a net of 809,618 shares of common stock (assuming an initial public offering price of $15.00 per share) issuable upon the exercise of outstanding warrants at September 30, 2004 issued at an exercise price of $4.61 per share, which will be issued upon the closing of this offering in connection with our conversion to a Delaware corporation; and
- assumes no exercise of the underwriters option to purchase additional shares.

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Summary Historical and Unaudited Pro Forma Financial Data

The summary historical and unaudited pro forma financial data presented below are derived from the audited financial statements of Holdings for the fiscal years ended December 31, 1999, 2000, 2001, 2002, and 2003, and for the nine-month period ended September 30, 2004, and the unaudited financial statements of Holdings for the nine-month period ended September 30, 2003. The summary historical financial data for the nine-month period ended September 30, 2003 is derived from unaudited interim financial statements which, in the opinion of management, include all normal, recurring adjustments necessary to state fairly the data included therein in accordance with generally accepted accounting principles, or GAAP, for interim financial information, except for pro forma data. Interim results are not necessarily indicative of the results to be expected for the entire fiscal year. The unaudited pro forma financial data set forth below give effect to our conversion to a Delaware corporation and the completion of this offering, as described in Use of Proceeds. The unaudited pro forma financial data are not necessarily indicative of our financial position or results of operations that might have occurred had the transactions they give effect to been completed as of the dates indicated and do not purport to represent what our financial position or results of operations might be for any future period or date. For additional information see Capitalization, Selected Historical and Unaudited Pro Forma Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations, and our audited financial statements and unaudited financial statements included elsewhere in this prospectus. The financial information for the years ended December 31, 2001, 2002 and 2003 and for the nine months ended September 30, 2003 and 2004 have been restated as discussed in footnote 1 below.

			Restated(1)				
	Fiscal Year Ended December 31,					Nine Months Ended September 30,	
	1999	2000	2001	2002	2003	2003	2004
						(Unaudited)	
			(Dollars in thousands)				
Statement of Operations Data:							
Reprographics services	$198,774	$287,995	$338,124	$324,402	$315,995	$242,507	$253,367
Facilities management	14,745	24,624	39,875	52,290	59,311	42,719	53,736
Equipment and supplies sales	10,317	38,480	42,702	42,232	40,654	31,112	29,195
Total net sales	223,836	351,099	420,701	418,924	415,960	316,338	336,298
Cost of sales	134,531	201,390	243,710	247,778	252,028	190,266	196,668
Gross profit	89,305	149,709	176,991	171,146	163,932	126,072	139,630
Selling, general and administrative expenses	53,730	89,371	104,004	103,305	101,252	76,127	81,434
Amortization of intangibles	2,823	3,966	5,801	1,498	1,709	1,269	1,267
Costs incurred in connection with the 2000 recapitalization		20,544					
Write-off of intangible assets			3,438				
Income from operations	32,752	35,828	63,748	66,343	60,971	48,676	56,929
Other income	638	713	304	541	1,024	1,080	574
Interest expense, net	(9,215)	(29,238)	(47,530)	(39,917)	(39,390)	(28,958)	(25,089)
Loss on early extinguishment of debt		(1,195)			(14,921)		
Income before income tax provision	24,175	6,108	16,522	26,967	7,684	20,798	32,414
Income tax provision	4,068	4,784	5,787	6,267	4,131	4,220	6,940
Net income	20,107	1,324	10,735	20,700	3,553	16,578	25,474
Dividends and amortization of discount on preferred members equity		(2,158)	(3,107)	(3,291)	(1,730)	(1,730)	

Net income (loss) attributable to common members	20,107	(834)	7,628	17,409	1,823	14,848	25,474
Unaudited pro forma incremental income tax provision(2)	5,304	2,618	2,574	6,211	673	5,180	7,714
Unaudited pro forma net income (loss) attributable to common members	$ 14,803	$ (3,452)	$ 5,054	$ 11,198	$ 1,150	$ 9,668	$ 17,760

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	Restated(1)						
	Fiscal Year Ended December 31,					Nine Months Ended September 30,	
	1999	2000	2001	2002	2003	2003	2004
	(In thousands, except per unit amounts)					(Unaudited)	
Net income (loss) attributable to common members per common unit:							
Basic	$ 0.82	$ (0.02)	$ 0.21	$ 0.48	$ 0.05	$ 0.42	$ 0.72
Diluted	$ 0.82	$ (0.02)	$ 0.21	$ 0.47	$ 0.05	$ 0.40	$ 0.68
Unaudited pro forma net income (loss) attributable to common members per common unit:							
Basic	$ 0.60	$ (0.10)	$ 0.14	$ 0.31	$ 0.03	$ 0.27	$ 0.50
Diluted	$ 0.60	$ (0.10)	$ 0.14	$ 0.30	$ 0.03	$ 0.26	$ 0.47
Weighted average units:							
Basic	24,571	35,308	36,629	36,406	35,480	35,478	35,488
Diluted	24,571	35,371	36,758	36,723	37,298	37,307	37,474

	Restated(1)						
	Fiscal Year Ended December 31,					Nine Months Ended September 30,	
	1999	2000	2001	2002	2003	2003	2004
	(Dollars in thousands)					(Unaudited)	
Other Financial Data:							
EBIT(3)	$33,390	$35,346	$64,052	$66,884	$47,074	$49,756	$57,503
EBITDA(3)	$42,932	$50,288	$89,494	$86,062	$67,011	$64,975	$71,842
Adjusted EBITDA(3)	$42,932	$72,027	$89,494	$86,062	$81,932	$64,975	$71,842
Adjusted EBIT margin(3)	14.9%	16.3%	15.2%	16.0%	14.9%	15.7%	17.1%
Adjusted EBITDA margin(3)	19.2%	20.5%	21.3%	20.5%	19.7%	20.5%	21.4%
Depreciation and amortization(4)	$ 9,542	$14,942	$25,442	$19,178	$19,937	$15,219	$14,339
Capital expenditures, net	$ 3,877	$ 5,228	$ 8,659	$ 5,209	$ 4,992	$ 3,348	$ 4,772
Interest expense	$ 9,215	$29,238	$47,530	$39,917	$39,390	$28,958	$25,089

	Restated(1)						
						As of September 30, 2004,	
	As of December 31,						Pro Forma As Adjusted(5)
	1999	2000	2001	2002	2003	Actual	
	(Dollars in thousands)						(Unaudited)
Balance Sheet Data:							
Cash and cash equivalents	$ 15,814	$ 31,565	$ 29,110	$ 24,995	$ 17,315	$ 12,008	$ 2,911

Total assets	$204,464	$358,026	$372,583	$395,128	$374,716	$377,617	$366,935
Long-term obligations and mandatorily redeemable preferred and common membership units(6)(7)	$123,951	$359,746	$371,515	$378,102	$360,008	$347,700	$244,100
Total members equity (deficit)(8)	$ 32,422	$ (80,479)	$ (78,955)	$ (61,082)	$ (60,015)	$ (38,299)	$ 71,465
Working capital	$ 15,379	$ 34,742	$ 24,338	$ 24,371	$ 16,809	$ 27,910	$ 18,813

(1) The accompanying consolidated financial statements for the years ended December 31, 2001, 2002 and 2003 and for the nine months ended September 30, 2003 and 2004 have been restated to properly record separately identifiable intangible assets including customer relationships and trade names apart from goodwill and reflect amortization expense of such intangible assets previously recorded as goodwill and not subject to amortization. In connection with our acquisition of businesses during the years ended December 31, 2001, 2002, and 2003, and the nine months ended September 30, 2004, we had previously recorded the entire excess purchase price over the fair value of net assets

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acquired to goodwill. However, we subsequently determined in accordance with provisions of SFAS 141, Business Combinations, that approximately $15.9 million of the excess purchase price from these acquisitions should have been allocated to other intangible assets at the respective acquisition dates and amortized over their estimated useful lives. See Note 1 to our consolidated financial statements for additional detail.

The restatement resulted in us recording other intangible assets during the periods ended December 31, 2002 and 2003 and September 30, 2004 consisting of customer relationships of $11.2 million, $615,000 and $484,000, and trade names of $1.4 million, $4,000 and $0, respectively, apart from goodwill at the respective acquisition dates. In addition, the restatement for the years ended December 31, 2001, 2002, and 2003 and the nine months ended September 30, 2003 and 2004 increased previously reported amortization expense by approximately $70,000, $1.3 million, $1.6 million, $1.2 million and $1.2 million, respectively.

The following table represents the effects of the restatement on previously reported balances for all periods presented:

	As Previously Reported			As Restated		
	December 31,		September 30,	December 31,		September 30,
Consolidated Balance Sheets	2002	2003	2004	2002	2003	2004
	(Dollars in thousands)					
Goodwill	$242,134	$243,668	$245,999	$228,144	$229,059	$230,639
Other intangible assets	$	$	$	$ 13,737	$ 12,647	$ 11,864
Other assets	$ 2,030	$ 2,043	$ 1,689	$ 1,734	$ 1,878	$ 1,593
Total assets	$395,677	$376,843	$381,209	$395,128	$374,716	$377,617
Accumulated earnings	$ 54,667	$ 59,608	$ 86,994	$ 53,369	$ 56,922	$ 82,396
Total members deficit	$ (59,784)	$ (57,329)	$ (33,861)	$ (61,082)	$ (60,015)	$ (38,299)

	As Previously Reported					As Restated				
	Year Ended December 31,			Nine Months Ended September 30,		Year Ended December 31,			Nine Months Ended September 30,	
Consolidated Statements of Operations	2001	2002	2003	2003	2004	2001	2002	2003	2003	2004
	(Dollars in thousands, except per unit amounts)									
Amortization of intangibles	$ 5,731	$ 218	$ 131	$ 99	$ 69	$ 5,801	$ 1,498	$ 1,709	$ 1,269	$ 1,267
Income from operations	$63,818	$67,623	$62,549	$49,846	$58,394	$63,748	$66,343	$60,971	$48,676	$56,929
Income before income tax provision	$16,592	$28,247	$ 9,262	$21,968	$34,462	$16,522	$26,967	$ 7,684	$20,798	$32,414
Income tax provision	$ 5,802	$ 6,304	$ 4,321	$ 4,417	$ 7,076	$ 5,787	$ 6,267	$ 4,131	$ 4,220	$ 6,940
Net income	$10,790	$21,943	$ 4,941	$17,551	$27,386	$10,735	$20,700	$ 3,553	$16,578	$25,474
Net income attributable to common members	$ 7,683	$18,652	$ 3,211	$15,821	$27,386	$ 7,628	$17,409	$ 1,823	$14,848	$25,474
Net income attributable to common members per common unit										
Basic	$ 0.21	$ 0.51	$ 0.09	$ 0.45	$ 0.77	$ 0.21	$ 0.48	$ 0.05	$ 0.42	$ 0.72
Diluted	$ 0.21	$ 0.51	$ 0.09	$ 0.42	$ 0.73	$ 0.21	$ 0.47	$ 0.05	$ 0.40	$ 0.68
Unaudited pro forma net income attributable to common members	$ 5,061	$12,377	$ 1,804	$10,253	$19,011	$ 5,054	$11,198	$ 1,150	$ 9,668	$17,760

Unaudited pro forma net income attributable to common members per common unit:																				
Basic	$	0.14	$	0.34	$	0.05	$	0.29	$	0.54	$	0.14	$	0.31	$	0.03	$	0.27	$	0.50
Diluted	$	0.14	$	0.34	$	0.05	$	0.27	$	0.51	$	0.14	$	0.30	$	0.03	$	0.26	$	0.47

(2) Until our reorganization, which will be effective prior to the closing of this offering, a substantial portion of our business will continue to operate as a limited liability company, or LLC, and taxed as a partnership. As a result, the members of the LLC pay the income taxes on the earnings. The unaudited pro forma incremental income tax provision amounts reflected in the table above were calculated as if our reorganization became effective on January 1, 1999.

(3) Non-GAAP Measures.

EBIT, EBITDA and Adjusted EBITDA (and related ratios presented in this prospectus) 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 liquidity.

EBIT is a non-GAAP measure that represents earnings before interest expense and income taxes. EBITDA is a non-GAAP measure that represents earnings before interest expense, income taxes, depreciation, and amortization. Adjusted

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EBITDA represents EBITDA adjusted to exclude the impact of costs incurred in connection with our recapitalization in 2000 and loss on early extinguishment of debt. Adjusted EBIT margin is a non-GAAP measure that is calculated by subtracting depreciation and amortization from adjusted EBITDA and dividing the result by net sales. Adjusted EBITDA margin is a non-GAAP measure that is calculated by dividing adjusted EBITDA by net sales.

We calculate Adjusted EBITDA by adjusting EBITDA to eliminate the impact of a number of items we do not consider indicative of our ongoing operations and for the other reasons noted below. You are encouraged to evaluate each adjustment and whether you consider it appropriate. In addition, in evaluating Adjusted EBITDA, you should be aware that in the future we may incur expenses similar to the adjustments in the presentation of Adjusted EBITDA. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

We present EBIT, EBITDA and Adjusted EBITDA (and related ratios presented in this prospectus) because we consider them important supplemental measures of our performance and liquidity and believe that such measures are meaningful to investors for the reasons discussed below.

We use EBIT as a metric to measure and compare the performance of our divisions. We operate our 42 divisions as separate business units, but manage debt and taxation 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 divisions. We also use EBIT as a metric to measure performance for the purpose of determining compensation at the division level and use EBITDA and Adjusted EBITDA to measure performance and determine compensation at the consolidated level. 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, because our divisions do not incur interest or income tax expense, the cash flow from each division should be equal to the corresponding EBITDA of each division, assuming no other changes to a division s balance sheet. As a result, we reconcile EBITDA to cash flow on a monthly basis as one of our key internal controls. We also use EBIT, EBITDA and Adjusted EBITDA to evaluate potential acquisitions and to evaluate whether to incur capital expenditures. In addition, certain covenants in our credit agreements require compliance with financial ratios based on Adjusted EBITDA (as defined in our credit agreements).

EBIT, EBITDA and Adjusted EBITDA (and related ratios presented in this prospectus) 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. Because of these limitations, EBIT, EBITDA and Adjusted EBITDA should not be considered as measures of discretionary cash available to us to invest in the growth of our business or reduce our indebtedness. We compensate for these limitations by relying primarily on our GAAP results and using EBIT, EBITDA and Adjusted EBITDA only supplementally. For more information, see our consolidated financial statements and related notes included elsewhere in this prospectus.

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

	Restated(1)						
	Fiscal Year Ended December 31,					Nine Months Ended September 30,	
	1999	2000	2001	2002	2003	2003	2004
						(Unaudited)	
	(Dollars in thousands)						
Cash flows provided by operating activities	$28,569	$ 28,054	$ 53,151	$ 56,413	$ 48,237	$ 46,909	$ 42,419
Changes in operating assets and liabilities	712	632	2,399	(4,040)	(1,102)	(3,878)	2,609
Noncash expenses, including depreciation and amortization	(9,174)	(27,362)	(44,815)	(31,673)	(43,582)	(26,453)	(19,554)
Income tax provision	4,068	4,784	5,787	6,267	4,131	4,220	6,940
Interest expense, net	9,215	29,238	47,530	39,917	39,390	28,958	25,089
EBIT	33,390	35,346	64,052	66,884	47,074	49,756	57,503
Depreciation and amortization(4)	9,542	14,942	25,442	19,178	19,937	15,219	14,339
EBITDA	42,932	50,288	89,494	86,062	67,011	64,975	71,842
Interest expense	(9,215)	(29,238)	(47,530)	(39,917)	(39,390)	(28,958)	(25,089)
Income tax provision and unaudited pro forma incremental income tax provision(2)	(9,372)	(7,402)	(8,361)	(12,478)	(4,804)	(9,400)	(14,654)
Depreciation and amortization	(9,542)	(14,942)	(25,442)	(19,178)	(19,937)	(15,219)	(14,339)
Dividends and amortization of discount on preferred members equity		(2,158)	(3,107)	(3,291)	(1,730)	(1,730)	
Unaudited pro forma net income (loss) attributable to common members	$14,803	$ (3,452)	$ 5,054	$ 11,198	$ 1,150	$ 9,668	$ 17,760

The following is a reconciliation of net income to EBITDA and to adjusted EBITDA:

	Restated(1)						
	Fiscal Year Ended December 31,					Nine Months Ended September 30,	
	1999	2000	2001	2002	2003	2003	2004
						(Unaudited)	
	(Dollars in thousands)						
Net income	$20,107	$ 1,324	$10,735	$20,700	$ 3,553	$16,578	$25,474
Interest expense, net	9,215	29,238	47,530	39,917	39,390	28,958	25,089
Income tax provision	4,068	4,784	5,787	6,267	4,131	4,220	6,940
Depreciation and amortization	9,542	14,942	25,442	19,178	19,937	15,219	14,339

EBITDA	42,932	50,288	89,494	86,062	67,011	64,975	71,842
Costs incurred in connection with the 2000 recapitalization		20,544					
Loss on early extinguishment of debt		1,195			14,921		
Adjusted EBITDA	$42,932	$72,027	$89,494	$86,062	$81,932	$64,975	$71,842

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

	Restated(1)						
	Fiscal Year Ended December 31,					Nine Months Ended September 30,	
	1999	2000	2001	2002	2003	2003	2004
						(Unaudited)	
Net income margin	9.0%	0.4%	2.6%	4.9%	0.9%	5.2%	7.6%
Interest expense, net	4.1%	8.3%	11.3%	9.5%	9.5%	9.2%	7.5%
Income tax provision	1.8%	1.4%	1.4%	1.5%	1.0%	1.3%	2.1%
Costs incurred in connection with the 2000 recapitalization		5.9%					
Loss on early extinguishment of debt		0.3%			3.6%		
Adjusted EBIT margin	14.9%	16.3%	15.2%	16.0%	14.9%	15.7%	17.1%
Depreciation and amortization	4.3%	4.3%	6.0%	4.6%	4.8%	4.8%	4.3%
Adjusted EBITDA margin	19.2%	20.5%	21.3%	20.5%	19.7%	20.5%	21.4%

(4) Depreciation and amortization includes a write-off of intangible assets of $3.4 million for the year ended December 31, 2001.

(5) Prepared on the same basis as the capitalization table. See Capitalization.

(6) 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 $27.3 million as of September 30, 2004. SFAS No. 150 does not permit the restatement of financial statements for periods prior to the adoption of this standard.

(7) Redeemable common membership units amounted to $6.0 million and $8.1 million at December 31, 2000 and 2001, respectively.

(8) The decline in total members equity (deficit) from December 31, 1999 to December 31, 2000 was a result of an $88.8 million cash distribution to Holdings common unit holders in connection with the 2000 recapitalization and the reclassification of $20.3 million of preferred equity issued in connection with the 2000 recapitalization upon the adoption of SFAS No. 150 in July 2003.

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RISK FACTORS

Investing in our common stock involves a number of risks. You should carefully consider all of the information contained in this prospectus, including the risk factors set forth below, before investing in the common stock offered pursuant to this prospectus. We may encounter risks in addition to those described below. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also impair or adversely affect our results of operations and financial condition. In such case, you may lose all or part of your original investment.

Risks Related to Our Business

Future downturns in the architectural, engineering and construction industry, or AEC industry, could diminish demand for our products and services, which would impair our future revenue and profitability.

We believe that AEC markets accounted for approximately 80% of our net sales for the nine months ended September 30, 2004. Our historical operating results reflect the cyclical and variable nature of the AEC industry. This industry historically experiences alternating periods of inadequate supplies of housing, commercial and industrial space coupled with low vacancies, causing a surge in construction activity and increased demand for reprographics services, followed by periods of oversupply and high vacancies and declining demand for reprographics services. In addition, existing and future government policies and programs may greatly influence the level of construction spending in the public sector, such as highways, schools, hospitals, sewers, and heavy construction. 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 who serve more diversified markets. Our experience has shown that the AEC industry generally experiences economic downturns six months after a downturn in the general economy. We expect that there may be a similar delay in the rebound of the AEC industry following a rebound in the general economy. Future economic and industry downturns may be characterized by diminished demand for our products and services and, therefore, any continued weakness in our customers markets and overall global economic conditions could adversely affect our future revenue and profitability.

In addition, because approximately 60% of our overall costs are fixed, changes in economic activity, positive or negative, affect our results of operations. As a result, 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.

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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 six years and will continue to evolve, and our failure to anticipate and adapt to future changes in our industry could harm our competitive position.

In the past six years, 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.

Looking forward, we expect the reprographics industry to continue to evolve. Our industry will 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 assure you 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 2003, our reprographics services represented approximately 76% and our facilities management services represented approximately 14% of our total net sales, and 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 half of our net sales in 2003, and in the nine months ended September 30, 2004, 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. Any adverse developments affecting California could have a disproportionately negative effect on our revenue, operating results and cash flows.

Our growth strategy depends in part on our ability to successfully identify 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 84 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. For example, our acquisition of Consolidated Reprographics in 2001, was investigated by the FTC. This investigation has since been concluded without any action being taken against us. 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 available, could 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, we have recently begun to expand our geographic coverage by opening additional satellite branches in regions near our established operations to capture new customers and greater market share. Since September 2003, we have opened 17 new branches in areas that expand or further penetrate our existing markets, and we expect to open an additional 15 branches by the end of the first quarter of 2005. Although the capital investment for a new branch is modest, our growth strategy with respect to branch openings is in the early stages of implementation and 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.

We operate our company under a dual operating structure of centralized administrative functions and regional decision making on marketing, pricing, and selling practices. Since 1997, we have acquired 84 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.

In August 2003, we restated our financial statements for the years ended December 31, 2001 and 2002 to correct accounting misstatements at one of our subsidiaries during 2001 due to fraud by certain managers at the subsidiary. The accounting misstatements at the subsidiary resulted in the overstatement of net income in 2001 by $1,461,000. In response to these accounting misstatements, we have strengthened our financial and management policies and procedures, established an internal audit group, and improved our accounting controls. However, we cannot assure that these new internal controls will be effective in preventing similar fraud in the future.

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 four largest vendors, which supplied approximately 35% of our reprographics equipment, maintenance services, and production supplies in 2003, are Océ N.V., Xerox Corporation, Canon Inc., 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.

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 and trademark protection, confidentiality 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, U.S. 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. Unauthorized third parties may copy aspects of our products, 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 technology and we cannot successfully enforce our rights against them, they may be able to market and sell or license the marketing and sale of 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.

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.

Other companies or individuals may pursue litigation against us with respect to intellectual property-based claims, including claims relating to the use of PlanWell and our other brands, trademarks, logos, technologies, trade secrets, and proprietary information. In the event of an adverse result in any litigation with respect to PlanWell and other intellectual property rights relevant to our business that could arise in the future, we could be required to obtain licenses to the infringing technology; begin using other brands, trademarks and logos; pay substantial damages under applicable law; or expend significant resources to develop non-infringing technology. There can be no assurance that suitable replacement technologies would be available to us on commercially reasonable terms. In addition, because we have a number of unregistered trademarks, we may be at greater risk of infringement by those who have pre-existing and superior rights in similar trademarks. Our insurance may not cover potential claims or may not be adequate to indemnify us for damages we incur. Also, litigation frequently involves substantial expenditures and can require significant management attention, even if we ultimately prevail.

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 Northern California near known earthquake fault zones. Damage 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 prospectus. 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 those that directly impact 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.

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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. The loss of the services of one or more members of our senior management team, in particular, Mr. Chandramohan, our Chief Executive Officer, and Mr. Suriyakumar, our President and Chief Operating Officer, could disrupt our business and impede our ability to execute our business strategy. Because our executive and divisional management team has on average more than 20 years of experience within the reprographics industry, it would be difficult to replace them.

If we are required to write down our goodwill or other intangible assets, our operations and stockholders equity would be adversely affected.

As described in the notes to our financial statements included elsewhere in this prospectus, we have $230.6 million of goodwill and $11.9 million of other intangible assets recorded on our balance sheet as of September 30, 2004. Goodwill arises when we pay more for a business than the fair market value of the acquired tangible and separately measurable intangible net assets. Until January 1, 2002, we amortized this goodwill on a straight-line basis over 40 years. Under accounting rules that we adopted beginning January 1, 2002, we are no longer able to amortize goodwill on a yearly basis. Instead, we are required to periodically determine if our goodwill has become impaired, in which case we would be required to write off the impaired portion of goodwill. The amount of goodwill that we would write off in any given year is treated as a charge against earnings under generally accepted accounting principles in the United States. If we are required to write off our goodwill or other intangible assets, we could incur significant charges against earnings, which would adversely affect our results of operations and stockholders equity.

We have substantial debt and have the ability to incur additional debt. The principal and interest payment obligations of such debt may restrict our future operations and adversely affect our business.

As of September 30, 2004, assuming that this offering and the application of the net proceeds from this offering as described under Use of Proceeds had been completed by that date, we would have had approximately $255 million of outstanding indebtedness. In addition, the credit agreements governing our credit facilities permit us to incur additional debt under certain circumstances.

The incurrence of substantial amounts of debt may make it more difficult for us to satisfy our financial obligations; require us to dedicate a substantial portion of any cash flow from operations to the payment of interest and principal due under our debt, which will reduce funds available for other business purposes; increase our vulnerability to general adverse economic and industry conditions; limit our flexibility in planning for, or reacting to, changes in our business and the industries in which we operate; place us at a competitive disadvantage compared with some of our competitors that have less debt; and limit our ability to obtain additional financing required to fund working capital and capital expenditures and for other general corporate purposes.

Our ability to satisfy our obligations and to reduce our total debt depends on our future operating performance and on economic, financial, competitive and other factors, many of which are beyond our control. Our business may not generate sufficient cash flow, and future financings may not be available to provide sufficient net proceeds to meet these obligations or to successfully execute our business strategy.

The agreements governing our credit facilities impose restrictions on our business that may limit our business opportunities and hinder our ability to execute our business strategy.

The credit agreements for our senior secured credit facilities contain, and other agreements we may enter into in the future may contain, covenants imposing significant restrictions on our business. These restrictions may affect our ability to operate our business and may limit our ability to take advantage of potential business opportunities as they arise. These covenants place restrictions on our ability to, among other things, incur additional debt, create liens, make investments, enter into transactions with affiliates, sell assets, guarantee debt, declare or pay dividends, redeem common stock or make other distributions to stockholders, and consolidate or merge. See Description of Certain Indebtedness.

Our ability to comply with these covenants may be affected by events beyond our control, including prevailing economic, financial, and industry conditions. An event of default under our debt agreements would permit some of our lenders to declare all amounts borrowed from them to be due and payable, together with accrued and unpaid interest. If we were unable to repay debt to our senior lenders, these lenders could proceed against the collateral securing that debt.

Being a public company will increase our expenses and administrative workload.

As a public company, we will incur significant legal, accounting and other expenses that we did not incur as a private company. In addition, our administrative staff will be required to perform additional tasks. For example, in anticipation of becoming a public company, we will have created or revised the roles and duties of our board committees, adopted additional internal controls and disclosure controls and procedures, retained a transfer agent and a financial printer, adopted an insider trading policy and will have all of the internal and external costs of preparing and distributing periodic public reports in compliance with our obligations under the securities laws. We also expect that being a public company and these new rules and regulations will make it more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members of our board of directors, particularly to serve on our audit committee, and qualified executive officers.

If we fail to maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud. As a result, our business could be harmed and current and potential stockholders could lose confidence in our company, which could cause our stock price to fall.

Changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002 and related regulations implemented by the Securities and Exchange Commission, or SEC, and the New York Stock Exchange, or NYSE, are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time consuming. We will be evaluating our internal controls systems to allow management to report on, and our independent auditors to attest to, our internal controls. We will be performing the system and process evaluation and testing (and any necessary remediation) required to comply with the management certification and auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act. As a result, we expect to incur substantial additional expenses and diversion of management s time. While we anticipate being able to fully implement the requirements relating to internal controls and all other aspects of Section 404 by our December 31, 2005 deadline, we cannot be certain as to the timing of completion of our evaluation, testing and remediation actions or the impact of the same on our operations since there is presently no precedent available by which to measure compliance adequacy. If we are not able to implement the requirements of Section 404 in a timely manner or with adequate compliance, we may not be able to accurately report our financial results or prevent fraud and might be subject to sanctions or investigation by regulatory authorities, such as the SEC or the NYSE. Any such action could harm our business or investors confidence in our company, and could cause our stock price to fall.

The accompanying consolidated financial statements for the years ended December 31, 2001, 2002 and 2003 and for the nine months ended September 30, 2003 and 2004 have been restated to properly record separately identifiable intangible assets including customer relationships and trade names apart from goodwill and reflect amortization expense of such intangible assets previously recorded as goodwill and not subject to amortization. In light of the aforementioned restatement of our financial statements due to the misapplication of purchase accounting, our independent registered public accounting firm notified us that our procedures were inadequate for appropriately assessing and applying purchase accounting principles. Our external auditors have concluded that this constitutes a material weakness as defined in Statement on Auditing Standards No. 60. We have revised our policies and procedures such that, in connection with material future acquisitions that are consummated, we will engage independent valuation consultants to assist us in determining the values to be assigned to intangible assets pursuant to FAS 141. While we believe that this process will adequately address this control deficiency there can be no assurance that similar issues may not arise again.

Our operations subject us to potential environmental liabilities that could increase our operating costs and harm our financial condition and results of operations.

Our printing operations are subject to numerous federal, state and local laws, and regulations relating to the environment. Such environmental regulations may affect us by restricting the use of certain products or regulating their disposal and regulatory or legislative changes may cause future increases in our operating costs or otherwise affect our operations. Although we believe we are and have been in substantial compliance with such regulations, there is no assurance that in the future we may not be adversely affected by such regulations or incur increased operating costs in complying with such regulations.

Our operations involve some use of hazardous substances and the generation of wastes, primarily toner, which could have adverse environmental impacts if released into the environment. Environmental regulations impose obligations on various entities to clean up contaminated properties or to pay for the cost of such remediation, often upon parties that did not actually cause the contamination. Accordingly, we may become liable, either contractually or by operation of law, for remediation costs even if a contaminated property is not presently owned or operated by us, or if the contamination was caused by third parties during or prior to our ownership or operation of the property. While we are not subject to any existing remediation obligations, future events, such as changes in existing laws or policies or their enforcement, or the discovery of currently unknown contamination, may give rise to future remediation liabilities that may be material.

Risks Related to Our Common Stock

Our stock price may be volatile, and you may not be able to resell your shares at or above the initial public offering price.

Prior to this offering, there has been no public market for shares of our common stock. An active public trading market for our common stock may not develop or, if it develops, may not be maintained after this offering, and the market price could fall below the initial public offering price. Factors such as quarterly variations in our financial results, announcements by us or others, developments affecting us, our customers and our suppliers, acquisition of products or businesses by us or our competitors, and general market volatility could cause the market price of our common stock to fluctuate significantly. As a result, you could lose all or part of your investment. Our company, the selling stockholders, and the representatives of the underwriters will negotiate to determine the initial public offering price. The initial public offering price may be higher than the trading price of our common stock following this offering.

Anti-takeover provisions in our charter documents and Delaware corporate law may make it difficult for our stockholders to replace or remove our current board of directors and could deter an unsolicited third party acquisition offer, which may adversely affect the marketability and market price of our common stock.

Provisions in our amended and restated certificate of incorporation and amended and restated bylaws and in Delaware corporate law will make it difficult for stockholders to change the composition of our board of directors, which consequently will make it difficult to change the composition of management. In addition, these provisions may make it difficult and expensive for a third party to pursue a tender offer, change in control or takeover attempt that is opposed by our management and board of directors. Public stockholders who might desire to participate in this type of transaction may not have an opportunity to do so. These anti-takeover provisions could substantially impede the ability of public stockholders to benefit from a change in control or change our management and board of directors and, as a result, may adversely affect the market price of our common stock and your ability to realize any potential change of control premium.

Our board of directors can issue preferred stock without stockholder approval of the terms of such stock.

Our amended and restated certificate of incorporation will authorize our board of directors, without stockholder approval, to issue up to 25,000,000 shares of preferred stock in one or more series and to fix the rights, preferences, privileges, and restrictions granted to or imposed upon the preferred stock, including voting rights, dividend rights, conversion rights, terms of redemption, liquidation preference, sinking fund terms, subscription rights, and the number of shares constituting any series or the designation of a series. Our board of directors will be able to issue preferred stock with voting and conversion rights that could adversely affect the voting power of the holders of common stock, without stockholder approval. At the completion of this offering, no shares of preferred stock will be outstanding and we have no present plan to issue any shares of preferred stock.

Shares available for sale and future stock sales could decrease the market price of our stock.

Sales of shares of our common stock in the public market following this offering, or the perception that sales may occur, could depress the market price of our common stock. After this offering, we will have 43,986,296 shares of common stock outstanding, including 22,500 shares issued pursuant to option exercises subsequent to September 30, 2004. The number of shares of common stock available for sale in the public market is temporarily limited by restrictions under federal securities law and under lock-up agreements that our directors, executive officers, the selling stockholders, and the holders of substantially all other shares of our common stock have entered into with the underwriters. Those lock-up agreements restrict these persons from disposing of or hedging their shares or securities convertible into or exchangeable for their shares until 180 days after the date of this prospectus without the prior written consent of Goldman, Sachs & Co. and J.P. Morgan Securities Inc. However, Goldman, Sachs & Co. and J.P. Morgan Securities Inc. may release all or any portion of the shares from the restrictions of the lock-up agreements. All of the shares sold in this offering will be freely tradable without restrictions or further registration under the Securities Act of 1933, as amended, or the Securities Act, except for any shares purchased by our affiliates (as defined in Rule 144 of the Securities Act). The remaining shares outstanding after this offering will be available for sale into the public market after the expiration of the initial 180-day lock-up period, except for any shares purchased by our affiliates (as defined in Rule 144 of the Securities Act). Additional shares of common stock underlying options will become available for sale in the public market. We expect to file a registration statement on Form S-8 that will register approximately

5.8 million shares of common stock, including shares of common stock issuable under our stock plans.

As restrictions on resale end, our stock price could drop significantly if the holders of these restricted shares sell them or the market perceives they intend to sell them. These sales may also make it more difficult for us to sell securities in the future at a time and at a price we deem appropriate.

Because a limited number of stockholders control the majority of the voting power of our common stock, investors in this offering will not be able to determine the outcome of stockholder votes.

Following this offering, our executive officers, directors, Code Hennessy & Simmons IV LP, and their affiliated entities will control 61.6% of the voting power of our common stock, or 57.1% if the underwriters over-allotment option is exercised in full. So long as these stockholders continue to hold, directly or indirectly, shares of common stock representing more than 50% of the voting power of our common stock, they will be able to direct the election of all of the members of our board of directors who will determine our strategic plans and financing decisions and appoint senior management. These stockholders will also be able to determine the outcome of substantially all matters submitted to a vote of our stockholders, including matters involving mergers, acquisitions, and other transactions resulting in a change in control of our company. These stockholders do not have any obligation to us to either retain or dispose of our common stock. They may seek to cause us to take courses of action that, in their judgment, could enhance their investment in us, but which might involve risks to other holders of our common stock or adversely affect us or other investors, including investors in this offering.

You will incur immediate and substantial dilution as a result of this offering.

The initial public offering price will be substantially higher than the book value (deficit) per share of our common stock. As a result, purchasers in this offering will experience immediate and substantial dilution of $19.53 per share in the tangible book value of the common stock from the assumed initial public offering price of $15.00. After our issue and sale of 7,666,667 shares of our common stock in this offering at an assumed initial public offering price of $15.00 per share, the purchasers of shares issued by us in this offering will contribute 40.5% of the total gross amount invested to date in our company, but will own only 17.4% of the shares of common stock outstanding. However, the purchasers of shares from the selling stockholders will own an additional 12.9% of the shares of common stock outstanding. In addition, to the extent that currently outstanding options to purchase common stock at a price per share less than our tangible net book value per share are exercised, there will be further dilution.

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FORWARD-LOOKING STATEMENTS

This prospectus includes 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

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:

- general economic conditions and a 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 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 a majority of 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;
- the increased expenses and administrative workload associated with being a public company;
- failure to maintain an effective system of internal controls necessary to accurately report our financial results and prevent fraud;
- 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. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus might not occur.

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See the section entitled Risk Factors 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 prospectus 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, prospective investors 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, copyrights and trade names that we use in conjunction with the operation of our business, including the names American Reprographics Company℠, ARC℠, Abacus PCR™, BidCaster℠, EWO℠, MetaPrint™, OneView℠, PEiR℠, PlanWell®, PlanWell PDS™, PlanWell Enterprise℠ and various design marks associated therewith. This prospectus also includes trademarks, service marks and trade names of other companies.

MARKET DATA

We operate in an industry in which it is difficult to obtain precise industry and market information. Although we have obtained some industry data from third party sources that we believe to be reliable, in many cases we have based certain statements contained in this prospectus regarding our industry and our position in the industry on our estimates concerning our customers and competitors. These estimates are based on our experience in the industry, conversations with our principal vendors, our own investigation of market conditions and information obtained through our numerous acquisitions.

USE OF PROCEEDS

We expect to receive net proceeds of approximately $103.6 million from the sale of 7,666,667 shares of common stock by us in this offering at an assumed initial public offering price of $15.00 per share (the mid-point of the range set forth on the cover page of this prospectus), after deducting estimated underwriting commissions and discounts and estimated expenses. We will not receive any of the proceeds from the sale of shares by the selling stockholders or upon any exercise of the underwriters over-allotment option.

We anticipate using the net proceeds to us from this offering as follows:

approximately $28.0 million to repurchase our preferred equity, including accrued interest, which becomes payable upon our initial public offering;

approximately $50.7 million to repay a portion of our $225 million senior second priority secured term loan facility, which has a maturity date of December 2009 and bears interest at a floating rate which was 8.625% as of September 30, 2004; and

the balance of approximately $24.9 million to repay a portion of our $100 million senior first priority secured term loan facility, which has a maturity date of June 2009 and bears interest at a floating rate which was 4.84% as of September 30, 2004.

Pending application of the balance of the net proceeds described above, we plan to invest such balance in short and medium-term, interest-bearing obligations, investment-grade instruments, certificates of deposit or direct or guaranteed obligations of the U.S. government.

DIVIDEND POLICY

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.

REORGANIZATION

Immediately prior to this offering, we will reorganize from a California limited liability company to a Delaware corporation, American Reprographics Company. In the reorganization:

each common unit of Holdings will be exchanged for one share of our common stock;

each Holdings option will be exchanged for an option exercisable for shares of our common stock equal to the number of units subject to the Holdings option and with the same exercise price and vesting terms as the Holdings option; and

the Holdings warrants will be exchanged for 809,618 shares of our common stock.

Pursuant to the operating agreement of Holdings, cash distributions are to be made to members of Holdings to provide them with funds to pay taxes that the members will owe for their share of our profits as a limited liability company through the date of our reorganization, calculated at the highest combined federal and state income tax rate applicable for tax withholding purposes, currently 43%. Accordingly, immediately prior to our reorganization, we will make a cash distribution to all members of Holdings of the estimated amount due the members with respect to such taxes in the amount of approximately $510,000. Within approximately 45 days after the closing of this offering, when the final amount due the members with respect to such taxes has been calculated, we will make a final payment for the balance, if any, due to the members. In addition, certain of our members, CHS Associates IV and ARC Acquisition Co., L.L.C. (the CHS Entities), in the past have received less than their proportionate share of distributions for such taxes and, under the terms of the operating agreement of Holdings, are owed the amount of the shortfall. In order to bring the total distributions to the CHS Entities into parity with the distributions with respect to such taxes made to other members, immediately prior to our reorganization, a distribution of approximately $8.6 million will be made to the CHS Entities. We may also make a further distribution to CHS Entities within 45 days after the closing of this offering if the estimated payment to the CHS Entities did not fully offset such shortfall.

CHANGE IN INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

On October 24, 2003, Holdings board of advisors determined to no longer use the audit services of Ernst & Young LLP and approved the appointment of PricewaterhouseCoopers LLP to serve as our independent public accountants for the fiscal year ending December 31, 2003. During the years ended December 31, 2002 and 2001 and the subsequent interim period through October 24, 2003, we did not consult with PricewaterhouseCoopers LLP with respect to the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on our consolidated financial statements, or any other matters or reportable events as set forth in Items 304(a)(2)(i) and (ii) of Regulation S-K.

The reports of Ernst & Young LLP on our consolidated financial statements for the years ended December 31, 2002 and 2001 did not contain an adverse opinion or disclaimer of opinion, or a qualification or modification as to uncertainty, audit scope, or accounting principles. During our fiscal years 2001 and 2002 and the subsequent interim period through October 24, 2003, there were no disagreements between Ernst & Young LLP and us on any matter of accounting principle or practice, financial statement disclosure, or auditing scope or procedure, which disagreements if not resolved to the satisfaction of Ernst & Young LLP would have caused it to make reference thereto in its reports on the financial statements for such period. There has been no matter that was the subject of a reportable event (as defined in Item 304(a)(1)(v) of Regulation S-K).

We have provided Ernst & Young LLP with a copy of the foregoing disclosures and requested that Ernst & Young LLP furnish us with a letter addressed to the Securities and Exchange Commission stating whether or not Ernst & Young LLP agrees with the above statements. A copy of such letter, dated October 15, 2004, is filed as an exhibit to the registration statement of which this prospectus is a part.

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CAPITALIZATION

The following table sets forth our unaudited consolidated capitalization as of September 30, 2004:

on an actual basis;

on a pro forma basis to reflect the reorganization of our company from a limited liability company to a corporation prior to this offering (see Reorganization); and

on a pro forma as adjusted basis to reflect the sale of 7,666,667 shares of our common stock by us in this offering at an assumed initial public offering price of $15 per share, the mid-point of the estimated offering price range shown on the cover of this prospectus, and the application of the net proceeds as described under Use of Proceeds.

This table should be read in conjunction with Reorganization, Use of Proceeds, Management s Discussion and Analysis of Financial Condition and Results of Operations, and our consolidated financial statements, including the related notes, appearing elsewhere in this prospectus.

	As of September 30, 2004		
	Actual	**Pro Forma**	**Pro Forma As Adjusted**
		(Dollars in thousands)	
Cash and cash equivalents(1)	$ 12,008	$ 2,911	$ 2,911
Long-term debt, excluding current maturities:			
Existing senior secured credit facilities(2)	$309,759	$309,759	$233,444
Capital leases	9,026	9,026	9,026
Mandatorily redeemable preferred membership units(3)	27,285	27,285	
Seller notes from acquisitions(4)	1,630	1,630	1,630
Total long-term debt	347,700	347,700	244,100
Total equity/deficit:			
Common members capital 35,487,511 member common membership units issued and outstanding actual; none pro forma and pro forma as adjusted	29,302		
Common stock, par value $0.001 per share 150,000,000 shares authorized; none issued and outstanding actual; 35,487,511 issued and outstanding pro forma; 43,963,796 issued and outstanding pro forma as adjusted		35	44
Preferred stock, par value $0.001 per share 25,000,000 shares authorized; none issued and outstanding actual; none issued and outstanding pro forma; none issued and outstanding pro forma as adjusted			
Additional paid-in-capital		29,267	132,859
Deferred compensation	(2,742)	(2,742)	(2,742)
Accumulated equity (deficit):			
Accumulated earnings from inception, less distributions to members (1)(5)(7)	(64,516)	(56,327)	(58,353)
Accumulated other comprehensive income	(343)	(343)	(343)
Total equity/(deficit)(6)	(38,299)	(30,110)	71,465
Total capitalization	$309,401	$317,590	$315,565

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(1) Reflects the payment of $8.6 million to the CHS Entities in connection with our reorganization and reflects a $510,000 distribution to members in respect to taxes. See Reorganization.

(2) At September 30, 2004, our senior secured credit facilities consisted of two facilities: (i) a $130 million senior first priority secured facility, consisting of a $100 million term loan facility, of which $99.3 million was outstanding at September 30, 2004, and a $30 million revolving credit facility, none of which was outstanding at September 30, 2004; and (ii) a $225 million senior second priority secured term facility of which $213.4 million was outstanding at September 30, 2004. Subsequent to September 30, 2004, we repaid $9.6 million of our senior secured term facilities. We intend to apply the net proceeds from this offering to repay approximately $50.7 million of our second priority secured facility and the balance of approximately $24.9 million to repay a portion of our first priority secured facility. See Use of Proceeds.

(3) Holdings issued 20,000 redeemable preferred units in connection with the 2000 recapitalization. Holders of such preferred units are entitled to an investment return of 13.25% per annum for periods prior to April 10, 2003 and 15.0% per annum thereafter. A portion of the investment return is distributed quarterly under a formula which takes into account federal and certain state and local income tax rates applicable to such investment return. The unpaid portion of the investment return accumulates annually and will be payable upon any redemption or repurchase of the preferred units. Pursuant to the terms of Holdings operating agreement, on the closing date of the offering, we will use a portion of the net proceeds of this offering to repurchase all outstanding preferred units. The total amount we expect to pay to repurchase such preferred units, including the unpaid portion of the investment return, is approximately $28.0 million.

(4) The seller notes were issued in connection with certain acquisitions, with interest rates ranging between 7.0% and 8.0% and maturities between 2005 and 2007.

(5) Accumulated earnings from inception includes the income tax effects of the corporate conversion which will result in an income tax benefit of $17.3 million.

(6) The deficit of $38.3 million, as of September 30, 2004, includes $88.8 million in cash distributions to Holdings common unit holders made in connection with the 2000 recapitalization.

(7) Accumulated earnings from inception includes a charge of $2.1 million to write off a portion of debt discount and deferred financing costs due to early extinguishment of debt from the use of proceeds.

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DILUTION

If you invest in our common stock, your interest will be diluted to the extent of the difference between the initial public offering price per share of our common stock and the net tangible book value (deficit) per share of our common stock upon the completion of this offering.

On a pro forma basis to give effect to our reorganization as Delaware corporation, as described in Reorganization, our net tangible book value (deficit) as of September 30, 2004 equaled approximately $(272.6) million, or $(7.90) per share of common stock. Net tangible book value (deficit) per share represents the amount of our total tangible assets less total liabilities, divided by the total number of shares of common stock outstanding. After giving effect to the sale of shares of common stock offered by us in this offering at an assumed initial public offering price of $15.00 per share and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us, our net tangible book value (deficit), as adjusted, as of September 30, 2004 would have equaled approximately $199.3 million, or $(4.53) per share of common stock. This represents an immediate increase in net tangible book value of $3.37 per share to our existing stockholders and an immediate dilution in net tangible book value of $19.53 per share to new investors of common stock in this offering. The following table illustrates this per share dilution to new investors purchasing our common stock in this offering.

Assumed initial public offering price per share		$ 15.00
Net tangible book value (deficit) per share at September 30, 2004	$ (7.90)	
Increase in net tangible book value per share attributable to this offering	3.37	
Net tangible book value (deficit) per share after this offering		(4.53)
Dilution per common share to new investors		$ 19.53

The following table summarizes the differences between our existing stockholders and new investors, as of September 30, 2004, with respect to the number of shares of common stock issued by us, the total consideration paid and the average price per share paid. The calculations with respect to common shares purchased by new investors in this offering reflect the initial public offering price of $15.00 per share before deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
Existing stockholders	35,487,511	80.7%	$ 168,954,000	59.5%	$ 4.76
Exchange of warrants	809,618	1.8%	$	0.0%	$
New investors	7,666,667	17.4%	$ 115,000,005	40.5%	$ 15.00
Total	43,963,796	100.0%	$ 283,954,005	100.0%	$ 6.46

The discussion and tables above assume no exercise of any of the stock options to purchase 1,712,915 shares with exercise prices ranging from $4.88 to $6.14 per share and a weighted average exercise price of $5.22 per share outstanding at September 30, 2004. If all our outstanding options at September 30, 2004 had been exercised, the net tangible book value (deficit) per share, as adjusted, would have been $(4.17) per share, representing an immediate increase in net tangible book value of $0.36 per share to our existing stockholders and an immediate dilution in net tangible book value of $19.17 per share to new investors purchasing shares in this offering.

If the underwriters over-allotment option is exercised in full, sales by the selling stockholders in this offering will reduce the number of shares of common stock held by existing stockholders to 28,611,296 shares or approximately 65.1% of the total number of shares of common stock outstanding upon the closing of this offering and will increase the number of shares held by new public investors to 15,352,500 shares or approximately 34.9% of the total number of shares of common stock outstanding after this offering. See Principal and Selling Stockholders.

SELECTED HISTORICAL AND UNAUDITED PRO FORMA FINANCIAL DATA

The selected historical and unaudited pro forma financial data presented below are derived from the audited financial statements of Holdings for the fiscal years ended December 31, 1999, 2000, 2001, 2002, and 2003, and for the nine-month period ended September 30, 2004, and the unaudited financial statements of Holdings for the nine-month period ended September 30, 2003. The selected historical financial data for the nine-month period ended September 30, 2003 is derived from unaudited interim financial statements which, in the opinion of management, include all normal, recurring adjustments necessary to state fairly the data included therein in accordance with GAAP for interim financial information, except for pro forma data. Interim results are not necessarily indicative of the results to be expected for the entire fiscal year. The unaudited pro forma financial data set forth below give effect to our conversion to a Delaware corporation and the completion of this offering, as described in Use of Proceeds. The unaudited pro forma financial data are not necessarily indicative of our financial position or results of operations that might have occurred had the transactions they give effect to been completed as of the dates indicated and do 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 Capitalization, Management s Discussion and Analysis of Financial Condition and Results of Operations and our audited financial statements and unaudited financial statements included elsewhere in this prospectus. The financial information for the years ended December 31, 2001, 2002 and 2003 and for the nine months ended September 30, 2003 and 2004 have been restated as discussed in footnote 1 below.

			Restated(1)				
	Fiscal Year Ended December 31,					Nine Months Ended September 30,	
	1999	2000	2001	2002	2003	2003	2004
		(Dollars in thousands)				(Unaudited)	
Statement of Operations Data:							
Reprographics services	$198,774	$287,995	$338,124	$324,402	$315,995	$242,507	$253,367
Facilities management	14,745	24,624	39,875	52,290	59,311	42,719	53,736
Equipment and supplies sales	10,317	38,480	42,702	42,232	40,654	31,112	29,195
Total net sales	223,836	351,099	420,701	418,924	415,960	316,338	336,298
Cost of sales	134,531	201,390	243,710	247,778	252,028	190,266	196,668
Gross profit	89,305	149,709	176,991	171,146	163,932	126,072	139,630
Selling, general and administrative expenses	53,730	89,371	104,004	103,305	101,252	76,127	81,434
Amortization of intangibles	2,823	3,966	5,801	1,498	1,709	1,269	1,267
Costs incurred in connection with the 2000 recapitalization		20,544					
Write-off of intangible assets			3,438				
Income from operations	32,752	35,828	63,748	66,343	60,971	48,676	56,929
Other income	638	713	304	541	1,024	1,080	574
Interest expense	(9,215)	(29,238)	(47,530)	(39,917)	(39,390)	(28,958)	(25,089)
Loss on early extinguishment of debt		(1,195)			(14,921)		
Income before income tax provision	24,175	6,108	16,522	26,967	7,684	20,798	32,414
Income tax provision	4,068	4,784	5,787	6,267	4,131	4,220	6,940
Net income	20,107	1,324	10,735	20,700	3,553	16,578	25,474
Dividends and amortization of discount on preferred members equity		(2,158)	(3,107)	(3,291)	(1,730)	(1,730)	

Net income (loss) attributable to common members	20,107	(834)	7,628	17,409	1,823	14,848	25,474
Unaudited pro forma incremental income tax provision(2)	5,304	2,618	2,574	6,211	673	5,180	7,714
Unaudited pro forma net income (loss) attributable to common members	$ 14,803	$ (3,452)	$ 5,054	$ 11,198	$ 1,150	$ 9,668	$ 17,760

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	Restated(1)						
	Fiscal Year Ended December 31,					Nine Months Ended September 30,	
	1999	2000	2001	2002	2003	2003	2004
	(In thousands, except per unit amounts) (Unaudited)						
Net income (loss) attributable to common members per common unit:							
Basic	$ 0.82	$ (0.02)	$ 0.21	$ 0.48	$ 0.05	$ 0.42	$ 0.72
Diluted	$ 0.82	$ (0.02)	$ 0.21	$ 0.47	$ 0.05	$ 0.40	$ 0.68
Unaudited pro forma net income (loss) attributable to common members per common unit:							
Basic	$ 0.60	$ (0.10)	$ 0.14	$ 0.31	$ 0.03	$ 0.27	$ 0.50
Diluted	$ 0.60	$ (0.10)	$ 0.14	$ 0.30	$ 0.03	$ 0.26	$ 0.47
Weighted average units:							
Basic	24,571	35,308	36,629	36,406	35,480	35,478	35,488
Diluted	24,571	35,371	36,758	36,723	37,298	37,307	37,474

	Restated(1)						
	Fiscal Year Ended December 31,					Nine Months Ended September 30,	
	1999	2000	2001	2002	2003	2003	2004
						(Unaudited)	
	(Dollars in thousands)						
Other Financial Data:							
Depreciation and amortization(3)	$9,542	$14,942	$25,442	$19,178	$19,937	$15,219	$14,339
Capital expenditures, net	$3,877	$ 5,228	$ 8,659	$ 5,209	$ 4,992	$ 3,348	$ 4,772
Interest expense	$9,215	$29,238	$47,530	$39,917	$39,390	$28,958	$25,089

	Restated(1)					
	As of December 31,					As of September 30,
	1999	2000	2001	2002	2003	2004
	(Dollars in thousands)					
Balance Sheet Data:						
Cash and cash equivalents	$ 15,814	$ 31,565	$ 29,110	$ 24,995	$ 17,315	$ 12,008
Total assets	$204,464	$358,026	$372,583	$395,128	$374,716	$377,617
Long term obligations and mandatorily redeemable preferred and common membership units(4)(5)	$123,951	$359,746	$371,515	$378,102	$360,008	$347,700
Total members equity (deficit)(6)	$ 32,422	$ (80,479)	$ (78,955)	$ (61,082)	$ (60,015)	$ (38,299)
Working capital	$ 15,379	$ 34,742	$ 24,338	$ 24,371	$ 16,809	$ 27,910

(1) The accompanying consolidated financial statements for the years ended December 31, 2001, 2002 and 2003 and for the nine months ended September 30, 2003 and 2004 have been restated to properly record separately identifiable intangible assets including customer relationships and trade names apart from goodwill and reflect amortization expense of such intangible assets previously recorded as goodwill and not subject to amortization. In connection with our acquisition of businesses during the years ended December 31, 2001, 2002, and 2003, and the nine months ended September 30, 2004, we had previously recorded the entire excess purchase price over the fair value of net assets acquired to goodwill. However, we subsequently determined in accordance with provisions of SFAS 141, Business Combinations, that approximately $15.9 million of the excess purchase price from these acquisitions should have been allocated to other intangible assets at the respective acquisition dates and amortized over their estimated useful lives. See Note 1 to our consolidated financial statements for additional detail.

The restatement resulted in us recording other intangible assets during the periods ended December 31, 2002 and 2003 and September 30, 2004 consisting of customer relationships of $11.2 million, $615,000, and $484,000, and trade names of $1.4 million, $4,000 and $0, respectively, apart from goodwill at the respective acquisition dates. In addition, the restatement for the years ended December 31, 2001, 2002, and 2003 and the nine months ended September 30, 2003 and 2004 increased previously reported amortization expense by approximately $70,000, $1.3 million, $1.6 million, $1.2 million and $1.2 million, respectively.

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The following table represents the effects of the restatement on previously reported balances for all periods presented:

Consolidated Balance Sheets	As Previously Reported			As Restated		
	December 31, 2002	December 31, 2003	September 30, 2004	December 31, 2002	December 31, 2003	September 30, 2004
	(Dollars in thousands)					
Goodwill	$242,134	$243,668	$245,999	$228,144	$229,059	$230,639
Other intangible assets	$	$	$	$ 13,737	$ 12,647	$ 11,864
Others assets	$ 2,030	$ 2,043	$ 1,689	$ 1,734	$ 1,878	$ 1,593
Total assets	$395,677	$376,843	$381,209	$395,128	$374,716	$377,617
Accumulated earnings	$ 54,667	$ 59,608	$ 86,994	$ 53,369	$ 56,922	$ 82,396
Total members deficit	$ (59,784)	$ (57,329)	$ (33,861)	$ (61,082)	$ (60,015)	$ (38,299)

Consolidated Statements of Operations	As Previously Reported					As Restated				
	Year Ended December 31, 2001	Year Ended December 31, 2002	Year Ended December 31, 2003	Nine Months Ended September 30, 2003	Nine Months Ended September 30, 2004	Year Ended December 31, 2001	Year Ended December 31, 2002	Year Ended December 31, 2003	Nine Months Ended September 30, 2003	Nine Months Ended September 30, 2004
	(Dollars in thousands, except per unit amounts)									
Amortization of intangibles	$ 5,731	$ 218	$ 131	$ 99	$ 69	$ 5,801	$ 1,498	$ 1,709	$ 1,269	$ 1,267
Income from operations	$63,818	$67,623	$62,549	$49,846	$58,394	$63,748	$66,343	$60,971	$48,676	$56,929
Income before income tax provision	$16,592	$28,247	$ 9,262	$21,968	$34,462	$16,522	$26,967	$ 7,684	$20,798	$32,414
Income tax provision	$ 5,802	$ 6,304	$ 4,321	$ 4,417	$ 7,076	$ 5,787	$ 6,267	$ 4,131	$ 4,220	$ 6,940
Net income	$10,790	$21,943	$ 4,941	$17,551	$27,386	$10,735	$20,700	$ 3,553	$16,578	$25,474
Net income attributable to common members	$ 7,683	$18,652	$ 3,211	$15,821	$27,386	$ 7,628	$17,409	$ 1,823	$14,848	$25,474
Net income attributable to common members per common unit										
Basic	$ 0.21	$ 0.51	$ 0.09	$ 0.45	$ 0.77	$ 0.21	$ 0.48	$ 0.05	$ 0.42	$ 0.72
Diluted	$ 0.21	$ 0.51	$ 0.09	$ 0.42	$ 0.73	$ 0.21	$ 0.47	$ 0.05	$ 0.40	$ 0.68
Unaudited pro forma net income attributable to common members	$ 5,061	$12,377	$ 1,804	$10,253	$19,011	$ 5,054	$11,198	$ 1,150	$ 9,668	$17,760
Unaudited pro forma net income attributable to common members per common unit:										
Basic	$ 0.14	$ 0.34	$ 0.05	$ 0.29	$ 0.54	$ 0.14	$ 0.31	$ 0.03	$ 0.27	$ 0.50
Diluted	$ 0.14	$ 0.34	$ 0.05	$ 0.27	$ 0.51	$ 0.14	$ 0.30	$ 0.03	$ 0.26	$ 0.47

(2) Until our reorganization, which will be effective prior to the closing of this offering, a substantial portion of our business will continue to operate as a limited liability company, or LLC, and taxed as a partnership. As a result, the members of the LLC pay the income taxes on the earnings. The unaudited pro forma incremental income tax provision amounts reflected in the table above were calculated as if our reorganization became effective on January 1, 1999.

(3) Depreciation and amortization includes a write-off of intangible assets of $3.4 million for the year ended December 31, 2001.

(4) 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 $27.3 million as of September 30, 2004. SFAS No. 150 does not permit the restatement of financial statements for periods prior to the adoption of this standard.

(5) Redeemable common membership units amounted to $6.0 million and $8.1 million at December 31, 2000 and 2001, respectively.

(6) The decline in total members equity (deficit) from December 31, 1999 to December 31, 2000 was a result of an $88.8 million cash distribution to Holdings common unit holders in connection with the 2000 recapitalization and the reclassification of $20.3 million of preferred equity issued in connection with the 2000 recapitalization upon the adoption of SFAS No. 150 in July 2003.

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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 prospectus. This prospectus contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those indicated in forward-looking statements. See Risk Factors and Forward-Looking Statements.

Overview

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 the technology, financial services, retail, entertainment, and food and hospitality industries, that also require sophisticated document management services.

From late 2001 through late 2003, we experienced a decline in net sales due to the overall softness in the U.S. economy, coupled with declining non-residential construction spending. Since approximately half of our net sales are derived from our operations in California, the significant downturn in the technology sector in this area further contributed to the decline of our net sales. Despite acquisition activity, our net sales declined from $420.7 million in 2001 to $416.0 million in 2003. In the nine months ended September 30, 2004, we have seen an improvement in sales due to the improvement of the overall U.S. economy and increased spending in the non-residential construction sector. Net sales increased 6.3% to $336.3 million compared to the same period in 2003.

A significant component our growth has been related to acquisitions. In 2001, we acquired 14 reprographics companies for a total cost of $32.6 million. In 2002, we acquired eight companies for a total cost of $34.4 million, and in 2003, we acquired four companies for a total cost of $870,000. In the nine months ended September 30, 2004, we have acquired three companies for a total cost of $1.4 million. Subsequent to September 30, 2004, we acquired four reprographics companies and one distributor of reprographics equipment and supplies for a total cost of $1.9 million. As part of our growth strategy, we also have recently begun opening and operating branch service centers, which we view as a relatively 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 17 new branches in key markets since September 2003 and expect to open an additional 15 branches by the end of the first quarter of 2005. To date, each branch that has been open at least 12 months has generated operating profit.

During 2003, we began our strategy of licensing our PlanWell technology to other independent reprographers. This strategy is designed to increase the market penetration of our PlanWell technology, while offsetting a portion of its development costs through the generation of licensing revenues. In 2003, we also started PEiR (Profit and Education in Reprographics), a privately held trade organization through which we charge membership fees and provide purchasing, technology and educational benefits to other reprographers, while promoting our reprographics technology as the industry standard. PEiR currently consists of 45 independent reprographics companies.

In December 2003, we refinanced our debt structure with the issuance of $225 million of second lien financing combined with a $130 million first lien debt package. This refinancing resulted in interest savings to the company for the nine months ended September 30, 2004 of approximately $6.2 million compared to the same period in 2003. These savings were partially offset by rising interest rates.

We continue to focus on our key opportunities, which include: the expansion of our market share, our national footprint of reprographics centers and our facilities management programs; the establishment of PlanWell as the industry standard for procuring digital reprographics online; and the expansion of our service offerings to non-AEC related industries.

Factors Affecting Financial Performance

Based on a review of the top 30% of our customers, representing approximately 90% of our net sales, and designating our customers as either AEC or non-AEC based on their primary use of our services, we believe that sales to the AEC market accounted for approximately 80% of our net sales for the nine months ended September 30, 2004, with the remaining 20% consisting of sales to non-AEC markets. As a result, our operating results and financial condition are significantly impacted by various economic factors affecting the AEC industry, such as non-residential construction spending, GDP growth, interest rates, employment rates, office vacancy rates, and government expenditures. Similar to the AEC industry, we believe that the reprographics industry typically lags the recovery in the broader economy by approximately six months.

During the period from 2001 to 2003, non-residential construction activity in the United States declined as the overall economy softened and commercial vacancy rates increased. The consequent downturn in the AEC industry was the primary reason for the decline in our net sales during this period. Through cost cutting and aggressive sales and marketing, we were able to hold our operating margins fairly steady. Operating margins were 15.2% in 2001, 15.8% in 2002 and 14.7% in 2003. For the nine months ended September 30, 2004, our operating margins and net sales increased compared to the same period in 2003. Operating margins were 15.4% and 16.9% for the nine months ended September 30, 2003 and 2004, respectively.

Key Financial Measures

The following key financial measures are used by our management to operate and assess the performance of our business: net sales and costs and expenses.

Net Sales

Net sales represent total sales less returns, discounts and allowances. These sales consist of document management services, document distribution and logistics services, print-on-demand services, reprographics equipment and supplies sales, software licenses and PEiR memberships. We generate sales by individual orders through commissioned sales personnel and, in some cases, pursuant to national contracts. Our document management, document distribution and logistics, and print-on-demand services, including the use of PlanWell by our customers, are typically invoiced to a customer as part of a combined per square foot printing cost and, as such, it is impractical to allocate revenue levels for each item separately. Revenues for these services are included under the caption Reprographics services.

Facilities management revenues are generated from printing produced in our customers locations on machines that we own or lease. Generally, this revenue is derived via a single cost per square foot of printed material, similar to our Reprographics services revenue.

In 2003, our reprographics services represented approximately 76% of our net sales, facilities management revenues represented approximately 14%, and sales of reprographics equipment and supplies sales represented approximately 10%. Although our PlanWell and other software licenses and our PEiR memberships are strategic to providing our other services, to date these services have not been significant revenue contributors.

We identify reportable segments based on how management internally evaluates financial information, business activities and management responsibility. On that basis, we operate in a single reportable business segment.

To a large extent, our continued engagement by our customers for successive jobs depends upon the customer s satisfaction with the quality of services that we provide. Our customer orders

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tend to be of a short-run, but recurring, nature. Since we do not operate with a backlog, it is difficult for us 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 maintenance, repair, rental and insurance costs associated with operating our facilities and equipment, along with depreciation charges. Paper cost is the most significant component of our material cost; however, paper pricing typically does not impact our operating margins because changes in paper pricing 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 inventory balances as well as low levels of other working capital requirements. In addition, capital expenditure requirements are low as most facilities and equipment are leased, with overall capital spending averaging approximately 1.5% of annual net sales over the last three years. Since we typically lease our reprographics equipment for periods averaging between three and five years, we are able to upgrade our equipment in response to rapid changes in technology.

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

Our general and administrative expenses also include management fees paid to CHS Management IV LP in accordance with a management agreement entered into in connection with our recapitalization in 2000. These management fees, which may not exceed $1 million in any year, amounted to $803,000 during 2001, $889,000 during 2002, $858,000 during 2003, $622,000 during the nine months ended September 30, 2003, and $618,000 during the nine months ended September 30, 2004. The management agreement will be terminated upon the completion of this offering.

Impact of Conversion from an LLC to a Corporation

Immediately prior to this offering, we will reorganize from a California limited liability company to a Delaware corporation, American Reprographics Company. In the reorganization, the members of Holdings will exchange 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 will repurchase all of the preferred equity of Holdings upon the closing of this offering with a portion of the net proceeds from this offering. As part of the reorganization, all outstanding warrants to purchase common units will be exchanged for shares of our common stock. We do not expect any significant impact on our operations as a result of 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.

Income Taxes

Holdings and Opco, through which a substantial portion of our business is operated, are limited liability companies which are taxed as partnerships. As a result, the members of Holdings pay income taxes on the earnings of Opco, which are passed through to Holdings. Certain divisions are consolidated in Holdings and are treated as separate corporate entities for income tax purposes (the consolidated corporations). These consolidated corporations pay income tax and record provisions for income taxes in their financial statements. Following the reorganization of our company to a

Delaware corporation, our earnings will be subject to federal, state and local taxes at a combined statutory rate of approximately 43%, which is lower than our pro forma effective income tax rate of 45.2% for the period ended September 30, 2004 due to the redemption of our preferred equity and the related nondeductible interest expense.

Members Deficit and Capital Accounts

Our members deficit of $38.3 million as of September 30, 2004 includes $88.8 million in cash distributions to our common unit holders made in connection with our recapitalization in 2000 and previous cash distributions made to the members of Holdings to provide them with funds to pay taxes owed for their share of our profits as a limited liability company.

Immediately prior to our reorganization, we will make a cash distribution to all members of Holdings of the estimated amount due the members with respect to such taxes in the amount of approximately $510,000. After the closing of this offering, when the members final tax liability has been calculated, we will make a final payment for the balance, if any, due to the members. In addition, due to their tax attributes, certain of our members, CHS Associates IV and ARC Acquisition Co., L.L.C. (the CHS Entities), have in the past elected to receive less than their proportionate share of distributions for such taxes and are owed a distribution of approximately $8.6 million. These distributions are not accrued at September 30, 2004, but will become payable and recorded immediately prior to the reorganization and consummation of this offering. The effects of all the proposed distributions have been reflected in the pro forma balance sheet at September 30, 2004 on page F-4 of this prospectus. We may also make a further distribution to the CHS Entities after the closing of this offering if the estimated payment to the CHS Entities does not fully offset such shortfall.

Acquisitions

Our financial results during the periods discussed below were impacted by the acquisition of 14 reprographics businesses in 2001 for a total purchase price of $32.6 million, eight acquisitions in 2002 for a total purchase price of $34.4 million, four acquisitions in 2003 for a total purchase price of $870,000 and three acquisitions in the nine months ended September 30, 2004 for a total purchase price of $1.4 million. Because each acquisition was accounted for using the purchase method of accounting, our consolidated income statements reflect sales and expenses of acquired businesses only for post-acquisition periods. For more details regarding these acquisitions, see Note 2 to our consolidated financial statements.

In connection with certain large acquisitions, we have made certain payments to employees of the acquired companies that could not be capitalized and included in goodwill because such payments represented compensation expense. These expenses are included in selling, general and administrative expenses in our consolidated financial statements and amounted to $1.4 million and $1.5 million in 2001 and 2002, respectively. There were no such expenses incurred during 2003 and the nine months ended September 30, 2004.

Restatement of Consolidated Financial Statements

The accompanying consolidated financial statements for the years ended December 31, 2001, 2002 and 2003 and for the nine months ended September 30, 2003 and 2004 have been restated to properly record separately identifiable intangible assets including customer relationships and trade names apart from goodwill and reflect amortization expense of such intangible assets previously recorded as goodwill and not subject to amortization. In connection with our acquisition of businesses during the years ended December 31, 2001, 2002, and 2003, and the nine months ended September 30, 2004, we had previously recorded the entire excess purchase price over the fair value of net assets acquired to goodwill. However, we subsequently determined in accordance with provisions of SFAS 141, Business Combinations, that approximately $15.9 million of the excess purchase price from these acquisitions should have been allocated to other intangible assets at the respective acquisition dates and amortized over their estimated useful lives.

The restatement resulted in us recording other intangible assets during the periods ended December 31, 2002 and 2003 and September 30, 2004 consisting of customer relationships of $11.2 million, $615,000, and $484,000, and trade names of $1.4 million, $4,000 and $0, respectively, apart from goodwill at the respective acquisition dates. In addition, the restatement for the years ended December 31, 2001, 2002, and 2003 and the nine months ended September 30, 2003 and 2004 increased previously reported amortization expense by approximately $70,000, $1.3 million, $1.6 million, $1.2 million and $1.2 million, respectively. For additional detail on the effects of the restatement on previously reported balances, please see Note 1 to our consolidated financial statements.

Controls and Procedures

In light of the aforementioned restatement of our financial statements due to the misapplication of purchase accounting, our independent registered public accounting firm notified us that our procedures were inadequate for appropriately assessing and applying purchase accounting principles. Our external auditors have concluded that this constitutes a material weakness as defined in Statement on Auditing Standards No. 60. We have revised our policies and procedures such that, in connection with material future acquisitions that are consummated, we will engage independent valuation consultants to assist us in determining the values to be assigned to intangible assets pursuant to FAS 141. We believe that this process will adequately address this control deficiency.

Critical Accounting Policies

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 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 various other factors that we believe 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 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: goodwill and other intangible assets; allowance for doubtful accounts; and commitments and contingencies.

Goodwill and Other Intangible Assets

Effective January 1, 2002, we adopted Statement of Financial Accounting Standard (SFAS) No. 142, Goodwill and Other Intangible Assets, which requires, among other things, the use of a nonamortization approach for purchased goodwill and certain intangibles. Under a nonamortization approach, goodwill and intangibles having an indefinite life are not amortized, but instead will be reviewed for impairment at least annually or if an event occurs or circumstances indicate the carrying amount may be impaired. Events or circumstances which could indicate an impairment include a significant change in the business climate, economic and industry trends, legal factors, negative operating performance indicators, significant competition, changes in our strategy or disposition of a reporting unit or a portion thereof. Goodwill impairment testing is performed at the reporting unit level.

SFAS 142 requires that goodwill be tested for impairment using a two-step process. The first step of the goodwill impairment test, used to identify potential impairment, compares the fair value of a reporting unit with its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not considered to be impaired and the second step of the impairment test is unnecessary. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test must be performed to measure the amount of impairment loss, if any. The second step of the goodwill impairment test compares the implied fair value of reporting unit goodwill with the carrying amount of that goodwill. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. If the carrying amount of the reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess.

Application of the goodwill impairment test requires judgment, including the identification of reporting units, assignment of assets and liabilities to such reporting units, assignment of goodwill to such 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 for 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, 2002 and 2003. During the year ended December 31, 2001, we wrote-off $3.4 million of goodwill recorded from an acquisition completed during 2000 because the business was closed in 2001 due to underperformance.

Other intangible assets that have finite useful lives are amortized over their useful lives. An impaired asset is written down to fair value. Intangible assets with finite useful lives consist primarily of not-to-compete covenants, 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 trade names are amortized using the straight-line method.

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. Receivables are generally due within 30 days. 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 to be uncollectible. We estimate our allowance for doubtful accounts based on historical experience, aging of accounts receivable, and information regarding the creditworthiness of our customers. To date, uncollectible amounts have been within the range of management s expectations.

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 be different than management s estimates.

Non-GAAP Measures

EBIT, EBITDA and Adjusted EBITDA (and related ratios presented in this prospectus) 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. Adjusted EBITDA represents EBITDA adjusted to exclude the impact of costs incurred in connection with our recapitalization in 2000 and loss on early extinguishment of debt. Adjusted EBIT margin is a non-GAAP measure that is calculated by subtracting depreciation and amortization from adjusted EBITDA and dividing the result by net sales. Adjusted EBITDA margin is a non-GAAP measure that is calculated by dividing adjusted EBITDA by net sales.

We calculate Adjusted EBITDA by adjusting EBITDA to eliminate the impact of a number of items we do not consider indicative of our ongoing operations and for the other reasons noted below. You are encouraged to evaluate each adjustment and whether you consider it appropriate. In addition, in evaluating Adjusted EBITDA, you should be aware that in the future we may incur expenses similar to the adjustments in the presentation of Adjusted EBITDA. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

We present EBIT, EBITDA and Adjusted EBITDA (and related ratios presented in this prospectus) because we consider them important supplemental measures of our performance and liquidity and believe that such measures are meaningful to investors because they are used by management for the reasons discussed below.

We use EBIT as a metric to measure and compare the performance of our divisions. We operate our 42 divisions as separate business units, but manage debt and taxation 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 divisions. We also use EBIT as a metric to measure performance for the purpose of determining compensation at the division level and use EBITDA and Adjusted EBITDA to measure performance and determine compensation at the consolidated level. 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, because our divisions do not incur interest or income tax expense, the cash flow from each division should be equal to the corresponding EBITDA of each division, assuming no other changes to a division s balance sheet. As a result, we reconcile EBITDA to cash flow on a monthly basis as one of our key internal controls. We also use EBIT, EBITDA and Adjusted EBITDA to evaluate potential acquisitions and to evaluate whether to incur capital expenditures. In addition, certain covenants in our credit agreements require compliance with financial ratios based on Adjusted EBITDA (as defined in our credit agreements).

EBIT, EBITDA and Adjusted EBITDA (and related ratios presented in this prospectus) 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:

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 and Adjusted EBITDA do not reflect any cash requirements for such replacements;

Adjusted EBITDA does not reflect the impact of earnings or charges resulting from matters we consider not to be indicative of our ongoing operations, as discussed in our presentation of Adjusted EBITDA in this prospectus; 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 Adjusted EBITDA (and related ratios presented this prospectus) should not be considered as measures of discretionary cash available to us to invest in the growth of our business or reduce our indebtedness. We compensate for these limitations by relying primarily on our GAAP results and using EBIT, EBITDA and Adjusted EBITDA only supplementally. For more information, see our consolidated financial statements and related notes included elsewhere in this prospectus.

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

	Restated(1)				
	Fiscal Year Ended December 31,			Nine Months Ended September 30,	
	2001	2002	2003	2003	2004
				(Unaudited)	
	(Dollars in thousands)				
Cash flows provided by operating activities	$ 53,151	$ 56,413	$ 48,237	$ 46,909	$ 42,419
Changes in operating assets and liabilities	2,399	(4,040)	(1,102)	(3,878)	2,609
Non-cash expenses, including depreciation and amortization	(44,815)	(31,673)	(43,582)	(26,453)	(19,554)
Income tax provision	5,787	6,267	4,131	4,220	6,940
Interest expense	47,530	39,917	39,390	28,958	25,089
EBIT	64,052	66,884	47,074	49,756	57,503
Depreciation and amortization	25,442	19,178	19,937	15,219	14,339
EBITDA	89,494	86,062	67,011	64,975	71,842
Interest expense	(47,530)	(39,917)	(39,390)	(28,958)	(25,089)
Income tax provision and unaudited pro forma incremental income tax provision	(8,361)	(12,478)	(4,804)	(9,400)	(14,654)
Depreciation and amortization	(25,442)	(19,178)	(19,937)	(15,219)	(14,339)
Dividends and amortization of discount on preferred members equity	(3,107)	(3,291)	(1,730)	(1,730)	
Unaudited pro forma net income attributable to common members	$ 5,054	$ 11,198	$ 1,150	$ 9,668	$ 17,760

(1) See Note 1 to the consolidated financial statements.

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The following is a reconciliation of net income to EBITDA and to Adjusted EBITDA:

	Restated(1)				
	Fiscal Year Ended December 31,			Nine Months Ended September 30,	
	2001	2002	2003	2003	2004
				(Unaudited)	
			(Dollars in thousands)		
Net income	$10,735	$20,700	$ 3,553	$16,578	$25,474
Interest expense, net	47,530	39,917	39,390	28,958	25,089
Income tax provision	5,787	6,267	4,131	4,220	6,940
Depreciation and amortization	25,442	19,178	19,937	15,219	14,339
EBITDA	89,494	86,062	67,011	64,975	71,842
Loss on early extinguishment of debt			14,921		
Adjusted EBITDA	$89,494	$86,062	$81,932	$64,975	$71,842

(1) See Note 1 to the consolidated financial statements.

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

	Restated(1)				
	Fiscal Year Ended December 31,			Nine Months Ended September 30,	
	2001	2002	2003	2003	2004
				(Unaudited)	
Net income margin	2.6%	4.9%	0.9%	5.2%	7.6%
Interest expense, net	11.3%	9.5%	9.5%	9.2%	7.5%
Income tax provision	1.4%	1.5%	1.0%	1.3%	2.1%
Loss on early extinguishment of debt			3.6%		
Adjusted EBIT margin	15.2%	16.0%	14.9%	15.7%	17.1%
Depreciation and amortization	6.0%	4.6%	4.8%	4.8%	4.3%
Adjusted EBITDA margin	21.3%	20.5%	19.7%	20.5%	21.4%

(1) See Note 1 to the consolidated financial statements.

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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:

	Restated(1)				
	As a Percentage of Net Sales				
	Fiscal Year Ended December 31,			Nine Months Ended September 30,	
	2001	2002	2003	2003	2004
				(Unaudited)	
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of sales	57.9	59.1	60.6	60.1	58.5
Gross profit	42.1	40.9	39.4	39.9	41.5
Selling, general and administrative expenses	24.7	24.7	24.3	24.1	24.2
Amortization of intangibles	1.4	0.4	0.4	0.4	0.4
Write-off of intangible assets	0.8				
Income from operations	15.2	15.8	14.7	15.4	16.9
Other income	0.1	0.1	0.2	0.3	0.2
Interest expense, net	(11.3)	(9.5)	(9.5)	(9.2)	(7.5)
Loss on early extinguishment of debt			(3.6)		
Income before income tax provision	4.0	6.4	1.8	6.5	9.6
Income tax provision	(1.4)	(1.5)	(1.0)	(1.3)	(2.1)
Net income	2.6%	4.9%	0.8%	5.2%	7.5%

(1) See Note 1 to the consolidated financial statements.

Nine Months Ended September 30, 2004 Compared to Nine Months Ended September 30, 2003

	Restated(1)			
	Nine Months Ended September 30,		Increase (decrease)	
	2003	2004	(In dollars)	(Percent)
	(In millions)			
Reprographics services	$242.5	$253.4	$10.9	4.5%
Facilities management	42.7	53.7	11.0	25.8
Equipment and supplies sales	31.1	29.2	(1.9)	(6.1)
Total net sales	$316.3	$336.3	$20.0	6.3%
Gross profit	$126.1	$139.6	$13.5	10.8%
Selling, general and administrative expenses	$ 76.1	$ 81.4	$ 5.3	7.0%
Amortization of intangibles	$ 1.3	$ 1.3	$	%

Interest expense, net	$ 29.0	$ 25.1	$ (3.9)	(13.4)%
Income taxes	$ 4.2	$ 6.9	$ 2.7	64.3%
Net income	$ 16.6	$ 25.5	$ 8.9	53.6%
EBITDA	$ 65.0	$ 71.8	$ 6.8	10.5%

(1) See Note 1 to the consolidated financial statements.

Net Sales. Net sales increased for the nine months ended September 30, 2004 compared to the same 2003 period primarily attributable to the improvement of the U.S. economy, particularly in

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the Western United States, acquisition activity, the expansion of our revenue base through the opening of new branches, and by increasing our market share in certain markets. Of the $20.0 million increase in our 2004 net sales, $17.1 million was attributable to organic revenue growth (which includes $2.5 million from the opening of new branches) and $2.9 million was attributable to our acquisition activity during 2003 and 2004. Prices during this period remained relatively stable, indicating that our revenue increases were primarily volume driven. As job creation in the United States continues to move forward, and commercial vacancy rates in the United States continue to decline, we expect to see similar revenue trends in our reprographics services.

While revenue from reprographics services and facilities management increased, our revenue generated from sales of equipment and supplies sales decreased. This was due to our ability to convert many of our equipment sales contracts into facilities management contracts. We believe that the recurring revenues from such facilities management contracts that span over several years should make our revenue profile more stable. This ability to convert our equipment sales contracts into facilities management contracts, coupled with the increased decentralized nature of the architectural, engineering and construction, or AEC industry, leads us to believe that facilities management revenue will continue to increase in the near term.

Net sales by geographic region were as follows:

	Nine Months Ended September 30,		Increase (decrease)	
	2003	2004	(In dollars)	(Percent)
	(In millions)			
Southern California	$ 97.2	$105.2	$ 8.0	8.2%
Northern California	$ 59.2	$ 64.1	$ 4.9	8.3%
Southern	$ 46.7	$ 51.6	$ 4.9	10.5%
Midwest	$ 41.4	$ 38.5	$(2.9)	(7.0)%
Northeast	$ 53.3	$ 57.8	$ 4.5	8.4%
Pacific Northwest	$ 18.5	$ 19.1	$ 0.6	3.2%
Total	$316.3	$336.3		

The increase in net sales from our Southern California divisions in the 2004 period was driven by our efforts to capture market share combined with a strong local economy. The increase in net sales from our Northern California divisions in the 2004 period was due to improving economic conditions, business derived from new markets we entered, and increased market share. The increase in net sales from our Southern United States division in the 2004 period was driven by strong construction activity in Las Vegas and Tampa, partially offset by a 2.2% decline in net sales from our Houston divisions due to weak AEC activity in that market as a result of local corporate scandals that created an abundance of vacant office space. The decline in net sales from our Midwest divisions in the 2004 period was due to the continued softness in the manufacturing economy coupled with high unemployment rates in this region s major markets. The increase in net sales from our Northeast divisions in the 2004 period was due to new business gained from facilities management customers from a company that filed for bankruptcy in New York in 2003. Excluding this purchase, net sales in the Northeast declined 1.1% due to the continued sluggish AEC economy in the Northeast since the 9/11 terrorist attacks.

Gross Profit. Our gross profit increased for the nine months ended September 30, 2004 compared to the same period in 2003 due primarily to the increase in our net sales coupled with the fixed cost nature of our leases for production equipment and facilities. The gross margin realized on our incremental sales increase during this period amounted to 67.5%. Our overall gross margin improved by approximately 1.6 percentage points to 41.5% for the nine months ended September 30, 2004 compared to 39.9% in the comparable 2003 period. We were able to reduce our material cost as a percentage of net sales from 16.2% in the 2003 period to 15.4% in the 2004 period due to a negotiated reduction in the cost of material from one of our major vendors, coupled with better waste control procedures. Production labor cost as a percentage of net sales increased slightly from 21.4% in the 2003 period to 21.9% in the 2004 period due to the hiring of additional production labor in anticipation of continued revenue increases coupled with an increase in employee health benefits costs. Production overhead as a percent of revenue decreased from 22.6% in the nine months ended September 30, 2003 to 21.1% in 2004 due to the fixed cost nature of the expense coupled with the net sales increase.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased for the nine months ended September 30, 2004 compared to the same 2003 period primarily due to higher sales commissions related to increased sales and higher incentive bonus accruals during 2004 compared to 2003 related to improved operating results. As a percentage of net sales, selling, general and administrative expenses during the nine month periods ended September 30, 2003 and 2004 increased slightly from 24.1% to 24.2%, respectively, despite the increase in net sales due to our larger sales force and increased selling and marketing activities during 2004 as we continued to pursue market share expansion. Our general and administrative expenses in the 2003 and 2004 nine month-periods included $0.6 million of management fees paid to CHS Management IV LP in accordance with a management agreement entered into in connection with our recapitalization in 2000. These management fees will cease after our initial public offering. We expect that our selling, general and administrative expenses will increase in absolute dollars due to increased legal and accounting fees as a public company, including costs associated with evaluating and enhancing our internal control over financial reporting.

Amortization of Intangibles. Amortization of intangibles for the nine months ended September 30, 2004 remained flat compared to the same period in 2003.

Interest Expense, Net. Net interest expense decreased for the nine months ended September 30, 2004 compared to the same period in 2003 due to the refinancing of our debt in December 2003, which lowered our overall effective interest rate in 2004 by approximately two percentage points. Also, since September 30, 2003, we have reduced our outstanding debt by $30.9 million. Partially offsetting these interest expense reductions was the additional interest expense recognized with the adoption of FAS 150. FAS 150 required that we treat our redeemable preferred stock as debt from the effective date of July 1, 2003. As a result, we incurred three months of this interest expense in 2003 amounting to $0.9 million, compared to nine months of interest expense amounting to $2.9 million for the same period in 2004.

During the nine months ended September 30, 2003, the interest benefit from our interest rate swap contracts was $4.0 million. The interest rate swap contracts expired in September 2003, and we entered into a new interest rate hedge in September 2003. This hedge instrument is accounted for as a hedge, and fluctuations in the market value of the hedge do not impact our income statement. Absent significant acquisition activity and continued increases in interest rates, we expect that our interest expense would decline as a result of the repayment of debt from the proceeds of this offering.

Income Taxes. Income tax provision increased for the nine months ended September 30, 2004 compared to the same period in 2003 primarily due to higher pretax income at the consolidated corporations. Our overall effective income tax rate for the 2004 period increased to 21.4% compared to 20.3% in the comparable 2003 period. We expect our overall effective income tax rate to increase to approximately 43.0% due to our conversion to a corporation as part of this offering.

We provided for pro forma income taxes of $14.7 million for the nine months ended September 30, 2004 and $9.4 million for the nine months ended September 30, 2003. Our overall effective pro forma income tax rate was 45.2% for the same 2004 and 2003 periods.

Net Income. Net income increased for the nine months ended September 30, 2004 compared to the same period in 2003 primarily related to increased sales resulting from the improvement in the overall U.S. economy, increased AEC activity, as well as our reduced interest expense due to the refinancing of our debt in December 2003.

EBITDA. Our EBITDA margin increased to 21.4% in the nine months ended September 30, 2004 compared to 20.5% in the same 2003 period primarily due to higher revenues. For a reconciliation of EBITDA to pro forma net income, please see Non-GAAP Measures above.

Year Ended December 31, 2003 Compared to Year Ended December 31, 2002

	Restated(1)			
	Year Ended December 31,		**Increase (decrease)**	
	2002	**2003**	**(In dollars)**	**(Percent)**
	(In millions)			
Reprographics services	$324.4	$316.1	$ (8.3)	(2.6)%
Facilities management	52.3	59.3	7.0	13.4
Equipment and supplies sales	42.2	40.6	(1.6)	(3.8)
Total net sales	$418.9	$416.0	$ (2.9)	(0.7)%
Gross profit	$171.1	$163.9	$ (7.2)	(4.2)%
Selling, general and administrative expenses	$103.3	$101.3	$ (2.0)	(1.9)%
Amortization of intangibles	$ 1.5	$ 1.7	$ 0.2	13.0%
Interest expense, net	$ (39.9)	$ (39.4)	$ 0.5	1.3%
Income taxes	$ 6.3	$ 4.1	$ (2.2)	(34.9)%
Net income	$ 20.7	$ 3.6	$(17.1)	(82.6)%
EBITDA	$ 86.1	$ 67.0	$(19.1)	(22.2)%
Adjusted EBITDA	$ 86.1	$ 81.9	$ (4.2)	(4.9)%

(1) See Note 1 to the consolidated financial statements.

Net Sales. Net sales decreased in 2003 compared to 2002 primarily due to the continued slowdown in the economy and the AEC industry, particularly in our Northern California and Northeast divisions, and the continued pricing pressure on our sales due to reduction in activity levels due to contraction in the economy. As is typical in our industry, as the volume of reprographic business declines due to lower non-residential construction spending, we also saw prices decline. During this period, we experienced a contraction in the volume of reprographics work performed and a reduction in the prices of these services. Our acquisitions in 2002 and 2003 partially offset this negative trend. Excluding the benefit of acquisitions completed in 2002 and 2003, our net sales would have decreased by $19.9 million or 5.1%. Facilities management revenue increased due to our ability to convert our equipment sales contracts into facilities management contracts and the further decentralization of operations in the AEC industry. As this trend continues, AEC industry participants should require more output devices to support their additional facilities.

Net sales by geographic region were as follows:

	Year Ended December 31,		Increase (decrease)	
	2002	2003	(In dollars)	(Percent)
	(In millions)			
Southern California	$112.7	$127.6	$ 14.9	13.1%
Northern California	$ 88.1	$ 77.5	$(10.6)	(12.1)%
Southern	$ 62.4	$ 62.1	$ (0.3)	(0.5)%
Midwest	$ 53.9	$ 52.9	$ (1.0)	(1.8)%
Northeast	$ 77.4	$ 71.9	$ (5.5)	(7.1)%
Pacific Northwest	$ 24.3	$ 24.0	$ (0.3)	(1.2)%
Total	$418.9	$416.0		

The increase in net sales in our Southern California divisions was primarily due to the acquisition of Consolidated Reprographics in May 2002. The decline in net sales derived from our divisions located in Northern California was a result of the continued soft economy and high commercial vacancy rates created from the continued contraction in the internet and technology sectors. The decrease in net sales from our Northeast divisions in 2003 compared to 2002 was due to the economic slowdown in New York City and Washington, D.C. after the 9/11 terrorist attacks. Additionally, our Washington, D.C. division was negatively affected by the entry of another reprographics firm in this market.

Gross Profit. Our gross profit declined in 2003 compared to 2002 mainly due to lower net sales in 2003, particularly in Northern California and the Northeast where aggregate net sales in 2003 declined by $16.1 million, combined with strong pricing pressure which reduced our profit margins. Our overall gross profit margin declined by 1.5 percentage points to 39.4% in 2003 from 40.9% in 2002, driven primarily by the fixed cost nature of our equipment and facility leases. Production overhead as a percentage of net sales, which includes lease and maintenance costs, increased from 17.5% in 2002 to 19.0% in 2003. Additionally, our cost of production labor increased $364,000 due to increased health and workers compensation insurance rates. These increases were partially offset by a decrease in our material cost as a percentage of net sales.

Selling, General and Administrative Expenses. Selling, general and administrative expenses decreased by $2.0 million in 2003 compared to 2002 primarily due to a $1.5 million charge in 2002 related to non-recurring signing bonuses paid to the senior management of a division acquired in 2002. Excluding such signing bonuses, selling, general and administrative expenses for 2003 remained flat compared to 2002, despite the decrease in our net sales and gross profit, because we pursued market share expansion amid difficult industry conditions. As a result, our selling and marketing expenses increased by $1.0 million in 2003 compared to 2002 despite lower net sales in 2003. This was offset by a $2.5 million decrease in general and administrative expenses in 2003, which was primarily due to lower incentive bonus accruals resulting from the decline in our operating results. Our general and administrative expenses in 2003 included $858,000 of management fees.

Amortization of Intangibles. Amortization of intangibles increased in 2003 compared to 2002 due to higher amortization of intangible assets resulting from acquisitions during 2002, particularly our acquisition of Consolidated Reprographics.

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Interest Expense, Net. Net interest expense increased in 2003 due primarily to a net interest benefit from our interest rate swap contracts of $4.0 million in 2003 compared to a net interest benefit of $1.6 million in 2002, which was partially offset by a higher monthly average total debt balance during 2003 compared to 2002. Our monthly average total debt balance was higher during 2003 because of our acquisition of Consolidated Reprographics in May 2002 for which we incurred $20.0 million of net borrowings. The interest benefit related to the interest rate swap contracts was due to the improvement in the market value of the interest rate swap contracts as they moved closer to their expiration dates in September 2003.

Income Taxes. Our income tax provision decreased for 2003 primarily due to lower pretax income at the consolidated corporations. Our overall effective income tax rate was 23.2% in 2002 and 53.8% in 2003. The effective rate increased due to $1.8 million of nondeductible interest expense on our preferred units and a higher overall effective state income tax rate due to a loss on early extinguishments of debts in the parent company that was not deductible for tax purposes by our subsidiaries outside of California.

We provided for pro forma income taxes of $4.8 million for 2003 as compared to $12.5 million in 2002 due to a loss on early extinguishments of debts in 2003. However, our overall effective pro forma income tax rate was 46.3% in 2002 compared to 62.5% in 2003 as explained above.

Net Income. Net income decreased for 2003 compared to 2002 primarily related to a $14.9 million loss related to the early extinguishment of debt in connection with our debt refinancing in December 2003.

EBITDA and Adjusted EBITDA. EBITDA as a percentage of net sales for 2003 decreased to 16.1% from 20.5% for 2002 primarily as a result of the $14.9 million of loss from early extinguishment of debt, which we incurred as part of our debt refinancing in December 2003. Our Adjusted EBITDA for 2003, which excludes this early extinguishment charge, was $81.9 million, or 19.7% of net sales compared to 20.5% for 2002. Our EBITDA margin decreased in 2003 from 2002 primarily because of lower revenues. For a reconciliation of EBITDA and Adjusted EBITDA to pro forma net income, please see Non-GAAP Measures above.

Year Ended December 31, 2002 Compared to Year Ended December 31, 2001

	Restated(1)			
	Year Ended December 31,		Increase (decrease)	
	2001	2002	(In dollars)	(Percent)
	(In millions)			
Reprographics services	$$338.1	$324.4	$(13.7)	(4.0)%
Facilities management	39.9	52.3	12.4	31.1%
Equipment and supplies sales	42.7	42.2	(0.5)	(1.2)%
Total net sales	$ 420.7	$418.9	$ (1.8)	(0.4)%
Gross profit	$ 177.0	$171.1	$ (5.9)	(0.3)%
Selling, general and administrative expenses	$ 104.0	$103.3	$ (0.7)	(0.7)%
Amortization of intangibles	$ 5.8	$ 1.5	$ (4.3)	(74.1)%
Interest expense, net	$ 47.5	$ 39.9	$ (7.6)	(16.0)%
Income taxes	$ 5.8	$ 6.3	$ 0.5	0.9%
Net income	$ 10.7	$ 20.7	$ 10.0	93.5%
EBITDA	$ 89.5	$ 86.1	$ (3.4)	(3.8)%

(1) See Note 1 to the consolidated financial statements.

Net Sales. Net sales decreased in 2002 compared to 2001 due to the continued downturn in the economy generally and the AEC industry in particular and continued pricing pressure on our sales. Our net sales decreased during this period despite our acquisition of Consolidated Reprographics and seven other smaller reprographics companies in 2002. Excluding net sales related to businesses acquired during 2002 and 2001, net sales from our operations decreased by approximately $39.1 million, or 10.0%. The decrease of $39.1 million in revenue compared to 2001 resulted from a combination of price and volume declines.

Net sales by geographic region were as follows:

	Year Ended December 31,		Increase (decrease)	
	2001	**2002**	**(In dollars)**	**(Percent)**
		(In millions)		
Southern California	$ 90.6	$112.7	$ 22.1	24.4%
Northern California	$101.8	$ 88.1	$(13.7)	(13.5)%
Southern	$ 63.0	$ 62.4	$ (0.6)	(1.0)%
Midwest	$ 53.5	$ 53.9	$ 0.4	0.7%
Northeast	$ 85.6	$ 77.4	$ (8.2)	(9.6)%
Pacific Northwest	$ 26.2	$ 24.3	$ (1.9)	(7.2)%
Total	$420.7	$418.9		

The decline in net sales from our divisions located in Southern California, Northern California, the Pacific Northwest, and the Northeast, excluding 2002 acquisitions, was attributable to the nationwide softness in the economy, which fueled unemployment and high non-residential vacancy rates.

Gross Profit. Our gross profit decreased in 2002 from 2001 due primarily to lower net sales in 2002. Our overall gross profit margin declined by 1.2 percentage points to 40.9% in 2002 from 42.1% in 2001, driven primarily by the fixed-cost nature of our leases for production equipment and facilities. Production overhead as a percentage of net sales, which includes lease and maintenance costs, increased from 15.6% in 2001 to 17.5% in 2002. This increase was partially offset by a decrease in our material cost as a percentage of net sales, caused by the lower cost of paper.

Selling, General and Administrative Expenses. Selling, general and administrative expenses in 2002 and 2001 included $1.5 million in bonuses paid to the senior management of a division acquired in 2002, and a $1.4 million bonus paid to the president of a division acquired in 2000, respectively. Overall, selling, general and administrative expenses decreased in 2002 compared to 2001 due to cost savings from the elimination of certain redundant administrative offices during late 2001, which offset increases in our legal fees in 2002 compared to 2001 as a result of the investigation of our company by the Federal Trade Commission that was triggered by the Consolidated Reprographics acquisition and litigation that we pursued against certain competitors. Both of these matters have been concluded. As a percentage of net sales, selling, general and administrative expenses was 24.7% for 2002 and 2001. Our general and administrative expenses in 2002 included $889,000 of management fees.

Amortization of Intangibles. Amortization of intangibles decreased in 2002 compared to 2001 due to our discontinuing the amortization of goodwill pursuant to our adoption of SFAS No. 142 as of January 1, 2002. In 2001, we wrote off $3.4 million of goodwill relating to a business acquired in 2000, which was subsequently closed in 2001 due to underperformance. This non-recurring expense was offset in 2002 by higher amortization of intangible assets resulting from acquisitions during 2002, particularly our acquisition of Consolidated Reprographics.

Interest Expense, Net. Net interest expense decreased in 2002 compared to 2001 due to lower average borrowings and interest rates throughout 2002 as compared to 2001 and a net interest benefit from our interest rate swap contracts of $1.6 million compared to a net interest expense from our swap contracts of $5.6 million in 2001. The decrease was partially offset by additional borrowings incurred in May 2002 to finance the acquisition of Consolidated Reprographics, the addition of new capital leases, and higher interest expense from Holdings previously outstanding notes. The benefit from the swap contracts was due to the improvement in the market value of these rate swap contracts in 2002 as they moved closer to their expiration dates in September 2003.

Income Taxes. Our income tax provision increased in 2002 compared to 2001 due to higher pretax income at the consolidated corporations. Our overall effective income tax rate for 2002 decreased to 23.2% as compared to 35.0% in 2001 due to the write off of non-deductible goodwill in 2001, as well as the impact of the SFAS No. 133 transition adjustment.

We provided for pro forma income taxes of $12.5 million for 2002 and $8.4 million for 2001. Our overall effective pro forma income tax rate was 46.3% in 2002 compared to 50.6% in 2001 due to nondeductible goodwill amortization in 2001 and not in 2002. Goodwill ceased to be amortized in 2002 due to our adoption of SFAS No. 142 as of January 1, 2002.

Net Income. Net income increased for 2002 from 2001 primarily due to a $7.2 million improvement in interest income related to an interest rate swap contract and a net decrease of $4.3 million in amortization expense related to discontinuing the amortization of goodwill pursuant to our adoption of SFAS No. 142 as of January 1, 2002.

EBITDA. The decrease in EBITDA for 2002 compared to 2001 and the decrease in EBITDA as a percentage of net sales for 2002 to 20.5% from 21.3% for 2001 were primarily as a result of lower revenues. For a reconciliation of EBITDA to pro forma net income, please see Non-GAAP Measures above.

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Quarterly Results of Operations

The following table sets forth certain quarterly financial data for the seven quarters ended September 30, 2004. This quarterly information is unaudited, has been prepared on the same basis as the annual financial statements and, in our opinion, reflects all adjustments, consisting only of normal recurring accruals, 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.

	Restated(1)						
	Quarter Ended						
	Mar. 31,	June 30,	Sept. 30,	Dec. 31,	Mar. 31,	June 30,	Sept. 30,
	2003				2004		
	(Unaudited, dollars in thousands)						
Reprographics services	$ 81,301	$ 83,794	$ 77,411	$ 73,489	$ 84,170	$ 87,237	$ 81,958
Facilities management	13,644	14,448	14,628	16,592	16,529	17,954	19,254
Equipment and supplies sales	10,327	10,640	10,145	9,541	9,819	10,424	8,953
Total net sales	$105,272	$108,882	$102,184	$ 99,622	$110,518	$115,615	$110,165
Gross profit	$ 42,292	$ 44,551	$ 39,229	$ 37,860	$ 45,919	$ 49,424	$ 44,287
Income from operations	$ 16,625	$ 18,329	$ 13,722	$ 12,295	$ 18,588	$ 20,639	$ 17,702
EBITDA	$ 21,989	$ 23,889	$ 19,097	$ 2,036	$ 23,376	$ 25,839	$ 22,627
Adjusted EBITDA	$ 21,989	$ 23,889	$ 19,097	$ 16,957	$ 23,376	$ 25,839	$ 22,627
Net income (loss)	$ 5,946	$ 8,049	$ 2,583	$(13,025)	$ 8,438	$ 9,845	$ 7,191

(1) See Note 1 to the consolidated financial statements.

The following is a reconciliation of Adjusted EBITDA and EBITDA to net income (loss) for each respective quarter.

	Restated(1)						
	Quarter Ended						
	Mar. 31, 2003	June 30, 2003	Sept. 30, 2003	Dec. 31, 2003	Mar. 31, 2004	June 30, 2004	Sept. 30, 2004
	(Unaudited, dollars in thousands)						
Adjusted EBITDA	$21,989	$23,889	$ 19,097	$ 16,957	$23,376	$25,839	$22,627
Loss on early extinguishment of debt				(14,921)			
EBITDA	21,989	23,889	19,097	2,036	23,376	25,839	22,627
Interest expense	(9,317)	(8,799)	(10,842)	(10,432)	(8,125)	(8,405)	(8,559)
Income tax benefit (provision)	(1,562)	(2,012)	(646)	89	(2,299)	(2,682)	(1,959)
Depreciation and amortization	(5,164)	(5,029)	(5,026)	(4,718)	(4,514)	(4,907)	(4,918)
Net income (loss)	$ 5,946	$ 8,049	$ 2,583	$(13,025)	$ 8,438	$ 9,845	$ 7,191

(1) See Note 1 to the consolidated financial statements.

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 the 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 cash provided by 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 our LLC members. Supplemental information pertaining to our historical sources and uses of cash is presented as follows and should be read in

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conjunction with our consolidated statements of cash flows and notes thereto included elsewhere in this prospectus.

	Restated(1)			
	Year Ended December 31,			Nine Months Ended September 30,
	2001	2002	2003	2004
	(Dollars in thousands)			
Net cash provided by operating activities	$ 53,151	$ 56,413	$ 48,237	$ 42,419
Net cash used in investing activities	$(37,065)	$(45,918)	$ (8,336)	$ (7,611)
Net cash used in financing activities	$(18,541)	$(14,610)	$(47,581)	$(40,115)

(1) See Note 1 to the consolidated financial statements.

Operating Activities

Net cash provided by operating activities for the nine months ended September 30, 2004 primarily related to net income of $25.5 million, depreciation and amortization of $14.3 million, non-cash interest expense of $3.5 million from the amortization of deferred financing costs and the accretion of yield on our mandatorily redeemable preferred members equity, and an increase in accounts payable and accrued expenses of $8.2 million primarily due to the timing of payments on trade payables, incentive bonus accruals to be paid at year end, and the higher volume of business activity in 2004. These factors were offset by the growth in accounts receivables of $10.3 million primarily related to increased sales during 2004.

Net cash provided by operating activities for the year ended December 31, 2003 primarily related to net income of $3.6 million, depreciation and amortization of $19.9 million, non-cash interest expense of $11.1 million from the accretion of yield on our Holdings notes and our mandatorily redeemable preferred members equity and the amortization of deferred financing costs, the write-off of unamortized debt discount and deferred financing costs of $9.0 million as a result of our debt refinancing in December 2003, a decrease in accounts receivable of $1.8 million and a $1.0 million decrease in inventory.

Net cash provided by operating activities for the year ended December 31, 2002 primarily related to net income of $20.7 million, depreciation and amortization of $19.2 million, non-cash interest expense of $11.1 million from the accretion of yield on our Holdings notes and the amortization of deferred financing costs, a $2.1 million decrease in prepaid expenses and other current assets, a $0.7 million decrease in inventory, and a $2.7 million increase in accounts payable and accrued expenses.

Net cash provided by operating activities for the year ended December 31, 2001 primarily related to net income of $10.7 million, depreciation and amortization of $25.4 million (which includes a write off of $3.4 million of goodwill), non-cash interest expense of $16.5 million from the accretion of yield on our Holdings notes and the amortization of deferred financing costs, a $5.3 million decrease in accounts receivable due to strong cash collections during the second half of 2001, deferred income tax provision of $2.2 million, a $1.4 million decrease in inventory, and a $1.4 million decrease in prepaid expenses and other current assets. These factors were offset by a $10.5 million decrease in accounts payable and accrued expenses primarily due to acquisition earnout payments paid during 2001 which were accrued during the prior year.

Investing Activities

Net cash used in investing activities primarily relates to acquisition of businesses and capital expenditures. Payments for businesses acquired, net of cash acquired and including other cash payments associated with the acquisitions amounted to $2.9 million during the nine months ended September 30, 2004, and $3.1 million, $40.4 million and $27.8 million during the years ended December 31, 2003, 2002 and 2001, respectively. We incurred capital expenditures totaling $4.8 million, $5.0 million, $5.2 million and $8.7 million for the nine months ended September 30, 2004 and the years ended December 31, 2003, 2002, and 2001, respectively.

Financing Activities

Net cash used in financing activities primarily relates to payments on long-term debt under our debt agreements and cash distributions to members. These are offset mainly by the proceeds from borrowings under our debt agreements. Cash used in financing activities for the nine months ended September 30, 2004 included $36.2 million of repayments under our debt agreements and $4.7 million in cash distributions to members. Cash used in financing activities for the year ended December 31, 2003 included $375.6 million of repayments on our prior credit facilities, an $8.1 million payment of loan fees related to our debt refinancing and $1.7 million in cash distributions to members. These were offset by $337.8 million in borrowings under our new credit facilities in December 2003. Cash used in financing activities for the year ended December 31, 2002 included $35.5 million of repayments on our debt agreements and $10.2 million in cash distributions to members (including $6.3 million of cash paid to redeem certain of the Company s common membership units), partially offset by $32.0 million in borrowings under our debt agreements. Cash used in financing activities for the year ended December 31, 2001 included $20.4 million of repayments under our debt agreements and $3.4 million of cash distributions to members, offset by $5.2 million of proceeds from borrowings under our debt agreements.

Our cash position, working capital and debt obligations as of December 31, 2001, 2002 and 2003 and September 30, 2004 are shown below and should be read in conjunction with our consolidated balance sheets and notes thereto included elsewhere in this prospectus.

	December 31,			September 30,
	2001	2002	2003	2004
	(Dollars in thousands)			
Cash and cash equivalents	$ 29,110	$ 24,995	$ 17,315	$ 12,008
Working capital	24,338	24,371	16,809	27,910
Mandatorily redeemable preferred and common membership units	30,116	23,903	25,791	27,285
Other debt obligations	364,738	378,608	359,340	331,100
Total debt obligations	$394,854	$402,511	$385,131	$358,385

Debt obligations as of December 31, 2003 and September 30, 2004 include $25.8 million and $27.3 million of redeemable preferred equity which has been reclassified in our financial statements as a component of our total debt upon our adoption of SFAS No. 150 in July 2003. Debt obligations as of December 31, 2001 included $8.1 million of redeemable common membership units.

We expect a positive impact on our liquidity and results of operations going forward upon the completion of our initial public offering due to lower interest expense as net proceeds of approximately $103.6 million from the sale of our common stock will be used to reduce our existing debt obligations. Our overall interest expense may also be reduced as rates applicable to future borrowings on our revolving credit facility may decrease since the margin for loans made under the revolving facility is based on the ratio of our consolidated indebtedness to our consolidated adjusted EBITDA (as defined in our credit facilities). The applicable margin on our revolving facility ranges between 2.00% and 2.75% for LIBOR rate loans and ranges between 1.00% and 1.75% for index rate loans. In addition, the termination of our management agreement with CHS Management IV LP upon the completion of our initial public offering will positively impact our future results of operations and cash flows because of the elimination of management fees we are required to pay under this agreement. We paid CHS Management IV LP a management fee of $803,000 in 2001, $889,000 in 2002 and $858,000 in 2003, and we anticipate paying $858,000 in 2004.

These positive factors will be offset to a certain extent by rising market interest rates on our debt obligations under our senior secured credit facilities which are subject to variable interest rates. As discussed in Quantitative and Qualitative Disclosure About Market Risk, we had $385.1 million of total debt outstanding as of December 31, 2003 of which $340.0 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 $2.3 million during the year ended December 31, 2003.

We believe that our cash flow provided by operations will be adequate to cover our 2005 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.

We continually evaluate potential acquisitions. Absent a compelling strategic reason, we expect that all future acquisitions will be cash flow accretive within six months. Currently, we are not party to any agreements or engaged in any negotiations regarding a material 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.

Debt Obligations

Senior Secured Credit Facilities. We have two senior secured credit facilities: a $130 million senior first priority secured facility, or first priority facility, and a $225 million senior second priority secured facility, or second priority facility. Our first priority facility consists of a $100 million senior first priority secured term loan facility, or term facility, and a $30 million senior first priority secured revolving credit facility, or revolving facility. Our second priority facility consists of a $225 million senior second priority secured term loan facility. The proceeds of the term facility and a portion of the revolving facility, together with substantially all of the proceeds of the second priority facility, were used to refinance our then existing debt in December 2003. We may use amounts remaining available under the revolving facility for working capital, certain permitted acquisitions and general corporate purposes. See Description of Certain Indebtedness.

The term facility matures in June 2009, the revolving facility matures in December 2008 and the second priority facility matures in December 2009. Opco s obligations under each of the credit facilities are guaranteed by Holdings and each of its domestic subsidiaries. In addition, subject to limited exceptions, the first priority facility is secured by first priority security interests in all of Opco s assets and the assets of Holdings and its domestic subsidiaries and 65% of the assets of its foreign subsidiary. The second priority facility is secured by second priority security interests in the assets securing the first priority facility. The priority of the security interests and related creditor rights between the first priority facility and the second priority facility are subject to an intercreditor agreement.

Loans made under the credit facilities bear interest at a floating rate and may be maintained as index rate loans or as LIBOR rate loans. Index rate loans bear interest at the index rate plus the applicable index rate margin, as described in the first priority facility. Index rate is defined as the higher of (1) the rate of interest publicly quoted from time to time by The Wall Street Journal as the base rate on corporate loans posted by at least 75% of the nation s 30 largest banks, and (2) the

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Federal Reserve reported overnight funds rate plus 1/2 of 1%. LIBOR rate loans bear interest at the LIBOR rate, as described in the first priority facility, plus the applicable LIBOR rate margin.

The applicable margin with respect to the term facility is 2.00% in the case of index rate loans and 3.00% in the case of LIBOR rate loans. The applicable margin for the revolving facility is determined by a grid based on the ratio of our consolidated indebtedness to our consolidated adjusted EBITDA (as defined in our credit facilities) for the most recently ended four fiscal quarters and range between 2.00% and 2.75% for LIBOR rate loans and range between 1.00% and 1.75% for index rate loans.

The applicable margin with respect to loans made under the second priority facility is 5.875% in the case of index rate loans and 6.875% in the case of LIBOR rate loans; provided, that, if the ratio of our consolidated indebtedness over our consolidated adjusted EBITDA (as defined in our credit facilities) is greater than 4.8:1.0 for any four fiscal quarters, each of the applicable margins set forth above will be increased by 100 basis points. In addition to the foregoing, loans made under the second priority facility are issued at a discount of 1.0% to the face amount.

The following table sets forth the outstanding balance, borrowing capacity and applicable interest rate under our senior secured credit facilities. Subsequent to September 30, 2004, we repaid $4.5 million under our term facility and $5.1 million under our second priority facility.

	As of December 31, 2003			As of September 30, 2004		
	Balance	Available Borrowing Capacity	Interest Rate	Balance	Available Borrowing Capacity	Interest Rate
	(Dollars in thousands)					
Term facility	$100,000	$	5.75%	$ 99,250	$	4.84%
Revolving facility	15,000	15,000	5.75%		30,000	
Second priority facility, excluding debt discount	225,000		9.8%	213,364		8.63%
	$340,000	$15,000		$312,614	$30,000	

In addition, under the revolving facility, we are required to pay a fee equal to 0.50% of the total unused commitment amount. We may also draw upon this credit facility through letters of credit which carry specific fees.

Redeemable Preferred Units. As of September 30, 2004, we had $27.3 million of redeemable, non-voting preferred membership units. Holders of the redeemable preferred units are 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 redeemable preferred units. This discount was amortized as a dividend over the initial three years. Of the total yield on the redeemable preferred units, 48% is mandatorily payable quarterly in cash to the redeemable preferred unit holders. The unpaid portion of the yield accumulates annually and is added to the liquidation value of the redeemable preferred units. The preferred units are redeemable without premium or penalty, wholly or in part, at Holdings option at any time, for the liquidation value, including any unpaid yield. The preferred units are mandatorily redeemable on the closing of this offering to the extent of 25% of the net proceeds from this offering.

Seller Notes. As of September 30, 2004, we had $5.0 million of seller notes outstanding, with interest rates ranging between 7.0% and 8.0% and maturities between 2004 and 2007. These notes were issued in connection with prior acquisitions.

Off-Balance Sheet Arrangements

At December 31, 2003 and 2002, 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 September 30, 2004 by fiscal year are as follows:

	Three Months Ending December 31, 2004	Twelve Months Ending December 31, 2005	2006	2007	2008	Thereafter
	(Dollars in thousands)					
Debt obligations, including mandatorily redeemable preferred equity	$ 1,005	$ 3,722	$ 1,696	$ 635	$47,875	$288,138
Capital lease obligation	1,780	6,174	3,907	2,231	944	278
Operating lease obligations	9,064	29,516	19,760	12,884	8,428	20,291
Total	$11,849	$39,412	$25,363	$15,750	$57,247	$308,707

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 in excess of pre-determined targets, we are obligated to make additional cash payments in accordance with the terms of such earnout agreements. As of September 30, 2004, we estimate that we will be required to make additional cash payments of up to $822,000 between 2004 to 2007. These additional cash payments are accounted for as goodwill when earned.

We are involved in a dispute with a state tax authority related to unresolved sales tax issues which arose from such state tax authority s audit findings from their sales tax audit of certain of our operating divisions for the period from October 1998 to September 2001. The unresolved issues relate to the application of sales taxes on certain discounts we granted to our customers. Based on the position taken by the state tax authority on these unresolved issues, they have claimed that an additional $1.2 million of sales taxes are due from us for the period in question, plus approximately $372,000 of interest. We strongly disagree with the state tax authority s position and have filed a petition for redetermination requesting an appeals conference to resolve these issues. At an appeals conference held on December 14, 2004, the appeals board ruled that we are liable in connection with one component of the dispute involving approximately $40,000, which we previously paid. We have requested another appeals conference to resolve the remaining issues, but such conference has not yet been scheduled. The accrued expenses in our consolidated balance sheet as of December 31, 2003 and September 30, 2004 each include approximately $151,000 of reserves related to this matter.

Quantitative and Qualitative Disclosure 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. In September 2003, we entered into an interest rate hedge agreement with a notional amount of $111.2 million to reduce our exposure to fluctuations in interest rates. Under the hedge agreement, we pay a fixed rate of 2.29% and we receive a variable rate equal to the 1-month LIBOR rate. The difference between the fixed and variable rates is settled monthly and is recognized as an increase or decrease in interest expense. The

notional amount of the hedge agreement is reduced quarterly by an amount equal to 50% of our scheduled quarterly principal payments on our senior credit facilities. Upon the expiration of the hedge agreement in September 2005, the notional amount will have been reduced to $96.0 million.

In January 2004, we entered into two interest rate collar agreements, referred to as the front-end and the back-end interest rate collar agreements. The front-end interest rate collar agreement has an initial notional amount of $22.6 million which is increased quarterly to reflect reductions in the notional amount of our interest rate swap agreement, such that the notional amount of the swap agreement, together with the notional amount of the front-end interest rate collar agreement, remains not less than 40% of the aggregate principal amount outstanding on our senior credit facilities. The front-end interest rate collar agreement expires in September 2005. The back-end interest rate collar agreement becomes effective upon expiration of the swap agreement and front-end interest rate collar agreement in September 2005 and has a fixed notional amount of $111.0 million. The back-end interest rate collar agreement expires in December 2006. At September 30, 2004, the fair value of these interest rate collar agreements was $(405,000).

At December 31, 2003, we had $385.1 million of total debt outstanding of which $340.0 million was bearing interest at variable rates approximating 8.5%. A 1.0% change in interest rates on variable rate debt would have resulted in interest expense fluctuating by approximately $2.3 million during the year ended December 31, 2003.

We have not, and do not plan to, enter into any derivative financial instruments for trading or speculative purposes. As of December 31, 2003, we had no other significant material exposure to market risk, including foreign exchange risk and commodity risks.

Recent Accounting Pronouncements

In April 2002, the FASB issued SFAS No. 145, Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections. SFAS No. 145 updates, clarifies, and simplifies existing accounting pronouncements. This statement rescinds SFAS No. 4, which required all gains and losses from extinguishment of debt to be aggregated and, if material, classified as an extraordinary item, net of related income tax effect. As a result, the criteria in Accounting Principles Board No. 30 will now be used to classify those gains and losses. SFAS No. 64 amended SFAS No. 4 and is no longer necessary as SFAS No. 4 has been rescinded. SFAS No. 44 has been rescinded as it is no longer necessary. SFAS No. 145 amends SFAS No. 13 to require that certain lease modifications that have economic effects similar to sale-leaseback transactions be accounted for in the same manner as sale-lease transactions. This statement also makes technical corrections to existing pronouncements. While those corrections are not substantive in nature, in some instances, they may change accounting practice. Our adoption of SFAS No. 145 did not have a material impact on our financial position, results of operations or cash flows.

In June 2002, the FASB issued SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities. SFAS No. 146 nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity, under which a liability for an exit cost was recognized as of the date of an entity s commitment to an exit plan. SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized at fair value when the liability is incurred. Our adoption of this standard effective January 1, 2003 had no impact on our financial position, results of operations or cash flows.

In November 2002, the FASB issued FASB Interpretation No. 45 (FIN 45), Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others. This interpretation elaborates on disclosures required in financial statements concerning obligations under certain guarantees. It also clarifies the requirements related to the recognition of liabilities by a guarantor at the inception of certain guarantees. Our adoption of FIN 45 did not have a material impact on our financial position or results of operations or cash flows.

In December 2002, the FASB issued SFAS No. 148, Accounting for Stock-Based Compensation Transition and Disclosure, an amendment of SFAS No. 123. SFAS No. 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require more prominent and more frequent disclosures in financial statements about the effects of stock-based compensation. This statement is effective for financial statements for fiscal years ending after December 15, 2002. Our adoption of SFAS No. 148 did not have any impact on our financial statements as management does not have any intention to change to the fair value method.

In January 2003, the FASB issued FASB Interpretation No. 46 (FIN 46), Consolidation of Variable Interest Entities, which addresses the consolidation of business enterprises (variable interest entities) to which the usual condition (ownership of a majority voting interest) of consolidation does not apply. The interpretation focuses on financial interests that indicate control. It concludes that in the absence of clear control through voting interests, a company s exposure (variable interest) to the economic risks and potential rewards from the variable interest entity s assets and activities are the best evidence of control. Variable interests are rights and obligations that convey economic gains or losses from changes in the values of the variable interest entity s assets and liabilities. Variable interests may arise from financial instruments, service contracts, nonvoting ownership interests and other arrangements. If an enterprise holds a majority of the variable interests of an entity, it would be considered the primary beneficiary. The primary beneficiary would be required to include the assets, liabilities and the results of operations of the variable interest entity in its financial statements. In December 2003, the FASB issued a revision to FIN 46 to address certain implementation issues. The adoption of FIN 46 and FIN 46 (revised) had no material impact on our results of operations, financial position or cash flows.

In April 2003, the FASB issued SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities. SFAS No. 149 amends and clarifies the financial accounting and reporting of derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. This Statement is effective for contracts entered into or modified after June 30, 2003, except for certain hedging relationships designated after June 30, 2003. The adoption of SFAS No. 149 did not have a material effect on our financial position, results of operations or cash flows.

In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity (SFAS 150). SFAS 150 requires issuers to classify as liabilities (or assets in some circumstances) three classes of freestanding financial instruments that embody obligations for the issuer. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003, and is otherwise effective at the beginning of the first interim period beginning after June 15, 2003. We adopted SFAS 150 on July 1, 2003, which resulted in classifying mandatorily redeemable preferred stock as a liability in the balance sheet and related accretion being charged to interest expense in the statement of operations. See Note 1 to our consolidated financial statements for more detail.

In December 2004, the FASB issued SFAS No. 123R (revised 2004), Share-Based Payment. SFAS No. 123R addresses the accounting for share-based payment transactions in which a company receives employee services in exchange for either equity instruments of the company or liabilities that are based on the fair value of the company s equity instruments or that may be settled by the issuance of such equity instruments. SFAS No. 123R eliminates the ability to account for share-based compensation transactions using the intrinsic method that we currently use and requires that such transactions be accounted for using a fair value-based method and recognized as expense in the consolidated statement of operations. The effective date of SFAS No. 123R is for interim and annual periods beginning after June 15, 2005. We are currently assessing the provisions of SFAS No. 123R and its impact on our consolidated financial statements.

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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 also require sophisticated document management services. 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*, and *print-on-demand*. We provide our core services through our suite of reprographics technology products, a network of 177 locally branded reprographics service centers, and more than 1,760 facilities management programs at our customers locations throughout the country. We also sell reprographics equipment and supplies to complement our full range of service offerings. In further support of our core services, we license our suite of reprographics technology products, including our flagship internet-based application, PlanWell, to independent reprographers. We also operate PEiR (Profit and Education in Reprographics) through which we charge membership fees and provide purchasing, technology and educational benefits to other reprographers, while promoting our reprographics technology as the industry standard. 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.

We operate 177 reprographics service centers, including 174 service centers in 135 cities in 29 states throughout the United States and the District of Columbia and three reprographics service centers in the Toronto metropolitan area. 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 more than 65,000 active customers and employ over 3,450 people, including a sales force of approximately 270 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 more than eight times as many cities and with more than five 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 half 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 84 companies and have retained approximately 93% of the management of the acquired companies. As part of our growth strategy, we have recently begun opening and operating branch service centers, 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 17 new branches in key markets since September 2003 and expect to open an additional 15 branches by the end of the first quarter of 2005.

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, our current senior management team 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 February 2000, Code Hennessy & Simmons LLC, or CHS, through its affiliates acquired a 50% stake in our company from these outside investors in the 2000 recapitalization (referred to as the 2000 recapitalization).

We are currently organized as American Reprographics Holdings, L.L.C., a California limited liability company, or Holdings. 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.

Immediately prior to this offering, we will reorganize from a California limited liability company to a Delaware corporation, American Reprographics Company. In the reorganization, the members of Holdings will exchange 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 will repurchase all of the preferred equity of Holdings upon the closing of this offering with a portion of the net proceeds from this offering. As part of our reorganization, all outstanding warrants to purchase common units will be exchanged for shares of our common stock.

Current Ownership

CHS is a private equity firm based in Chicago, Illinois specializing in leveraged buyouts and recapitalizations of middle market companies in partnership with company management through its private equity funds. Since its founding in 1988, CHS has formed five private equity funds totaling approximately $2.8 billion and currently has investments in 19 operating companies with combined annual revenues of more than $4.6 billion. CHS presently manages approximately $2.7 billion of equity capital from leading financial institutions, pension funds, insurance companies, and university endowments. Its principal offices are located at 10 South Wacker Drive, Suite 3175, Chicago, Illinois 60606. As of September 30, 2004, CHS affiliates owned approximately 49% of our outstanding common equity.

Our founders, Mr. Chandramohan, Chairman and Chief Executive Officer, and Mr. Suriyakumar, President and Chief Operating Officer, purchased ARC in 1989 under its predecessor name, Micro Device, Inc., are still actively involved in the business, and have provided continuity of leadership and control since then. As of September 30, 2004, our executive officers had a pecuniary interest in approximately 33% of our outstanding common equity. See Principal and Selling Stockholders.

Acquisitions

In addition to our primary focus on the growth of our business, we have pursued tactical acquisitions to expand and complement our existing service offerings and to expand our geographic locations where we believe we could be a market leader. In 2000, we acquired 14 reprographics companies for an aggregate purchase price of $111.6 million, including our acquisition of Ridgways, Inc., which enabled us to expand our geographic reach and market penetration in 14 major metropolitan markets. In 2001, we acquired 14 reprographics companies for an aggregate purchase price of $32.6 million. In 2002, we acquired eight reprographics companies for an aggregate purchase price of $34.4 million, including certain assets of the Consolidated Reprographics division of Lason Systems, Inc., which allowed us to increase our market penetration in Southern California.

We intend to continue to pursue a disciplined course of growing our business through complementary acquisitions. We regularly evaluate potential acquisitions and may engage in acquisition negotiations at any time and from time to time. Currently, we are not party to any agreements or engaged in any negotiations regarding a material acquisition.

Industry Overview

The reprographics industry has traditionally provided services related to the reproduction and distribution of large format architectural, engineering and construction documents. Customer demands for speed and efficiency and advances in technology have transformed the reprographics industry such that reprographers are now expected to offer complex digital document management capabilities, document distribution expertise, comprehensive logistics, and the ability to provide document services under intense deadlines. These sophisticated services typically are charged as part of a per square foot printing cost.

According to the International Reprographics Association, or IRgA, and other industry sources, the reprographics industry in the United States is estimated to be approximately $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 architectural, engineering and construction industry, or 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 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 2005 is estimated at $1.0 trillion, with expenditures divided between residential construction (55%) and commercial and public, or non-residential, construction (45%). Our AEC revenues are most closely correlated to the non-residential sectors of the construction industry because these sectors are the largest users of reprographics services. According to FMI, the non-residential sectors of the construction industry are projected to grow at an average of 5.4% per year over the next three years. Although we believe the estimates and industry data we have obtained to be reliable, we have not independently verified this information or the accuracy of any such estimates.

For over 100 years, AEC customers have used reprographics services to print, distribute, and store architectural, engineering and construction diagrams and plans. Prior to the 1980 s, the blueprint was the primary medium of communication among the highly fragmented team of AEC professionals who was responsible for the creation and development of a construction project. With the advent of Computer Aided Drafting (CAD) software and the corresponding need for improved graphic reproduction and color graphics to support the digital nature of construction documents, reprographers have evolved their products and services to facilitate better communication through digital means. The production of documents through digital means significantly decreases errors in drawing interpretation due to the increased quality of information and the clarity with which these documents can be produced. The introduction of the internet spurred additional service and technology development, especially in the area of document management, document distribution and logistic services and print-on-demand.

Non-residential construction projects are generally large in scale, time consuming, and subject to cost overruns and delays. A frequent cause of such problems is the complexity of the construction documentation and the logistics involved in distributing documents to their intended recipients. Reprographers can facilitate better document management through technology applications. For example, reprographers can provide more efficient document distribution by shifting from an analog print and distribute business model, where customer orders are placed and produced in one location and physically distributed locally or nationally, to a digital distribute and print model, where customer orders are placed in one location, distributed digitally and physically produced at one or more local service centers.

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 U.S. gross domestic product, or GDP, which is projected to have grown 4.4% in 2004 and is projected to grow 3.7% in 2005 according to Wall Street s consensus estimates.

The development of digital technology and internet-based solutions for managing documents and the corresponding distribution and reproduction processes have also created an additional opportunity for reprographics companies such as ourselves to offer complementary, value-added services to AEC and non-AEC customers through intelligent technological solutions and an extensive physical network.

We believe the following general trends will continue to impact our business:

Economic Recovery. The recovery in the overall economy is expected to boost construction activity. We estimate that recovery in non-residential construction typically lags the recovery in the broader economy by approximately six months, and we believe that we are at the early stages of an upturn in the non-residential construction cycle. FMI forecasts increases in non-residential construction spending at an average of 5.4% per year over the next three years. The economy is continuing to show signs of recovery as indicated by positive GDP growth, employment growth, increased consumer confidence and supportive monetary policy. Wall Street s consensus estimates forecast real GDP growth of 4.4% in 2004 and 3.7% in 2005.

We believe we are well positioned to capitalize on these recovery trends through our economies of scale and through our nationwide network of service centers.

Digitization. The AEC industry is increasingly becoming digital, creating substantial efficiencies and cost savings for participants of the AEC industry through electronic design and collaboration. Improved document management by the AEC industry is compelling to participants due to frequent cost overruns and completion delays attributable to poor and inaccurate use of plans, specifications and other construction documentation, as well as the complex nature of construction projects. AEC and non-AEC customers alike are increasingly demanding higher value-added, comprehensive digital reprographics services. To meet the demands of the customers, the reprographics industry has been converting its main production technology from analog to digital. Digital technology is cost effective, allows for just-in-time printing and results in high quality documents that can be stored electronically, modified easily and printed in any quantity at any time. The internet is becoming the new distribution channel for the AEC industry, allowing reprographics businesses to shift from a print and distribute business model to a distribute and print model.

We believe we are at the forefront of this industry trend and conduct our operations entirely by digital means through our 177 digitally connected service centers, each with similar production equipment and quality standards, and by enabling the digital fulfillment of our reprographics services through the development of our proprietary software, including PlanWell.

Expanding Geographic Presence. AEC firms of all sizes are expanding their operations into larger geographic territories. This trend requires reprographers to expand their service levels and offerings to keep up with customer demand. As a result, the ability to fulfill reprographics services across wider areas increases the logistical burden for the vast majority of reprographers, which are typically small, privately-held companies that serve only local markets. In addition, the desire for customers to possess a degree of centralized administrative control over their documents requires the support of a corresponding digital infrastructure. As AEC firms continue to decentralize and shift to the distribute and print model, we believe that reprographics firms with a comprehensive digital network and footprint of service facilities such as ours will be best positioned to serve their customers.

The digitization of the AEC industry has also enabled AEC firms to expand globally to take advantage of opportunities in the global construction industry, which according to FMI is $3.3 trillion in size, and diversify the risks associated with operating in one region or one country. International reprographics markets appear to mirror the fragmentation and the small business orientation of the U.S. market, with few large reprographics companies. In addition, our recent efforts to introduce our technology solutions into Europe and Asia indicate that there is a significant lag in the adoption and availability of digital reprographics technology in those markets.

We believe that the addressable reprographics market of the global construction industry is significantly larger than the U.S. reprographics market and that we are well positioned to service the needs of global AEC firms. Although we derive less than 1% of our net sales from operations in foreign countries, our abilities to leverage our technology, offer value-added business service offerings, expand our physical operations, and successfully integrate new businesses offer us significant opportunities for growth outside the United States.

Secular Trends Favoring Outsourcing. Both AEC and non-AEC businesses are focused on increasing productivity by specializing in their core competencies and outsourcing non-core operations such as reprographics. The rapid pace of technological advances and the high costs of purchasing and operating equipment for in-house reprographics departments have further contributed to this trend. According to IDC, a global market intelligence and advisory firm, on-site outsourcing revenue will increase from $4.8 billion in 2003 to $6.6 billion in 2008, resulting in a projected CAGR of 6%. IDC also indicates that revenue from facilities management services and mailroom management services, from which the bulk of on-site revenue is derived, is expected to increase from $4.3 billion in 2003 to $5.9 billion in 2008, representing a projected CAGR of 6%.

With a current base of more than 1,760 on-site facilities management programs, we believe we can leverage our depth of experience in selling and managing these programs into a growth opportunity that will meet or exceed the potential growth rate of the market itself.

Our Competitive Strengths

We believe that our growth will be driven by our competitive strengths, which include the following:

Leading Market Position in Fragmented Industry. In terms of revenue, number of service facilities and number of customers, we believe we are the largest company in our industry, operating in more than eight times as many cities and with more than five times the number of service facilities as our next largest competitor. We are the largest reprographer in most of the geographic markets we serve, as the majority of the approximately 3,000 firms in the reprographics industry are small and locally focused. Our size and national footprint provide us with significant purchasing power, economies of scale, the ability to invest in the development of technologies, and the resources to service large, national customers. Our well-recognized local brand names and our reputation for quality and reliability within the reprographics and architectural, engineering and construction industries, or AEC industries, supported by our ability to provide a wide range of services, have allowed us to gain and sustain the leading position in our industry.

Leader in Technology and Innovation. We strive to maintain the leading position in our industry by creating innovative, value-added technology solutions for our customers and other independent reprographers. We develop and support our suite of reprographics technology products through a team of approximately 20 full-time engineers and technical specialists at our two technology centers in Silicon Valley, as well as through continued investment in research and development. We also draw upon the combined experience, expertise and market insight of the management of our acquired reprographics firms to design, evaluate and improve our reprographics technology products. We believe PlanWell is best positioned to become the industry standard within the AEC industry. From PlanWell s inception in June 2000 through September 30, 2004, more than 650,000 orders have been placed through PlanWell online planrooms for the management of more than 54,000 projects and seven million complex, large format documents. In addition, we have developed other proprietary software applications that complement PlanWell and have enabled us to improve the efficiency of our services, add complementary services and increase our opportunities for capturing revenue. These include Abacus PCR, our proprietary job tracking software, BidCaster, our proprietary Invitation to Bid tool (ITB), EWO, our proprietary electronic work order application, MetaPrint, our print automation and device manager, and OneView, our proprietary centralized project and administrative module for larger customers.

Extensive National Footprint with Regional Expertise. Our service centers maintain local customer relationships while benefiting from our centralized corporate functions and national scale. Each service center provides personalized services that are tailored to meet the regional needs of our customers. 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. Our service centers are in close proximity to the majority of our customers and offer pickup and delivery services within a 15 to 30 mile radius. This enables us to maintain our national distribute and print operations and allows our service facilities to act as backup and supply centers for the more than 1,760 facilities management programs we have in place at customer sites throughout the United States. We also leverage the geographic coverage of our production facilities to address the service needs of large companies that operate in multiple locations. Our Premier Accounts sales initiative offers regional and national customers our localized services under a single contract, while offering centralized access to project specific services, billing, and tracking information.

Flexible Operating Model. We are able to tailor our operations to meet the demands of the local markets that we serve by promoting regional decision making for marketing, pricing, and selling practices. In this manner, 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. Capital investment for a new branch is modest and these new branches are expected to generate positive operating profit within 12 months from opening. The economies associated with opening a new branch give us flexibility and market response times that can significantly enhance our regional growth. We use our wide area network and management information systems to benchmark daily financial and operational data to help us identify and respond to changes in operating trends and disseminate best practices across all branches. We estimate that approximately 60% of our cost base is fixed and that the operating margin on our incremental revenue is more than two times our current operating margin. For example, for the year ended December 31, 2003, we achieved an operating margin of 14.7% and an EBITDA margin (exclusive of a one-time charge related to the early extinguishment of debt) of 19.7%. For the nine months ended September 30, 2004, we experienced revenue growth of 6.3% compared to the same period in 2003, and achieved an operating margin of 16.9% and an EBITDA margin of 21.4%, resulting in margin improvement of approximately 2.2 and 1.7 percentage points, respectively, compared to the year ended December 31, 2003, demonstrating the leverage in our operating model in an expanding business environment. For a description of EBITDA margin and its reconciliation to operating margin, see Management s Discussion and Analysis of Financial Condition and Results of Operations Non- GAAP Measures.

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. Our historical cash capital expenditures have been relatively low, with overall capital spending averaging approximately 1.5% of annual net sales over the last three years. In 2003, we generated cash flow from operations of $48.2 million. From the beginning of 2001 to the end of September 2004, we generated a cumulative $200.2 million of cash flow from operations.

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. As a result of our national presence and size, we enjoy significant economies of scale, and we receive favorable terms from major vendors of equipment, software and reprographics supplies, such as Océ N.V., Xerox Corporation, Canon Inc., Xpedx, a division of International Paper Company, CDW Corporation, and Dell Inc. We also offer savings to other reprographers through our PEiR division, which allows members to purchase machinery and supplies at lower prices than they could obtain independently while further increasing our purchasing power.

Experienced Management Team and Highly Trained Workforce. Our senior management team of S. Mohan Chandramohan, Chairman and Chief Executive Officer, K. Suri Suriyakumar, President and Chief Operating Officer, and Mark Legg, Chief Financial Officer, together with our divisional managers, has an average of over 20 years of industry experience. Mr. Chandramohan has been with us since February 1988 and Mr. Suriyakumar has been with us since November 1989. We have also successfully retained approximately 93% of the managers of the 84 businesses we have acquired since 1997. As a result of these acquisitions, we have developed a formalized training program that collects and disseminates best practices to our employees through formal instruction and seminars. The program covers all of our business practices, including general management, operations, sales and marketing, technology, human resources and accounting.

Our Business Strategy

Our objective is to continue to strengthen our competitive position as the preferred provider of business-to-business document management, document distribution and logistics, and print-on-demand services. We seek to strengthen this position while increasing revenue, cash flow, profitability, and market share. We believe our nationwide footprint, our continuous technological innovation, our promotion of PlanWell as the industry standard, and our value-added service offerings will allow us to continue to meet this objective. Our key strategies to accomplish this objective includes:

Continue to Increase Our Market Penetration and Expand Our Nationwide Footprint. Through our technical and operational expertise and strong customer relationships, we expect to continue to penetrate key markets and build our nationwide presence. We believe that customers rely on local relationships for their document management services, and we intend to increase our existing presence in key U.S. markets while expanding into under-penetrated regions through facilities management contracts, targeted branch openings, strategic acquisitions, and national accounts.

Õ*Facilities Management Contracts:* We expect to capitalize on the continued trend of our customers to outsource their document management services, including their in-house operations. Our facilities management services are turnkey solutions to our customers that can transform what was a cost center for our customers into a profit center. Rather than absorbing the entire cost of such a facility, our customers receive an invoice from us based on their use which is typically reimbursable by project owners and developers. Since January 1, 2001, the number of our facilities management contracts has more than doubled. Based on the nine months ended September 30, 2004, annualized net sales from these contracts have grown to $71.6 million. We will continue to concentrate on developing ongoing facilities management relationships in all of the markets we serve and building our base of recurring revenue.

Õ*Targeted Branch Openings:* Significant opportunities exist to expand our geographic coverage, capture new customers and increase our market share by opening additional satellite branches in regions near our established operations. Our strategy with respect to branch openings is in the early stages of implementation, having evolved as the next stage of our growth to complement our traditional acquisition strategy. Since September 2003, we have opened 17 new branches in areas that expand or further penetrate our existing markets and plan to open an additional 15 branches by the end of the first quarter of 2005. Capital investment for a new branch is modest and these new branches are expected to generate positive operating profit within 12 months from opening. We plan to open branches within our existing markets to serve new customers, in new markets to serve both existing and new customers, and in markets that have no ideal acquisition candidates or where potential acquisitions are likely to be too costly. We believe that our existing corporate infrastructure is capable of supporting a much larger branch network and significantly higher revenue.

Õ*Strategic Acquisitions:* Acquisitions have historically been an important component of our growth strategy. Since 1997, we have acquired 84 reprographics companies and have developed a structured approach to acquiring and integrating companies. We believe that there are significant opportunities to grow our business further through disciplined, strategic acquisitions due to the fragmented nature of our industry. Because our industry consists primarily of small, privately-held companies that serve only local markets, we believe that we can continue to grow our business by successfully acquiring additional reprographics companies at reasonable prices and subsequently realizing substantial operating and purchasing synergies by leveraging our existing corporate infrastructure. We will continue to leverage our acquisition and integration expertise to expand into new markets and increase our presence in existing underpenetrated markets.

Õ*National Accounts:* Our Premier Accounts business unit offers a comprehensive suite of reprographics services designed to meet the demands of large regional and national businesses. It provides local reprographics services to regional and national companies through our national network of reprographics service centers, while offering centralized access to project-specific services, billing and tracking information. For example, we recently entered into an exclusive Premier Accounts contract with one of the leading construction companies in the United States under which we offer a full range of document management, distribution and logistics, and print-on-demand services on a national scale. This contract requires that the customer use PlanWell for every project, and the use of PlanWell by this customer s contractors, subcontractors and outside work force should significantly improve the potential for revenue growth from this account. Through our extensive national footprint and industry leading technology, we believe that we are well-positioned to meet the demands of national companies and will continue to capture additional revenues and customers through this business unit.

Promote PlanWell as the Industry Standard for Procuring Reprographics Services Online. Our goal is to continue to expand the market penetration of PlanWell and create a standardized, internet-based portal to manage, store, and retrieve documents. In order to increase market share and achieve industry standardization, we will continue to license our PlanWell technology to other reprographics companies, including members of PEiR. Through September 30, 2004, we have licensed PlanWell and our other technology products to 66 reprographics companies operating 83 service facilities across the United States. These efforts, combined with the functionality and capabilities of the PlanWell suite of products, should continue to position us at the forefront of technological innovation within the AEC and non-AEC reprographics markets, and create additional service and licensing revenue for us.

Expand Our Non-AEC and Ancillary Product and Service Offerings. We believe that offering our services to non-AEC customers and expanding our existing suite of product and service offerings are effective methods of increasing sales to both new and existing customers. We have leveraged our expertise in providing highly customized, quick-turn services to the AEC industry to attract customers from non-AEC industries that are increasingly seeking document management, document distribution and logistics, and print-on-demand services. We have been successful in attracting non-AEC customers that require services such as the production of large format and small format color and black and white documents, educational and training materials, short-run publishing products, and retail and promotional items. We began targeting non-AEC customers upon our conversion to digital technology in 1997, and we believe that our services to these customers accounted for approximately 20% of our net sales for the nine months ended September 30, 2004.

In addition to expanding our non-AEC revenues, we continue to focus on creating new value-added services beyond traditional reprographics to offer all of our customers. We are actively engaged in services such as bid facilitation, print network management for offices and on-site production facilities, and on-demand color publishing. We plan to continue to capitalize on our technological innovation to enhance our existing services and to create new reprographics technologies.

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 industry expertise. The documents we manage are typically larger than 11x17, 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 reprographic service centers, as well as equipment placed on site in our customers facilities.

These broad categories of services are provided to our architectural, engineering and construction industry, or 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.

We provide the following specific services through our suite of reprographics technology products, a network of 177 locally-branded reprographics service centers, and more than 1,760 facilities management programs. 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 reprographics services. From Planwell s inception in June 2000 through September 1, 2004, more than 650,000 orders have been placed through PlanWell online planrooms for the management of more than 54,000 projects and seven million complex, large format documents. While PlanWell typically facilitates the management of large and small format documents for professionals in the AEC industry, the application can be used to manage small format document collections and color documents for non-AEC users. PlanWell is provided in two primary configurations: *PlanWell Enterprise*, a hosted, comprehensive documentation system with a wide variety of administration and document management features; and *PlanWell PDS,* a simple, stand alone online planroom that acts as a document viewing and distribution tool for a single set of plans.

Production services, including print-on-demand, document assembly, document finishing, mounting, laminating, binding, and kitting. We utilize a broad range of digital output equipment and finishing and assembly skills to produce print-on-demand projects at each of our 177 service centers. These services include the production of large format and small format documents in both black and white and color. 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. These services are supported by a fleet of approximately 680 vehicles and nearly 700 employees. Our service facilities provide pedestrian, bicycle and car courier services in most metropolitan markets, and we also offer third party shipping services to all of our customers. Contracted courier services allow our divisions to manage additional delivery capacity through approximately 160 vehicles and drivers.

Highly customized large and small format reprographics in color and black and white. For our non-AEC customers this includes digital reproduction of posters, tradeshow displays, plans, banners, signage and maps. We offer large format color services through a variety of processes, including inkjet, bubblejet, large format electrostatic printing and photographic printing. We also offer small format color reprographics services, which typically use laser printing technology, for products such as flyers, real estate deal books and financial presentations.

Facilities management, including recurring on-site document management services and staffing at our customers locations. We currently have more than 1,760 facilities management programs, which typically include the management and procurement of related on-site equipment and supplies. Our facilities management services generally eliminate reprographics capital expenditures for our customers and keep equipment current and in good condition. Our facilities management services also help our customers track and capture reprographics costs that are often reimbursable, and frequently transform a customer s cost center into profit center.

Sales of reprographics equipment and supplies to other reprographics companies and end-users in the AEC industry to further complement our service and product offerings and increase our purchasing power. In addition, a number of our service centers are authorized dealers for reprographics equipment manufactures such as Océ and Xerox. Sales of reprographics equipment and supplies accounted for approximately $40.7 million, or 9.8%, of our net sales in 2003.

The design and development of other document management and reprographics software, in addition to PlanWell, that supports ordering, tracking, job costing, and other customer specific accounting information for a variety of projects and services. Many of these applications create greater value and offer a wider range of services when used in conjunction with one another, providing an incentive to our customers to use our services beyond a single need. 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. This application also offers the reprographer the ability to create internet-based order forms that conform to their available service offerings and pricing. Customers can use a simple upload application to send files to the reprographer or schedule a pickup for original documents. This application can also be configured to interface with other third party internet-based products, acting as the driving e-commerce engine for a reprographics organization.

Õ*Abacus Print Cost Recovery (PCR) System,* 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.

Õ*BidCaster Invitation-to-Bid (ITB) System,* a data management internet application that issues customizable invitations to bid from a customer s desktop using email and a hosted fax server. This application links potential bidders directly to a PlanWell online planroom to evaluate and order plans used in the submission of project bids, and tracks bid responses to provide the customer a much faster, convenient and efficient way to gather and complete project bids.

Õ*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.

Õ*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, regardless of which of our local production facilities stores the relevant documents. This application also imports and consolidates invoice data from each of our service centers in a variety of formats and reports.

To further support and promote our major categories of services, as well as lead our industry forward and establish ourselves firmly at the forefront of technology and innovation in the reprographics industry, we also:

License our suite of reprographics technology products, including our flagship online planroom, PlanWell, to independent reprographers. Our licensing efforts promote our technology as the digital standard for the fulfillment of reprographics services in the AEC industry. Through September 30, 2004, we have licensed PlanWell and our other technology products to 66 reprographics companies operating 83 service facilities across the United States.

Operate PEiR (Profit and Education in Reprographics), 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, currently consisting of 45 independent reprographers, are required to license PlanWell and may purchase equipment and supplies at a lower cost than they could obtain independently. In turn, their purchasing volumes increase our buying power and influence with our vendors. We also distribute our educational programs to PEiR members to help establish and promote best practices within the reprographics industry.

Customers and Representative Projects

Our customers are both local and national companies, with no single customer accounting for more than 2% of our net sales in 2003.

We have historically provided reprographics and related business services primarily to the architectural, engineering and construction, or AEC, market. However, since 1997, we have focused on increasing the number of non-AEC customers in our customer base to increase diversification and expand our core services into markets that seek sophisticated document management, document distribution and logistics, and print-on-demand services. We generated approximately 80% of our net sales from AEC customers for the nine months ended September 30, 2004. We began targeting non-AEC customers upon our conversion to digital technology in 1997 and we believe that

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services to these customers accounted for approximately 20% of our net sales for the nine months ended September 30, 2004.

Top 20 AEC Customers

The following is a list of our top 20 AEC customers based upon our net sales for the nine months ended September 30, 2004:

Anshen & Allen, Architects, Inc.	Parsons Brinkerhoff Inc.
BSW Architects	Perini Corporation
EDAW, Inc.	RBF Consulting
Ewing Cole Cherry Brott	Rockwell Group
Gensler	Skanska USA Building Inc.
Hammel, Green & Abrahamson, Inc.	Skidmore Owens & Merrill LLP
Hillier International	Standard Pacific Corporation
The Irvine Company	The Turner Corporation
KTGY Group, Inc.	URS Corporation
MBH Architects, Inc.	Wimberly Allison Tong & Goo

Top 20 Non-AEC Customers

The following is a list of our top 20 non-AEC customers based upon our net sales for the nine months ended September 30, 2004:

Adac Laboratories, Inc.	Los Angeles County Dept. of Public Works
AIM Management Group Inc.	NACE International
Applied Materials, Inc.	San Manuel Indian Bingo & Casino
Baker Hughes Incorporated	Sound Transit
The Boeing Company	Southern California Edison
Chevron Phillips Chemical	Staedtler, Inc.
DBL Realtors Corp.	Taco Bell Corp.
Etec Systems	WDI/ Document Controls
Helix U.S.A. Ltd.	Wells Fargo & Company
Lam Research Corporation	University of California, Los Angeles

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Representative Projects

The following is a representative list of recent small and large projects in which we supplied reprographics services:

Name of Project	Architect	Builder
Miami International Airport North Terminal Development (Miami, FL)	Corgan Associates, Inc.	The Turner Corporation
Walt Disney Concert Hall (Los Angeles, CA)	Frank O. Gehry & Associates, Inc.	M. A. Mortenson Company
University of Michigan Biomedical Science Research Building (Ann Arbor, MI)	Polshek Partnership Architects LLP	Skanska USA Building Inc.
Toyota Headquarters South Campus Office Development (Torrance, CA)	LPA, Inc.	The Turner Corporation
Bellagio Resort and Casino, Sam s Town Gambling Hall (Las Vegas, NV)	Marnell Carrao Associates	Marnell Carrao Associates
FDA Regional Laboratory-Southwest (Irvine, CA)	Zimmer, Gunsul, Frasca Partnership + HDR	Hensel Phelps
Fluor Corporation Campus Headquarters (Irvine, CA)	Fluor Corporation	Fluor Corporation
City of Aliso Viejo Masterplan (Aliso Viejo, CA)	Multiple	Multiple
Minutemaid Park (Houston, TX)	HOK Sport + Venue + Event	Kellogg Brown & Root (KBR)
Chesapeake Bay Bridge Tunnel (Virginia Beach, VA)	PCL Civil Constructors Inc.	Multiple
Caltrans District 7 Headquarters (Los Angeles, CA)	Morphosis Architects	Clark Construction Group, LLC
Norman Mineta San Jose International Airport (San Jose, CA)	Gensler	Gilbane Building Company
Nissan Automotive Assembly Facility (Canton, MS)	SSOE, Inc.	W.G. Yates & Sons Construction Co., Yates/ Walbridge

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Operations

Geographic Presence. We operate 177 reprographics service centers, including 174 service centers in 135 cities in 29 states throughout the United States and the District of Columbia and three service centers in the Toronto metropolitan area. 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. The map below illustrates the number of our service centers by state.

Hub and Satellite Configuration. We are organized into 42 divisions that typically consist of a cluster configuration of at least one large service facility, or hub facility, and several smaller facilities, or satellite facilities, 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. In addition, this organizational structure allows us to balance production capacity, improve equipment utilization, and minimize capital expenditures through technology sharing among our service centers within each market. The hub and satellite model supports our ability to respond to the demands of local markets by promoting regional decision making for marketing, pricing, and selling practices while benefiting from centralized administrative functions.

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Overview of Typical Hub and Satellite Capabilities

Central Hub Facilities	Satellite Facilities
All capabilities and equipment of our satellite facilities	Process simple reprographics
Process larger, more complex reprographics	Quick turnaround capabilities
Higher production capacity	Sophisticated equipment