American Reprographics CO
Form 424B4
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Registration No. 333-132530

Prospectus Supplement
(To Prospectus dated March 30, 2006)

6,087,000 shares

Common stock

The selling stockholders identified in this prospectus supplement are selling 6,087,000 shares. We will not receive any of the proceeds from the sale of the shares by the selling stockholders.

Our common stock is quoted on the New York Stock Exchange under the symbol ARP. On April 5, 2006, the last reported sale price of our common stock was $34.75 per share.

	Per share	Total
Public offering price	$ 34.5000	$ 210,001,500
Underwriting discounts and commission	$ 1.8113	$ 11,025,383
Proceeds to selling stockholders, before expenses	$ 32.6887	$ 198,976,117

Certain stockholders have granted the underwriters an option for a period of 30 days to purchase up to 913,000 additional shares of our common stock on the same terms and conditions set forth above to cover over-allotments, if any.

Investing in our common stock involves a high degree of risk. See Risk factors beginning on page S-11.

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

The underwriters expect to deliver the shares of common stock to investors on April 11, 2006.

JPMorgan **Goldman, Sachs & Co.**

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

Credit Suisse **William Blair & Company**

Prospectus Supplement dated April 5, 2006

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About this prospectus supplement

This prospectus supplement is a supplement to the accompanying prospectus that is also a part of this document. The prospectus is part of a registration statement that we filed with the SEC using a shelf registration process. Under the shelf registration process, from time to time and up to an aggregate amount of 7,000,000 shares (including this offering), the selling stockholders may offer common stock. No securities have been sold under this shelf registration as of the date of this prospectus supplement. In the accompanying prospectus, we provide you with a general description of the securities the selling stockholders may offer from time to time under our shelf registration statement. In this prospectus supplement, we provide you with specific information about the terms of this offering. Both this prospectus supplement and the prospectus include, or incorporate by reference, important information about us, our common stock and other information you should know before investing. This prospectus supplement also adds to, updates and changes information contained in the prospectus. If any specific statement that we make in this prospectus supplement is inconsistent with the statements made in the accompanying prospectus, the statements made in the accompanying prospectus are deemed modified or superceded by the statements made in this prospectus supplement. You should read both this prospectus supplement and the prospectus, as well as the additional information described under Where you can find more information in the prospectus before investing in our common stock.

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.

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Prospectus summary

This summary highlights only selected information contained elsewhere in this prospectus supplement and the accompanying prospectus and does not contain all of the information you should consider before investing in our common stock. You should read carefully this entire prospectus supplement, the accompanying prospectus, the documents incorporated by reference and the other documents to which we refer. Please read Risk factors, beginning on page S-11 of this prospectus supplement for more information about important risks that you should consider before buying our common stock. In this prospectus supplement, American Reprographics Company, ARC, the company, we, us, and our refer to American Reprographics Company and its consolidated subsidiaries, unless the context otherwise dictates.

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 approximately 220 locally branded reprographics service centers in 161 U.S. cities, and approximately 2,500 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 approximately 73,000 active customers and we employ more than 3,800 people, including a sales and customer service staff of more than 775 employees. In terms of revenue, number of service facilities and number of customers, we believe we are the largest company in our industry, operating in approximately eight times as many cities and with more than six 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 products as industry standards.

For the year ended December 31, 2005, our net sales were $494.2 million, our income from operations was $89.8 million, and our net income was $60.5 million. For the year ended December 31, 2005, we estimate that the AEC market accounted for approximately 80% of our net sales, with the remaining 20% from 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 2006 is estimated at $1.1 trillion, with expenditures divided between residential construction 55% and commercial and public, or non-residential, construction 45%. The $5 billion reprographics industry is approximately 0.5% of the $1.1 trillion construction industry in the United States. Our AEC revenues are most closely correlated to the non-residential sectors of the construction industry, which are the largest users of reprographics services. According to FMI, the non-residential sectors of the construction industry are projected to grow at a compounded annual growth rate of approximately 8% 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 3.5% in 2005 and is projected to remain at that growth rate in 2006 according to Wall Street s consensus estimates.

Our competitive strengths

We believe that our competitive strengths include the following:

Leading Market Position in Fragmented Industry. Our size and national footprint provide us with significant purchasing power, economies of scale, the ability to invest in industry-leading technologies, and the resources to service large, national customers.

Leader in Technology and Innovation. We believe our PlanWell online 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

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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 90% of the managers of the businesses we have acquired since 1997.

Our business strategy

We intend to strengthen our competitive position as the preferred provider of reprographics services in each market we serve. We seek to do so while increasing revenue, cash flow, profitability, and market share. Our key strategies to accomplish this objective include:

Continue to Increase Our Market Penetration and Expand Our Nationwide Footprint. We believe that many of our local customers rely on local relationships with our service centers for their document management services. We also recognize a growing desire among larger regional and national customers to consolidate their purchasing of reprographics services. We believe that we are currently a leader in approximately half of the top 50 U.S. markets (as defined by Neilsen media research). To expand our nationwide footprint, we intend to increase our presence in the top 50 U.S. markets and other under-penetrated regions through facilities management contracts, targeted branch openings, strategic acquisitions and national accounts.

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. Placing equipment (and sometimes staff) in an architectural studio or construction company office remains a compelling service offering as evidenced by our eight-year compounded annual growth rate of 30% in new on-site services contracts. The renewable nature of most on-site service contracts leads us to believe that this source of revenue will continue to increase in the near term. 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.

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. In 2005, we opened 19 such branches in areas that expand or further penetrate our existing markets. We plan to open an additional 15 branches by the end of 2006. We believe that our existing corporate infrastructure is capable of supporting a much larger branch network and significantly higher revenue.

Strategic Acquisitions. Acquisitions have historically been an important component of our growth strategy and, accordingly, we have developed a structured approach to acquiring and integrating companies. 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 acquiring additional reprographics companies at reasonable prices and subsequently realizing substantial operating and purchasing synergies by leveraging our existing corporate infrastructure.

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. 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. We continue to expand the market penetration of PlanWell to create an industry standard for online document management, storage, and document retrieval services. 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 December 2005, we licensed PlanWell technology products for use in 140 independent reprographics service facilities, which, in combination with ARC locations, has made our technology available in more than 350 locations across the United States.

Solidify Our Non-AEC Service Offerings. We have leveraged our expertise in providing highly customized, quick turnaround 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. Our services to these customers accounted for approximately 20% of our net sales in 2005.

In addition, 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, add new revenue streams, and create new reprographics technologies.

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 April 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).

In February 2005, we reorganized from American Reprographics Holdings, L.L.C., a California limited liability company, or Holdings, to a Delaware corporation, American Reprographics

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

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The offering

Common stock offered by the selling stockholders	6,087,000 shares
Common stock to be outstanding after this offering(1)	44,812,815 shares
Use of proceeds	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:

reflects our conversion from a California limited liability company to a Delaware corporation, which occurred on February 3, 2005;

reflects 44,625,815 shares of common stock outstanding at March 1, 2006;

excludes 1,397,585 shares of common stock subject to outstanding options at March 1, 2006 issued at a weighted average exercise price of $5.92 per share;

excludes 32,300 shares of common stock issued upon option exercises since March 1, 2006 and 80,652 shares of common stock issued in payment of incentive bonuses;

excludes 3,249,315 shares of common stock reserved for future issuance under our 2005 Stock Plan, and 387,939 shares of common stock reserved for future issuance under our 2005 Employee Stock Purchase Plan; and

assumes no exercise of the underwriters option to purchase additional shares.

(1) Includes 187,000 shares of common stock to be issued upon exercise of outstanding options prior to the close of the offering.

Risk factors

See Risk factors and the other information included in this prospectus for a discussion of the factors you should consider carefully before deciding to invest in shares of our common stock.

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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, 2001, 2002, 2003 and 2004 and the audited financial statements of American Reprographics Company for the fiscal year ended December 31, 2005. Except where otherwise indicated, the unaudited pro forma financial data set forth below give effect to our conversion to a Delaware corporation in February 2005. For additional information see Capitalization, Selected historical financial data, Management s discussion and analysis of financial condition and results of operations, and our audited financial statements included elsewhere in this prospectus supplement.

Fiscal year ended December 31, (dollars in thousands, except per unit / share amounts)	**2001**	**2002**	**2003**	**2004**	**2005**
Statement of operations data:					
Reprographics services	$ 338,124	$ 324,402	$ 315,995	$ 333,305	$ 369,123
Facilities management	39,875	52,290	59,311	72,360	83,125
Equipment and supplies sales	42,702	42,232	40,654	38,199	41,956
Total net sales	420,701	418,924	415,960	443,864	494,204
Cost of sales	243,710	247,778	252,028	263,787	289,580
Gross profit	176,991	171,146	163,932	180,077	204,624
Selling, general and administrative expenses	104,004	103,305	101,252	105,780	112,679
Provision for sales tax dispute settlement				1,389	
Amortization of intangibles	5,801	1,498	1,709	1,695	2,120
Write-off of intangible assets	3,438				
Income from operations	63,748	66,343	60,971	71,213	89,825
Other income	304	541	1,024	420	381
Interest expense	(47,530)	(39,917)	(39,390)	(33,565)	(26,722)
Loss on early extinguishment of debt			(14,921)		(9,344)
Income before income tax provision (benefit)	16,522	26,967	7,684	38,068	54,140
Income tax provision (benefit)(1)	5,787	6,267	4,131	8,520	(6,336)
Net income	10,735	20,700	3,553	29,548	60,476
Dividends and amortization of discount on preferred equity	(3,107)	(3,291)	(1,730)		
	7,628	17,409	1,823	29,548	60,476

Net income attributable to common members / stockholders					
Unaudited pro forma incremental income tax provision(1)	2,574	6,211	673	9,196	333
Unaudited pro forma net income attributable to common members / stockholders	$ 5,054	$ 11,198	$ 1,150	$ 20,352	$ 60,143
Net income attributable to common members / stockholders per common unit / share:					
Basic	$ 0.21	$ 0.48	$ 0.05	$ 0.83	$ 1.43

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Fiscal year ended December 31, (dollars in thousands, except per unit / share amounts)	2001	2002	2003	2004	2005
Diluted	$ 0.21	$ 0.47	$ 0.05	$ 0.79	$ 1.40

Fiscal year ended December 31,	2001	2002	2003	2004	2005
Unaudited pro forma net income attributable to common members / stockholders per common unit / share:					
Basic	$ 0.14	$ 0.31	$ 0.03	$ 0.57	$ 1.42
Diluted	$ 0.14	$ 0.30	$ 0.03	$ 0.54	$ 1.39
Weighted average common units / shares outstanding:					
Basic	36,628,801	36,406,220	35,480,289	35,493,136	42,264,001
Diluted	36,757,814	36,723,031	37,298,349	37,464,123	43,178,001

Fiscal year ended December 31, (dollars in thousands)	2001	2002	2003	2004	2005
Other financial data:					
EBIT(2)	$ 64,052	$ 66,884	$ 61,995	$ 71,633	$ 90,206
EBITDA(2)	$ 89,494	$ 86,062	$ 81,932	$ 90,363	$ 109,371
EBIT margin(2)	15.2%	16.0%	14.9%	16.2%	18.2%
EBITDA margin(2)	21.3%	20.5%	19.7%	20.4%	22.1%
Depreciation and amortization(3)	$ 25,442	$ 19,178	$ 19,937	$ 18,730	$ 19,165
Capital expenditures, net	$ 8,659	$ 5,209	$ 4,992	$ 5,898	$ 5,237
Interest expense, net	$ 47,530	$ 39,917	$ 39,390	$ 33,565	$ 26,722

	As of December 31, 2005

(dollars in thousands)	As of December 31, 2001	2002	2003	2004	Actual	As adjusted(4) (unaudited)
Balance sheet data:						
Cash and cash equivalents	$ 29,110	$ 24,995	$ 17,315	$ 13,826	$ 22,643	$ 22,193
Total assets	372,583	395,128	374,716	377,334	442,362	441,912
Long-term obligations and mandatorily redeemable preferred and common units / shares(5)(6)	371,515	378,102	360,008	338,371	253,371	253,371
Total members /stockholders equity (deficit)(7)	(78,955)	(61,082)	(60,015)	(35,009)	113,569	113,119
Working capital	24,338	24,371	16,809	22,387	35,797	35,347

(1) Prior to our reorganization as a Delaware corporation in February 2005, a substantial portion of our business was operated as a limited liability company, or LLC, and taxed as a partnership. As a result, the members of the LLC paid 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, 2001.

(2) Non-GAAP Measures.

EBIT and EBITDA and related ratios presented in this prospectus supplement 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.

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

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

We use EBIT to measure and compare the performance of our divisions. We operate our 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 to measure performance for determining division-level compensation and use EBITDA to measure performance for determining consolidated-level compensation. We also use EBITDA as a metric to manage cash flow from our divisions to the corporate level and to determine the financial health of each division. As noted above, 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 monthly as one of our key internal controls. We also use EBIT and EBITDA to evaluate potential acquisitions and to evaluate whether to incur capital expenditures.

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

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

They do not reflect changes in, or cash requirements for, our working capital needs;

They do not reflect the significant interest expense, or the cash requirements necessary, to service interest or principal payments on our debt;

Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA does not reflect any cash requirements for such replacements; and

Other companies, including companies in our industry, may calculate these measures differently than we do, limiting their usefulness as comparative measures.

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

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

Fiscal year ended December 31, (dollars in thousands)	**2001**	**2002**	**2003**	**2004**	**2005**
Cash flows provided by operating activities	$ 53,151	56,413	$ 48,237	$ 60,858	$ 56,648

Changes in operating assets and liabilities	2,399	(4,040)	(1,102)	(3,830)	8,859
Non-cash expenses, including depreciation and amortization	(44,815)	(31,673)	(43,582)	(27,480)	(5,031)
Income tax provision (benefit)	5,787	6,267	4,131	8,520	(6,336)
Interest expense	47,530	39,917	39,390	33,565	26,722
Loss on early extinguishment of debt			14,921		9,344
EBIT	64,052	66,884	61,995	71,633	90,206
Depreciation and amortization	25,442	19,178	19,937	18,730	19,165
EBITDA	89,494	86,062	81,932	90,363	109,371
Interest expense	(47,530)	(39,917)	(39,390)	(33,565)	(26,722)
Loss on early extinguishment of debt			(14,921)		(9,344)
Income tax (provision) benefit	(5,787)	(6,267)	(4,131)	(8,520)	6,336
Depreciation and amortization	(25,442)	(19,178)	(19,937)	(18,730)	(19,165)
Dividends and amortization of discount on preferred equity	(3,107)	(3,291)	(1,730)		
Net income	$ 7,628	$ 17,409	$ 1,823	$ 29,548	$ 60,476

The following is a reconciliation of net income to EBITDA:

Fiscal year ended December 31, (dollars in thousands)	**2001**	**2002**	**2003**	**2004**	**2005**
Net income	7,628	17,409	$ 1,823	$ 29,548	$ 60,476
Dividends and amortization of discount on preferred equity	3,107	3,291	1,730		
Interest expense, net	47,530	39,917	39,390	33,565	26,722
Loss on early extinguishment of debt			14,921		9,344
Income tax provision (benefit)	5,787	6,267	4,131	8,520	(6,336)
Depreciation and amortization	25,442	19,178	19,937	18,730	19,165
EBITDA	89,494	86,062	$ 81,932	$ 90,363	$ 109,371

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

As a percentage of net sales for fiscal year ended December 31,	**2001**	**2002**	**2003**	**2004**	**2005**
Net income margin	2.6%	4.9%	0.9%	6.7%	12.2%
Interest expense, net	11.3	9.5	9.5	7.6	5.4
Income tax provision (benefit)	1.4	1.5	1.0	1.9	(1.3)
Loss on early extinguishment of debt			3.6		1.9
EBIT margin	15.2	16.0	14.9	16.2	18.2
Depreciation and amortization	6.0	4.6	4.8	4.2	3.9
EBITDA margin	21.3%	20.5%	19.7%	20.4%	22.1%

(3) Depreciation and amortization includes a write-off of intangible assets of $3.4 million for the year ended December 31, 2001.
(4) Adjusted to reflect the payment of the expenses of the offering.
(5) In July 2003, we adopted SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity. In accordance with SFAS No. 150, the redeemable preferred equity of Holdings has been reclassified in our financial statements as a component of our total debt upon our adoption of this new standard. The redeemable preferred equity amounted to $25.8 million as of December 31, 2003 and $27.8 million as of December 31, 2004. SFAS No. 150 does not permit the restatement of financial statements for periods prior to the adoption of this standard.
(6) Redeemable common membership units amounted to $8.1 million at December 31, 2001.
(7) Reflects 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 or incorporated in this prospectus supplement or the accompanying prospectus, including the risk factors set forth below and in our SEC periodic reports, before investing in the common stock offered pursuant to this prospectus supplement. 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. This could cause the trading price of our common stock to decline, perhaps significantly.

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 estimate that AEC markets accounted for approximately 80% of our net sales for the year ended December 31, 2005. 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 several 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 products, including PlanWell.

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

The reprographics industry has undergone vast changes in the last 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.

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

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 2005, our reprographics services represented approximately 74.7% and our facilities management services represented approximately 16.8% of our total net sales. Both categories of revenue are generally derived via a charge per square foot of printed material. Future technological advances may further facilitate and improve our customers ability to print in their own offices or at a job site. As technology continues to improve, this trend toward consuming information on an as needed basis could result in decreasing printing volumes and declining revenues in the longer term. Failure to offset these potential declines in printing volumes by changing how we charge for our services and developing additional revenue sources could significantly affect our business and reduce our long term revenue, resulting in an adverse effect on our results of operations and financial condition.

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

We derived approximately half of our net sales in 2005 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, most of the businesses we have acquired were long established in the communities in which they conduct their business. Our efforts to execute our acquisition strategy may be affected by our ability to continue to identify, negotiate, integrate, and close acquisitions. In addition, any governmental review or investigation of our proposed acquisitions, such as by the Federal Trade Commission, or FTC, may impede, limit or prevent us from proceeding with an acquisition. We regularly evaluate potential acquisitions, although we currently have no agreements or active negotiations with respect to any material acquisitions.

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

We expand our geographic coverage by opening additional satellite branches in regions near our established operations to capture new customers and greater market share. In 2005 we opened 19 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 2006. 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. Of the businesses we have acquired since 1997, we have, in most cases, delegated the responsibility for marketing, pricing, and selling practices with the local and operational managers of these businesses. If we do not successfully manage our subsidiaries under this decentralized operating structure, we risk having disparate results, lost market opportunities, lack of economic synergies, and a loss of vision and planning, all of which could harm our business and profitability.

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

We purchase reprographics equipment and maintenance services, as well as paper, toner and other supplies, from a limited number of vendors. Our four largest vendors in 2005 were Oce 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, trademark and trade secret protection, confidentiality agreements, license agreements, non-compete agreements,

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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.

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

We currently store most of our customer data at our two technology centers located in Silicon Valley near known earthquake fault zones. Damage 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 supplement. 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 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, 2006 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.

Risks related to our common stock

The price of our common stock may fluctuate significantly, which may make it difficult for you to resell the common stock issuable when you want or at prices you find attractive.

The price of shares of our common stock on the NYSE constantly changes. We expect that the market price of our common stock will continue to fluctuate. Holders of our common stock will be subject to the risk of volatility and depressed prices of our common stock. Our stock price

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can fluctuate as a result of a variety of factors, many of which are beyond our control. These factors include:

- general domestic and international economic conditions;
- developments generally affecting the architectural, engineering and construction industry;
- quarterly variations in our or our competitors results of operations;
- the announcement and introduction of new products or product enhancements by us or our competitors;
- announcement by third parties of significant claims or proceedings against us;
- changes in expectations as to our future financial performance, including financial estimates by securities analysts and investors; and
- future sales of our equity or equity-linked securities.

General market fluctuations, industry factors and general economic and geopolitical conditions and events, such as economic slowdowns or recessions, consumer confidence in the economy, terrorist attacks and ongoing military conflicts, also could cause our stock price to decrease. In addition, the stock market in general has experienced extreme volatility that has often been unrelated to the operating performance of a particular company. These broad market fluctuations also may adversely affect the market price of our common stock.

If securities or industry analysts cease publishing research or reports about our business or publish negative research, or our results are below analysts estimates, our stock price and trading volume could decline.

The trading market of our common stock depends on the research and reports that industry or securities analysts publish about us or our business. We do not have any control over these analysts. If one or more of the analysts who cover us downgrade our stock or our results are below analysts estimates, our stock price would likely decline. If one or more of these analysts cease coverage of our company or fail to regulatory publish reports on us, we could lose visibility in the financial markets, which in turn could cause or stock price or trading volume to decline.

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.

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

Our amended and restated certificate of incorporation authorizes 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. No shares of preferred stock are outstanding and we have no present plan to issue any shares of preferred stock.

Shares available for public sale after this offering 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. As of March 1, 2006, we had 44,625,815 shares of common stock outstanding, all of which will be available for resale after this offering. The number of shares of common stock available for sale in the public market is temporarily limited under lock-up agreements covering 19,452,264 (assuming no exercise of the underwriters over-allotment option) shares that our directors, executive officers, the selling stockholders and certain other stockholders 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 90 days after the date of this prospectus without the prior written consent of J.P. Morgan Securities Inc. and Goldman, Sachs & Co. However, J.P. Morgan Securities Inc. and Goldman, Sachs & Co. may release all or any portion of the shares from the restrictions of the lock-up agreements. Upon expiration of the lock-up period described above, and subject to the provisions of Rule 144, all of our shares will be available for sale in the public market.

Your percentage ownership in us may be diluted by future issuances of capital stock, which could reduce your influence over matters on which stockholders vote and be dilutive to earnings.

Our board of directors has the authority, without action or vote of our stockholders, except as required by the NYSE, to issue all or any part of our authorized but unissued shares of common stock, including shares issuable upon the exercise of options. Issuance of common stock would reduce your influence over matters on which our stockholders vote and could be dilutive to earnings.

Because a limited number of stockholders control a significant portion of the voting power of our common stock, investors in this offering may 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 approximately 43.4% of the voting power of our common stock, or approximately 41.3% 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 such a substantial portion of the voting power of our common stock, they will be able to influence significantly 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 to a substantial degree 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.

A portion of the proceeds of this offering will be used to benefit our affiliates.

Our affiliates including Code, Hennessy & Simmons III, L.P. and certain directors and executive officers, will directly or indirectly receive net proceeds from the sale in this offering of shares of common stock owned by them. For a discussion of selling stockholders, see Selling stockholders on page S-65.

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Forward-looking statements

Some statements and disclosures in this prospectus supplement and the accompanying prospectus, including the documents incorporated by reference, are forward-looking statements. Forward-looking statements include statements concerning our plans, objectives, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, our competitive strengths and weaknesses, our business strategy and the trends we anticipate in the industry and economies in which we operate and other information that is not historical information. When used in this prospectus, the words estimates, expects, anticipates, projects, plans, intends, believ variations of such words or similar expressions are intended to identify forward-looking statements. All forward-looking statements, including, without limitation, our examination of historical operating trends, are based upon our current expectations and various assumptions. Our expectations, beliefs and projections are expressed in good faith, and we believe there is a reasonable basis for them, but we cannot assure you that our expectations, beliefs and projections will be realized.

There are a number of risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements contained in this prospectus supplement and accompanying prospectus, including the documents incorporated by reference. Important factors that could cause our actual results to differ materially from the forward-looking statements we make in this prospectus supplement and accompanying prospectus are set forth in, or incorporated by reference into, this prospectus supplement and accompanying prospectus, including the factors described in the section entitled Risk factors in this prospectus supplement. If any of these risks or uncertainties materialize, or if any of our underlying assumptions are incorrect, our actual results may differ significantly from the results that we express in, or imply by, any of our forward-looking statements. We do not undertake any obligation to revise these forward-looking statements to reflect future events or circumstances. Presently known risk factors include, but are not limited to, the following factors:

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 potential acquisitions, manage our acquisitions or open new branches;

our inability to successfully monitor and manage the business operations of our subsidiaries and uncertainty regarding the effectiveness of financial and management policies and procedures we established to improve accounting controls;

adverse developments concerning our relationships with certain key vendors;

- our inability to adequately protect our intellectual property and litigation regarding intellectual property;
- acts of terrorism, violence, war, natural disaster or other circumstances that cause damage or disruption to us, our facilities, our technology centers, our vendors or our customers;
- the loss of key personnel or qualified technical staff;
- the potential write-down 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; and
- potential environmental liabilities.

All future written and verbal forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. We undertake no obligation, and specifically decline any obligation, to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus supplement and accompanying prospectus might not occur.

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 supplement and accompanying 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.

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Use of proceeds

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.

Under the terms of our investor rights agreement with the selling stockholders, other than OCB Reprographics, Inc., or OCB, and Rahul Roy, we are bearing all of the expenses of registration of this offering, except that the selling stockholders will pay their pro rata share of underwriting discounts and commissions and the fees and expenses of legal counsel for the selling stockholders if more than one counsel. OCB and Rahul Roy each will bear its or his pro rata share of such offering expenses.

Price range of common stock

Our common stock has been traded on the New York Stock Exchange under the symbol ARP since February 4, 2005, when it was first listed in connection with our initial public offering. Prior to that time there was no public market for our stock. The following table lists quarterly information on the price range of our common stock based on the high and low reported sales prices for our common stock as reported by the New York Stock Exchange for the periods indicated below.

	High	Low
Year ended December 31, 2005:		
First quarter (from February 4, 2005)	$15.64	$13.00
Second quarter	$16.20	$13.42
Third quarter	$18.29	$15.85
Fourth quarter	$25.95	$16.55
Year ended December 31, 2006:		
First quarter	$35.80	$24.98
Second quarter (through April 5, 2006)	$37.30	$34.59

The last reported sales price of our common stock on the New York Stock Exchange was $34.75 per share on April 5, 2006. There were 36 holders of record of our common stock as of March 1, 2006.

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.

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Capitalization

The following table sets forth our consolidated cash and cash equivalents and consolidated capitalization as of December 31, 2005:

on an actual basis; and

on an as adjusted basis to reflect the payment of the expenses of this offering.

This table should be read in conjunction with 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 supplement.

As of December 31, 2005 (In thousands)	Actual	As adjusted
Cash and cash equivalents	$ 22,643	$ 22,193
Long-term debt, excluding current maturities:		
Existing senior secured credit facilities(1)	$ 227,723	$ 227,723
Capital leases	17,442	17,442
Seller notes from acquisitions(2)	8,206	8,206
Total long-term debt	253,371	253,371
Total equity / deficit:		
Common stock, par value $0.001 per share 150,000,000 shares authorized; 44,598,815 issued and outstanding	44	44
Preferred stock, par value $0.001 per share 25,000,000 shares authorized; none issued and outstanding		
Additional paid-in-capital	56,825	56,825
Deferred stock-based compensation	(1,903)	(1,903)
Accumulated equity:		
Accumulated earnings from inception, less distributions to members / stockholders(3)	58,561	58,111
Accumulated other comprehensive income	42	42
Total equity	113,569	113,119
Total capitalization	$ 366,940	$ 366,490

(1) At December 31, 2005, our senior secured credit facilities consisted of a $281 million term loan facility, of which $230 million was outstanding at December 31, 2005, and a $30 million revolving credit facility, $5 million of which was outstanding at December 31, 2005.

(2) The seller notes were issued in connection with certain acquisitions, with interest rates ranging between 5% and 8% and maturities between 2006 and 2010.

(3) Accumulated earnings from inception includes the income tax effects of the corporate conversion which resulted in an income tax benefit of $27.7 million.

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Selected historical financial data

The selected historical financial data presented below are derived from the audited financial statements of Holdings for the fiscal years ended December 31, 2001, 2002, 2003, and 2004 and the audited financial statements of American Reprographics Company for the fiscal year ended December 31, 2005. The selected historical financial data set forth below does not purport to represent what our financial position or results of operations might be for any future period or date. The financial data set forth below should be read in conjunction with Management s discussion and analysis of financial condition and results of operations and our audited financial statements included elsewhere in this prospectus supplement.

Fiscal year ended December 31, (dollars in thousands)	**2001**	**2002**	**2003**	**2004**	**2005**
Statement of operations data:					
Reprographics services	$ 338,124	$ 324,402	$ 315,995	$ 333,305	$ 369,123
Facilities management	39,875	52,290	59,311	72,360	83,125
Equipment and supplies sales	42,702	42,232	40,654	38,199	41,956
Total net sales	420,701	418,924	415,960	443,864	494,204
Cost of sales	243,710	247,778	252,028	263,787	289,580
Gross profit	176,991	171,146	163,932	180,077	204,624
Selling, general and administrative expenses	104,004	103,305	101,252	105,780	112,679
Provision for sales tax dispute settlement				1,389	
Amortization of intangibles	5,801	1,498	1,709	1,695	2,120
Write-off of intangible assets	3,438				
Income from operations	63,748	66,343	60,971	71,213	89,825
Other income	304	541	1,024	420	381
Interest expense	(47,530)	(39,917)	(39,390)	(33,565)	(26,722)
Loss on early extinguishment of debt			(14,921)		(9,334)
Income before income tax provision (benefit)	16,522	26,967	7,684	38,068	54,140
Income tax provision (benefit)	5,787	6,267	4,131	8,520	(6,336)
Net income	10,735	20,700	3,553	29,548	60,476
Dividends and amortization of discount on preferred equity	(3,107)	(3,291)	(1,730)		
Net income attributable to common member / stockholders	$ 7,628	$ 17,409	$ 1,823	$ 29,548	$ 60,476

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Fiscal year ended December 31,	2001	2002	2003	2004	2005
Earnings per share:					
Basic	$ 0.21	$ 0.48	$ 0.05	$ 0.83	$ 1.43
Diluted	$ 0.21	$ 0.47	$ 0.05	$ 0.79	$ 1.40
Weighted average common units / shares outstanding:					
Basic	36,628,801	36,406,220	35,480,289	35,493,136	42,264,001
Diluted	36,757,814	36,723,031	37,298,349	37,464,123	43,178,001

Fiscal year ended December 31, (dollars in thousands)	2001	2002	2003	2004	2005
Other financial data:					
Depreciation and amortization(2)	$ 25,442	$ 19,178	$ 19,937	$ 18,730	$ 19,165
Capital expenditures, net	8,659	5,209	4,992	5,898	5,237
Interest expense	47,530	39,917	39,390	33,565	26,722

As of December 31, (dollars in thousands)	2001	2002	2003	2004	2005
Balance sheet data:					
Cash and cash equivalents	$ 29,110	$ 24,995	$ 17,315	$ 13,826	$ 22,643
Total assets	372,583	395,128	374,716	377,334	442,362
Long term obligations and mandatorily redeemable preferred and common units / stock(3)(4)	371,515	378,102	360,008	338,371	253,371
Total members / stockholders equity (deficit)	(78,955)	(61,082)	(60,015)	(35,009)	113,569
Working capital	24,338	24,371	16,809	22,387	35,797

(1) The company was reorganized from a California limited liability company to a Delaware corporation immediately prior to the consummation of our initial public offering on February 9, 2005. As a result of that reorganization, a deferred tax benefit of $27,701 was booked concurrent with the consummation of the IPO.
(2) Depreciation and amortization includes a write-off of intangible assets of $3.4 million for the year ended December 31, 2001.
(3) In July 2003, we adopted SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity. In accordance with SFAS No. 150, the redeemable preferred equity of Holdings has been reclassified in our financial statements as a component of our total debt upon

our adoption of this new standard. The redeemable preferred equity amounted to $25.8 million as of December 31, 2003 and $27.8 million as of December 31, 2004. SFAS No. 150 does not permit the restatement of financial statements for periods prior to the adoption of this standard.

(4) Redeemable common stock amounted to $8.1 million at December 31, 2001.

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

Executive summary

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

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

- document management;
- document distribution and logistics;
- print-on-demand; and
- on-site services, frequently referred to as facilities management, or FMs (any combination of the above services supplied at a customer s location).

We deliver these services through our specialized technology, more than 775 sales and customer service employees interacting with our customers every day, and more than 2,500 on-site services facilities at our customers locations. All of our local service centers are connected by a digital infrastructure, allowing us to deliver services, products, and value to approximately 73,000 companies throughout the country.

Our divisions operate under local brand names. Each brand name typically represents a business or group of businesses that has been acquired in our 17-year history. We coordinate these operating divisions and consolidate their service offerings for large regional or national customers through a corporate-controlled Premier Accounts division.

A significant component of our growth has come from acquisitions. In 2005, we acquired 14 businesses for $32.1 million. We acquired six businesses in 2004 for $3.7 million, and five in 2003 for $870,000. Each acquisition was accounted for using the purchase method, and as such, our consolidated income statements reflect sales and expenses of acquired businesses only for post-acquisition periods. All acquisition amounts include acquisition-related costs.

As part of our growth strategy, in 2003 we began 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 opened 19 new branches in key markets in 2005 and expect to open an additional 15 branches by the end of 2006. To date, we believe that each branch that has been open at least 12 months has generated operating profit.

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

Evaluating our Performance. We measure our success in delivering value to our shareholders by:

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

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

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 reprographics equipment and supplies sales. We generate sales by individual orders through commissioned sales personnel and, in some cases, through national contracts.

The distinctions in our reportable revenue categories are based primarily on the similarities in their gross margins and other economic similarities. They are categorized as reprographic services, facilities management, and equipment and supplies. Our current service segmentation is likely to change in the future if our digital services revenue commands a greater and more distinctive role in our service mix. Digital services now comprise less than five percent of our overall revenue. We believe digital services will likely exceed 10% of our revenue mix by the end of 2007.

Software licenses and membership fees are derived over the term of the license or the membership agreement. Licensed technology includes PlanWell online planrooms, PlanWell Electronic Work Order (EWO), PlanWell BidCaster and MetaPrint. Revenues from these agreements are separate from digital services. Digital services include digital document management tasks, scanning and archiving digital documents, posting documents to the web and other related work performed on a computer. Software licenses, membership fees and digital services are categorized and reported as a part of Reprographics services .

Revenue from reprographics services is produced from document management, document distribution and logistics, and print-on-demand services, including the use of PlanWell by our customers. These services 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. We include revenues for these services under the caption Reprographics services .

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

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

In 2005, our reprographics services represented 74.7% of net sales, facilities management 16.8%, and sales of reprographics equipment and supplies 8.5%. Of the 74.7% of reprographics services, 4.9% was derived from digital services revenue. Software licenses, including PlanWell, and PEiR memberships have not, to date, contributed significant revenue. While we achieve modest cost recovery through membership, licensing and maintenance fees charged by the PEiR Group, we measure success in this area primarily by the adoption rate of our programs and products.

We identify 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.

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

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

We maintain low levels of inventory and other working capital. Capital expenditure requirements are also low; most facilities and equipment are leased, with overall cash capital spending averaging approximately 1.1% of annual net sales over the last three years. Since we typically lease our reprographics equipment for a three to five year term, we are able to upgrade equipment in response to rapid changes in technology.

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

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

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

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

- Net income and earnings per share;
- EBIT;

- EBITDA;
- Revenue per geographical region;
- Material costs as a percentage of net sales; and
- Days Sales Outstanding / Days Sales Inventory / Days Accounts Payable.

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

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

Measuring revenue by other means. We also measure revenue generation by geographic region to manage the performance of our local and regional business units. This offers us operational insights into the effectiveness of our sales and marketing efforts and alerts us to significant business trends.

We estimate approximately 80% of our net sales come from the AEC market, while 20% come from non-AEC sources. We believe this mix is optimal because it offers us the advantages of diversification without diminishing our focus on our core competencies.

Our six geographic operating regions are:

- East Coast includes New England and the Mid-Atlantic states;
- Midwest includes Canadian operations as well as commonly considered Midwestern states;
- Southern our broadest region, spans Florida to Texas and north into Las Vegas;
- Southern California with the Monterey Bay area as an approximate dividing line;
- Northern California includes Silicon Valley, the San Francisco Bay Area and the greater Sacramento / Central Valley area; and
- Pacific Northwest includes Oregon and Washington.

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

According to the International Reprographics Association, or IRgA, the reprographics industry is highly fragmented and comprised primarily of small businesses of less than $5 million in annual sales. Our own experience in acquiring reprographics businesses over the past ten years reflects this estimate. Although none of the individual acquisitions we made in the past three years are material to our overall business, each was strategic from a marketing and regional market share point of view.

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

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

Standalone Acquisitions. Post-acquisition, these businesses maintain their existing local brand and act as strategic platforms for the company to acquire market share in and around the specific geographical locations.

Branch / Fold-in Acquisitions. These are equivalent to our opening a new or greenfield branch. They support an outlying portion of a larger market and rely on a larger centralized production facility nearby for strategic management, load balancing, for providing specialized services, and for administrative and other back office support. We maintain the staff and equipment of these businesses to a minimum to serve a small market or a single large customer, or we may physically integrate (fold-in) staff and equipment into a larger nearby production facility.

New acquisitions frequently carry a significant amount of goodwill in their purchase price, even in the case of a low purchase multiple. This goodwill typically represents the purchase price of an acquired business less tangible assets and identified intangible assets. We test our goodwill components annually for impairment on September 30. The methodology for such testing is detailed further on page S-47 of this prospectus supplement.

Recent Developments. On February 9, 2005, we completed our initial public offering of common stock consisting of 13,350,000 shares at $13.00 per share. Of these shares, 7,666,667 were newly issued shares sold by us and 5,683,333 were outstanding shares sold by stockholders. On March 2, 2005, an additional 1,685,300 shares were sold by certain stockholders pursuant to the underwriters exercise of their over-allotment option. As required by the Holdings operating agreement, we repurchased all preferred equity of Holdings upon closing the initial public offering with $28.3 million of the net proceeds from the initial public offering.

On February 9, 2005, we used a portion of the proceeds from our initial public offering to repay $50.7 million of our then outstanding $225 million senior second priority secured term loan facility and $9.0 million of our $100 million senior first priority secured term loan facility. On February 9, 2005, we also made a cash distribution of $8.2 million to certain members of Holdings in accordance with the Holdings operating agreement. See Note 11 to our consolidated financial statements for further details.

In December 2005, we refinanced our second lien credit facility with additional borrowings under the first lien credit facility upon the reduction of significant pre-payment penalties associated with the second lien credit facility. We believe the new credit structure will save approximately $8 million annually under the new interest rate and current outstanding balance. We increased our first lien credit facility to pay off in full the borrowings under the original second lien credit facility. In connection with the transaction, we incurred prepayment penalties of approximately $4 million. In addition, we wrote off the remaining unamortized deferred financing costs of approximately $5.3 million. We have recorded $9.3 million of loss on early extinguishment of debt in our consolidated statement of operations.

Subsequent to December 31, 2005, we completed the acquisition of two reprographics companies in the United States for a total purchase price of $11 million.

Economic Factors Affecting Financial Performance. We estimate that sales to the AEC market accounted for 80% of our net sales for the year ended December 31, 2005, with the remaining 20% consisting of sales to non-AEC markets (based on our review of the top 30% of our customers, and designating customers as either AEC or non-AEC based on their primary use of our services). As a result, our operating results and financial condition can be significantly affected by economic factors that influence the AEC industry, such as non-residential construction spending, GDP growth, interest rates, employment rates, office vacancy rates, and government expenditures. Similar to the AEC industry, the reprographics industry typically lags a recovery in the broader economy.

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Non-GAAP Measures

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

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

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

We use EBIT to measure and compare the performance of our divisions. We operate our 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 to measure performance for determining division-level compensation and use EBITDA to measure performance for determining consolidated-level compensation. We also use EBITDA as a metric to manage cash flow from our divisions to the corporate level and to determine the financial health of each division. As noted above, 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 monthly as one of our key internal controls. We also use EBIT and EBITDA to evaluate potential acquisitions and to evaluate whether to incur capital expenditures.

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

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

- They do not reflect changes in, or cash requirements for, our working capital needs;

- They do not reflect the significant interest expense, or the cash requirements necessary, to service interest or principal payments on our debt;

- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA does not reflect any cash requirements for such replacements; and

- Other companies, including companies in our industry, may calculate these measures differently than we do, limiting their usefulness as comparative measures.

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

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and using EBIT and EBITDA only as supplements. For more information, see our consolidated financial statements and related notes elsewhere in this prospectus supplement.
The following is a reconciliation of cash flows provided by operating activities to EBIT, EBITDA, and net income.

Fiscal year ended December 31, (dollars in thousands)	2003	2004	2005
Cash flows provided by operating activities	$ 48,237	$ 60,858	$ 56,648
Changes in operating assets and liabilities	(1,102)	(3,830)	8,859
Non-cash expenses, including depreciation and amortization	(43,582)	(27,480)	(5,031)
Income tax provision (benefit)	4,131	8,520	(6,336)
Interest expense	39,390	33,565	26,722
Loss on early extinguishment of debt	14,921		9,344
EBIT	61,995	71,633	90,206
Depreciation and amortization	19,937	18,730	19,165
EBITDA	81,932	90,363	109,371
Interest expense	(39,390)	(33,565)	(26,722)
Loss on early extinguishment of debt	(14,921)		(9,344)
Income tax (provision) benefit	(4,131)	(8,520)	6,336
Depreciation and amortization	(19,937)	(18,730)	(19,165)
Dividends and amortization of discount on preferred equity	(1,730)		
Net income	$ 1,823	$ 29,548	$ 60,476

The following is a reconciliation of net income to EBITDA:

Fiscal year ended December 31, (dollars in thousands)	2003	2004	2005
Net income	$ 1,823	$ 29,548	$ 60,476
Dividends and amortization of discount on preferred equity	1,730		
Interest expense, net	39,390	33,565	26,722
Loss on early extinguishment of debt	14,921		9,344
Income tax provision (benefit)	4,131	8,520	(6,336)
Depreciation and amortization	19,937	18,730	19,165
EBITDA	$ 81,932	$ 90,363	$ 109,371

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

As a percentage of net sales for fiscal year ended December 31,	2003	2004	2005
Net income margin	0.9%	6.7%	12.2%
Interest expense, net	9.5	7.6	5.4
Income tax provision (benefit)	1.0	1.9	(1.3)
Loss on early extinguishment of debt	3.6		1.9
EBIT margin	14.9	16.2	18.2
Depreciation and amortization	4.8	4.2	3.9
EBITDA margin	19.7%	20.4%	22.1%

Results of operations

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

As a percentage of net sales for fiscal year ended December 31,	2003	2004	2005
Net sales	100.0%	100.0%	100.0%
Cost of sales	60.6	59.4	58.6
Gross profit	39.4	40.6	41.4
Selling, general and administrative expenses	24.3	23.8	22.8
Provision for sales tax dispute settlement		0.3	
Amortization of intangibles	0.4	0.4	0.4
Income from operations	14.7	16.1	18.2
Other income	0.2	0.1	0.1
Interest expense, net	(9.5)	(7.6)	(5.4)
Loss on early extinguishment of debt	(3.6)		(1.9)
Income before income tax provision	1.8	8.6	11.0
Income tax (provision) benefit	(1.0)	(1.9)	1.2
Net income	0.8%	6.7%	12.2%

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Year ended December 31, 2005 compared to year ended December 31, 2004

Year ended December 31, (in millions)	2004	2005	Increase (decrease) (In dollars)	Increase (decrease) (Percent)
Reprographics services	$ 333.3	$ 369.1	$ 35.8	10.7%
Facilities management	72.4	83.1	10.7	14.8
Equipment and supplies sales	38.2	42.0	3.8	10.0
Total net sales	$ 443.9	$ 494.2	$ 50.3	11.3
Gross profit	180.1	204.6	24.5	13.6
Selling, general and administrative expenses	105.8	112.7	6.9	6.5
Provision for sales tax liability	1.4		(1.4)	n/a
Amortization of intangibles	1.7	2.1	0.4	23.5
Interest expense, net	33.6	26.7	(6.9)	(20.5)
Income taxes provision (benefit)	8.5	(6.3)	(14.8)	(174.1)
Net income	29.5	60.5	31.0	105.1
EBITDA	$ 90.4	$ 109.4	$ 19.0	21.0%

Net sales

Reprographics services. Net sales increased in 2005 compared to 2004 from increased construction spending throughout the U.S. and the expansion of our market share through branch openings and acquisitions. Data from FMI, a well-respected management consultancy for the construction industry, show non-residential construction increasing by a minimum of 5% in each of the U.S. Census districts between 2005 and 2008, with some districts reporting 8% and 9% increases. Residential construction was also robust, showing increases in every district with some by as much as 10%. We acquired 14 business at various times throughout the year, each with a primary focus on reprographics services. These acquired businesses added sales from their book of business to our own, but in some cases, also allowed us to aggregate regional work from larger clients. Regional managers reported continued strength in large-format printing sales. Several regions also saw significant increases in large and small-format color sales as our AEC customers began to market new projects in view of the improving economy. The hurricane season of 2005 depressed sales in the affected region, with New Orleans operations reporting monthly revenues at 70% of 2004 averages for the same period. Company-wide, pricing remained at similar levels to 2004, indicating that revenue increases were due primarily to volume.

Facilities management. The increase in on-site or facilities management services continued to post solid dollar volume and year-over-year percentage gains. This revenue is derived from a single cost per square foot of printed material, similar to our Reprographics Services revenue. As convenience and speed continue to characterize our customers needs, and as printing equipment continues to become smaller and more affordable, the trend of placing equipment (and sometimes staff) in an architectural studio or construction company office remains strong as evidenced by the eight-year compounded annual growth rate of 30% in new on-site services contracts. By placing such equipment on-site and billing on a per use and per project basis, the invoice continues to be issued by us, just as if the work were produced in one of our centralized production facilities. The resulting benefit is the convenience of on-site production with a pass-through or reimbursable cost of business that many customers continue to find

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attractive. The highly renewable nature of most on-site service contracts leads us to believe that this source of revenue will continue to increase in the near term.

Equipment and supplies sales. From 2001 through 2004, our equipment and supplies sales declined or were generally flat. In 2005, we experienced a 10% increase as compared to 2004 revenue for this service line. During the past four years, our facilities management sales efforts made steady progress against the outright sale of equipment and supplies by converting such sales contracts to on-site service agreements. Two acquisitions in the Midwest in 2005 and one late in 2004 contributed to reversing this trend, as each possessed a strong equipment and supply business unit. Trends in smaller, less expensive and more convenient printing equipment are gaining popularity with customers who want the convenience of in-house production, but have no compelling reimbursable invoice volume to offset the cost of placing the equipment. In the future, we expect this market to grow and intend to target this type of customer through increased marketing and sales efforts.

Gross profit

Gross profit in 2005 was $204.6 million compared to $180.1 million in 2004. This 13.6% increase in gross profit was the result of increased revenues of 11.3% coupled with the fixed cost nature of some of our cost of good sold expenses, such as machine cost and facility rent. Gross margins increased from 40.6% in 2004 to 41.4% in 2005 due to increased revenue and the fixed cost nature of some of our cost of goods sold expenses. These increases were partially offset by lower gross margins due to acquisition activity and new branch openings that tend to depress gross margins temporarily.

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

While material costs as a percentage of net sales remained flat from 2004 to 2005, our increased purchasing power as a result of our expanding geographical footprint continues to keep our material cost and purchasing costs low by industry standards. Production labor cost as a percentage of net sales increased from 22.8% in 2004 to 23.2% in 2005 due to the increased cost associated with higher-priced, technologically-equipped employees whose skills are necessary to serve our customers, and continuing increases in employee health benefit costs. Production overhead as a percentage of revenue decreased from 18.0% in 2004 to 16.8% in 2005 due to the fixed cost nature of the expense coupled with the net sales increase.

Selling, general and administrative expenses

In 2005, selling, general and administrative expenses increased by $6.9 million or 6.5% over 2004. The increase is attributable to the increase in our sales volume during the same period. Expenses rose primarily due to increases in sales commissions, incentive payments and bonus accruals that accompany sales growth. As a percentage of net sales, selling, general and administrative expenses declined by 1.0% in 2005 as compared to 2004 as a result of continued regional consolidation of accounting and finance functions, and a maturing regional management structure. Our regional management structure, instituted in 2003, continues to bear positive results in the dissemination of best business practices, better administrative

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controls, and greater consolidation of common regional resources. Our general and administrative expenses included management fees of $858,000 in 2003, $835,000 in 2004 and $217,000 in 2005 paid to CHS Management IV LP, in accordance with a management agreement entered into as part of our recapitalization in 2000. These management fees ceased after our initial public offering in February 2005. 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 controls over financial reporting.

Amortization of intangibles

Amortization of intangibles increased 25.1% in 2005 compared to 2004 primarily due to an increase in identified intangible assets such as customer relationships, trade names and not-to-compete covenants in association with acquired businesses.

Interest expense, net

Net interest expense declined to $26.7 million in 2005 compared with $33.6 million in 2004, a decrease of 20.5% year-over-year. The decrease was due primarily to the use of $88.0 million in net proceeds from our February 2005 initial public offering to repay debt.

Income taxes

Our effective income tax rate increased from 22% to 39%, not including our one-time benefit as a result of our reorganization in February 2005. The increase is due to our entire company being subject to corporate income taxation in 2005 as compared to 2004 in which a substantial portion of our business was operated within a limited liability company and treated as a partnership for income tax purposes. The members of Holdings paid income tax on their respective share of Holdings income.

Net income

Net income increased to $60.5 million in 2005 compared to $29.5 million in 2004 primarily due to increased sales as overall construction activity in the U.S. expanded in most regions, lower interest expense due to the reduction in our overall debt, and a one-time tax benefit due to our reorganization in February 2005.

EBITDA

Our EBITDA margin increased to 22.1% in 2005 compared to 20.4% in 2004 primarily due to higher revenues.

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Year ended December 31, 2004 compared to year ended December 31, 2003

Year ended December 31, (In millions)	2003	2004	Increase (In dollars)	Increase (Percent)
Reprographics services	$ 316.1	$ 333.3	$ 17.2	5.4%
Facilities management	59.3	72.4	13.1	22.1
Equipment and supplies sales	40.6	38.2	(2.4)	(5.9)
Total net sales	$ 416.0	$ 443.9	$ 27.9	6.7
Gross profit	163.9	180.1	16.2	9.9
Selling, general and administrative expenses	101.3	105.8	4.5	4.4
Amortization of intangibles	1.7	1.7		
Interest expense, net	39.4	33.6	(5.8)	(14.7)
Income taxes	4.1	8.5	4.4	107.3
Net income	3.6	29.5	25.9	719.4
EBITDA	$ 67.0	$ 90.4	$ 23.4	34.9%

Net sales

Net sales increased in 2004 compared to 2003 primarily due to the improvement in the U.S. economy, particularly in 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. Prices during this period remained relatively stable, indicating that our revenue increases were primarily volume driven. While revenue from reprographics services and facilities management increased, our revenue generated from sales of equipment and supplies sales decreased. This was due to the conversion of many 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 AEC industry, leads us to believe that facilities management revenue will continue to increase in the near term.

Gross profit

Our gross profit increased in 2004 compared to 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 57.9%. Our overall gross margin improved by approximately 1.2 percentage points to 40.6% in 2004 compared to 39.4% in 2003. We were able to reduce our material cost as a percentage of net sales from 16.1% in 2003 to 15.4% in 2004 due to a negotiated price 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 21.6% in 2003 to 22.8% in 2004 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 percentage of revenue decreased from 22.9% in 2003 to 21.3% in 2004 due to the fixed cost nature of the expense coupled with the net sales increase.

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Selling, general and administrative expenses

Selling, general and administrative expenses increased in 2004 compared to 2003 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 2003 and 2004 decreased from 24.3% to 23.8%, respectively, as higher sales in 2004 offset the increase in our sales force and increased selling and marketing activities during 2004 as we continued to pursue market share expansion. Our general and administrative expenses included management fees of $858,000 in 2003 and $835,000 in 2004 paid to CHS Management IV LP in accordance with a management agreement entered into as part of our recapitalization in 2000. These management fees ceased after our initial public offering.

Provision for sales tax dispute settlement

We recorded a $1.4 million provision for a sales tax dispute settlement in 2004 related to a dispute we are involved in with a state tax authority. The dispute involves 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 granted to our customers. For further information concerning the provision for sales tax dispute settlement, see State sales tax on page S-45.

Amortization of intangibles

Amortization of intangibles in 2004 remained flat compared to 2003.

Interest expense, net

Net interest expense decreased in 2004 compared to 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, during 2004, we reduced our total debt obligations by approximately $36.5 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 six months of this interest expense during 2003 amounting to $1.8 million, compared to twelve months of interest expense amounting to $3.9 million during 2004. During 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 instrument is accounted for as a hedge, and fluctuations in its market value do not affect our income statement.

Income taxes

Income tax provision increased in 2004 compared to 2003 primarily due to higher pretax income at the consolidated corporations. Excluding the $14.9 million loss on early extinguishment of debt we recorded during 2003, our overall effective income tax rate for 2004 increased to 22.4%, compared to 18.3% in 2003.

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Net income

Net income increased in 2004 compared to 2003 primarily related to increased sales resulting from the improvement in the U.S. economy, increased AEC activity, as well as reduced interest expense due to the refinancing of our debt in December 2003, which resulted in a $14.9 million loss on early extinguishment of debt during 2003.

EBITDA

Our EBITDA margin increased to 20.4% in 2004 compared to 19.7% in 2003 primarily due to higher revenues. For a reconciliation of EBITDA to pro forma net income, please see Non-GAAP measures on page S-32.

Quarterly results of operations

The following table sets forth certain quarterly financial data for the eight quarters ended December 31, 2005. 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.

	Quarter ended							
	Mar. 31,	**June 30,**	**Sept. 30,**	**Dec. 31,**	**Mar. 31,**	**June 30,**	**Sept. 30,**	**Dec. 31,**
(unaudited, dollars in thousands)	**2004**				**2005**			
Reprographics services	$ 84,170	$ 87,237	$ 81,958	$ 79,938	$ 87,695	$ 94,708	$ 94,730	$ 91,990
Facilities management	16,529	17,954	19,254	18,624	19,172	21,076	21,577	21,300
Equipment and supplies sales	9,819	10,424	8,953	9,004	9,599	9,776	11,180	11,401
Total net sales	$ 110,518	$ 115,615	$ 110,165	$ 107,566	$ 116,466	$ 125,560	$ 127,487	$ 124,691
Quarterly sales as a % of annual sales	24.9%	26.1%	24.8%	24.2%	23.6%	25.4%	25.8%	25.2%
Gross profit	45,919	49,424	44,287	40,447	48,325	53,654	52,522	50,124
Income from operations	18,588	20,639	17,702	14,284	21,060	25,083	23,604	20,078

EBITDA	23,376	25,839	22,627	18,521	25,608	29,648	28,685	25,431
Net income	$ 8,438	$ 9,845	$ 7,191	$ 4,074	$ 35,563	$ 11,383	$ 10,518	$ 3,012

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

	Quarter ended							
	Mar. 31,	**June 30,**	**Sept. 30,**	**Dec. 31,**	**Mar. 31,**	**June 30,**	**Sept. 30,**	**Dec. 31,**
(unaudited, dollars in thousands)		**2004**				**200**	**5**	
EBITDA	$ 23,3760	$ 25,839	$ 22,627	$ 18,521	$ 25,608	$ 29,648	$ 28,685	$ 25,431
Interest expense	(8,125)	(8,405)	(8,559)	(8,476)	(8,324)	(6,194)	(6,131)	(6,074)
Loss on early extinguishment of debt								(9,344)
Income tax benefit (provision)	(2,299)	(2,682)	(1,959)	(1,580)	22,709	(7,612)	(7,018)	(1,743)
Depreciation and amortization	(4,514)	(4,907)	(4,918)	(4,391)	(4,430)	(4,459)	(5,018)	(5,258)
Net income	$ 8,438	$ 9,845	$ 7,191	$ 4,074	$ 35,563	$ 11,383	$ 10,518	$ 3,012

We believe that quarterly revenues and operating results may vary significantly in the future and that quarter-to-quarter comparisons of our results of operations are not necessarily meaningful and should not be relied upon as indications of future performance. In addition, our quarterly operating results are typically affected by seasonal factors, primarily the number of working days in a quarter. Historically, our fourth quarter is the slowest, reflecting the slowdown in construction activity during the holiday season, and our second quarter is the strongest, reflecting the fewest holidays and best weather compared to other quarters.

Impact of inflation

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

Liquidity and capital resources

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

Year ended December 31, (dollars in thousands)	**2003**	**2004**	**2005**
Net cash provided by operating activities	$ 48,237	$ 60,858	$ 56,648
Net cash used in investing activities	(8,336)	(10,586)	(27,547)
Net cash used in financing activities	(47,581)	(53,761)	(20,284)

Operating activities

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

Net cash provided by operating activities for the year ended December 31, 2004, primarily related to net income of $29.5 million, depreciation and amortization of $18.7 million, non-cash interest expense of $4.6 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 $12.4 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 $5.7 million, primarily related to increased sales during 2004, and by the $3.1 million increase in our prepaid expenses, primarily due to the $2.2 million of IPO-related costs incurred in 2004 that were recorded as prepaid expenses. Such IPO-related costs were offset against gross IPO proceeds upon the completion of our IPO in February 2005.

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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 $12.4 million from the accretion of yield on Holdings notes and mandatorily redeemable preferred members equity, 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.

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 and earnout payments associated with the acquisitions, amounted to $22.4 million, $4.6 million, and $3.1 million during the years ended December 31, 2005, 2004, and 2003, respectively. We incurred capital expenditures totaling $5.2 million, $5.9 million, and $5.0 million during the years ended December 31, 2005, 2004, and 2003, respectively.

Financing activities

Net cash used in 2005 primarily relates to the redemption of preferred units of $28.3 million and repayment of long term-debt of $97.2 million and distributions to members of $8.2 million, offset by net proceeds from our initial public offering of $92.7 million, borrowings under long term debt agreements of $18 million and proceeds from the issuance of common stock under our Employee Stock Purchase Plan of $4 million. Cash used in financing activities for the year ended December 31, 2004, included $48.4 million of repayments under our debt agreements and $6.1 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.

Our cash position, working capital, and debt obligations as of December 31, 2003, 2004, and 2005 are shown below and should be read in conjunction with our consolidated balance sheets and notes thereto elsewhere in this prospectus supplement.

As of December 31, (dollars in thousands)	**2003**	**2004**	**2005**
Cash and cash equivalents	$ 17,315	$ 13,826	$ 22,643
Working capital	16,809	22,387	35,797
Mandatorily redeemable preferred and common equity	25,791	27,814	
Other debt obligations	359,340	320,833	273,812
Total debt obligations	$ 385,131	$ 348,647	$ 273,812

Debt obligations as of December 31, 2004 include $27.8 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. The redeemable preferred equity was redeemed on February 9, 2005.

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We expect a positive effect on our liquidity and results of operations going forward due to lower interest expense as net proceeds of approximately $92.7 million from our initial public offering were 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 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 that occurred upon completion of our initial public offering will improve future operations and cash flows by eliminating fees paid under this agreement of $858,000 in 2003, $835,000 in 2004, and $217,000 in 2005.

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 $273.8 million of total debt outstanding as of December 31, 2005, of which $235.4 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 $2.7 million during the year ended December 31, 2005.

We believe that our cash flow provided by operations will be adequate to cover our 2006 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 target potential acquisitions that would be cash flow accretive within six months. Currently, we are not a party to any agreements or engaged in any negotiations regarding a 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. On December 21, 2005, we entered into a Second Amended and Restated Credit and Guaranty Agreement (the Second Amended and Restated Credit Agreement), which replaced our Amended and Restated Credit and Guaranty Agreement dated as of June 30, 2005 (First Amended and Restated Credit and Guaranty Agreement). The Second Amended and Restated Credit Agreement provides for senior secured credit facilities aggregating up to $310,600,000, consisting of a $280,600,000 term loan facility and a $30,000,000 revolving credit facility. We used the proceeds from the incremental new term loan, in the amount of $157,500,000, to prepay in full all principal and interest payable under our then existing Second Lien Credit and Guaranty Agreement, dated December 18, 2003. The remaining balance of the increased term loan facility of $50,000,000 is available for our use, subject to the terms of the Second Amended and Restated Credit Agreement. Our obligations are guaranteed by our domestic subsidiaries and, subject to certain limited exceptions, are collateralized by first priority security interests granted in all of our and the guarantors personal and real property, and 65% of the assets of our foreign subsidiaries. Term loans are amortized over the term with the final payment due June 18, 2009. Amounts borrowed under the revolving credit facility must be repaid by December 18, 2008.

Loans made under the credit facilities bear interest at one of two floating rates, at our option. The floating rates may be priced as either an Index Rate Loan or as Eurodollar Rate Loan. Term loans that are Index Rate Loans bear interest at the Index Rate plus 0.75%. The Index Rate is defined as the higher of (i) the rate of interest publicly quoted from time to time by The Wall Street Journal as the base rate on corporate loans posted by the nation s largest banks and (ii) the Federal Reserve reported overnight funds rate plus 0.5%. Term Loans which are Eurodollar Rate Loans bear interest at the Adjusted Eurodollar Rate plus 1.75%.

Revolving Loans that are Index Rate Loans bear interest at the Index Rate plus an Applicable Margin. Revolving Loans that are Eurodollar Rate Loans bear interest at the Adjusted Eurodollar Rate plus an Applicable Margin. The Applicable Margin is determined by a grid based on the ratio of the consolidated indebtedness of us and our subsidiaries to the consolidated adjusted EBITDA (as defined in the credit facilities) of us and our subsidiaries for the most recently ended four fiscal quarters and range between 2.00% and 2.75% for Eurodollar Rate Loans and range between 1.00% and 1.75% for Index Rate Loans.

The following table sets forth the outstanding balance, borrowing capacity and applicable interest rate under our senior secured credit facilities. Subsequent to December 31, 2004, we utilized the net proceeds from our initial public offering to pay down $9.0 million under our term facility and $50.7 million under our second priority facility.

	As of December 31, 2004			**As of December 31, 2005**		
(dollars in thousands)	**Balance**	**Available borrowing capacity**	**Interest rate**	**Balance**	**Available borrowing capacity**	**Interest rate**
Term facility	$ 94,800	$	5.26%	$ 230,423	$ 50,000	6.12%
Revolving facility		30,000		5,000	25,000	8.25%
Second priority facility, excluding debt discount	208,231		8.92%			
	$ 303,031	$ 30,000		$ 235,423	$ 75,000	

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 December 31, 2004, we had $27.8 million of redeemable, non-voting preferred membership units. Holders of the redeemable preferred units were entitled to receive a yield of 13.25% of its liquidation value per annum for the first three years starting in April 2000, and increasing to 15% of the liquidation value per annum thereafter. The discount inherent in the yield for the first three years was recorded as an adjustment to the carrying amount of the 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% was mandatorily payable quarterly in cash to the redeemable preferred unit holders. The unpaid portion of the yield accumulated annually and was added to the liquidation value of

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the redeemable preferred units. The preferred units were redeemable without premium or penalty, wholly or in part, at Holdings option at any time, for the liquidation value, including any unpaid yield. On February 9, 2005, we utilized $28.3 million of cash proceeds from our initial public offering to redeem 100% of the redeemable preferred units based on the liquidation value of the redeemable preferred units on such date.
Seller Notes. As of December 31, 2005, we had $11.3 million of seller notes outstanding, with interest rates ranging between 5% and 8% and maturities between 2006 and 2010. These notes were issued in connection with prior acquisitions.

Off-balance sheet arrangements

At December 31, 2005, and 2004, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Contractual obligations and other commitments

Our future contractual obligations as of December 31, 2005, by fiscal year are as follows:

Fiscal year ended December 31, (dollars in thousands)	**2006**	**2007**	**2008**	**2009**	**2010**	**Thereafter**
Debt obligations	$ 10,756	$ 4,423	$ 115,522	$ 114,495	$ 1,369	$ 120
Capital lease obligations(1)	9,685	8,499	5,649	2,163	973	158
Operating lease obligations	28,317	19,453	12,459	8,468	5,295	11,660
Total	$ 48,758	$ 32,375	$ 133,630	$ 125,126	$ 7,637	$ 11,938

(1) Principal payments only

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 predetermined targets, we are obligated to make additional cash payments in accordance with the terms of such earnout agreements. As of December 31, 2005, we estimate that we will be required to make additional cash payments of up to $1.5 million between 2006 and 2007. These additional cash payments are accounted for as goodwill when earned.
State sales tax. We are involved in a state tax authority dispute 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 claimed that an additional $1.2 million of sales taxes are due from us for the period in question, plus $372,000 of interest. 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 had previously paid. We paid the tax in May of 2005 but 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. We have been

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granted another appeals conference in April 2006 to resolve the remaining issues. Our accrued expenses in our consolidated balance sheet as of December 31, 2005 include $151,000 of reserves related to this matter based primarily on certain components of the state tax authority s audit findings that we are not disputing. Based on the unfavorable outcome from a sales tax audit staff hearing held on March 16, 2005, we believe it is probable that we will not prevail on appeal.

Impact of conversion from an LLC to a corporation

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

Income taxes

Between 2001 and February 9, 2005, Holdings and Opco, through which a substantial portion of our business was operated prior to our reorganization, were limited liability companies that were taxed as partnerships. As a result, the members of Holdings paid income taxes on the earnings of Opco, which are passed through to Holdings. Certain divisions are consolidated in Holdings and 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.

As a result of the reorganization to a Delaware corporation, our total earnings are subject to federal, state and local taxes at a combined statutory rate of approximately 40%, which is lower than our pro forma effective income tax rate of 46.5% for 2004 due to the redemption of our preferred equity and the related nondeductible interest expense. The unaudited pro forma incremental income tax provision and unaudited pro forma earnings per common member unit amounts in the following table were calculated as if our reorganization became effective on January 1, 2001.

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Fiscal year ended December 31, (in thousands, except per unit / share amounts)	**2001**	**2002**	**2003**	**2004**	**2005**
Net income attributable to common members / stockholders	$ 7,628	$ 17,409	$ 1,823	$ 29,548	$ 60,476
Unaudited pro forma incremental income tax provision	2,574	6,211	673	9,196	333
Unaudited pro forma net income attributable to common members / stockholders	$ 5,054	$ 11,198	$ 1,150	$ 20,352	$ 60,143
Unaudited pro forma net income attributable to common members / stockholders per common unit / share:					
Basic	$ 0.14	$ 0.31	$ 0.03	$ 0.57	$ 1.42
Diluted	$ 0.14	$ 0.30	$ 0.03	$ 0.54	$ 1.39

Stockholders equity

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

Critical accounting policies

Our management prepares financial statements in conformity with accounting principles generally accepted in the United States. This requires us to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We evaluate our estimates and assumptions on an ongoing basis and rely on historical experience and other factors that we believe are reasonable under the circumstances. Actual results could differ from those estimates and such differences may be material to the consolidated financial statements. We believe the critical accounting policies and areas that require more significant judgments and estimates used in the preparation of our consolidated financial statements to be the following: goodwill and other intangible assets; 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 that have an indefinite life are not amortized but instead will be reviewed for impairment at least annually, or more frequently should an event occur or circumstances indicate that the carrying amount may be impaired. Such events or circumstances may be a significant change in 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 a two-step test for goodwill impairment. The first step identifies potential impairment by comparing the fair value of a reporting unit with its carrying amount, including goodwill. If the fair value exceeds its carrying amount, goodwill is not considered impaired and the second step of the test is unnecessary. If the carrying amount exceeds its fair value, the second step measures the impairment loss, if any. The second step compares the implied fair value of 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 goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess.

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 growth rate 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 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, 2003, 2004, and 2005.

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 that 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 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.

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Commitments and contingencies

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

Recent accounting pronouncements

In November 2004, the FASB issued SFAS No. 151, Inventory Costs, an amendment of Accounting Research Bulletin No. 43, Chapter 4. SFAS No. 151 requires that abnormal amounts of idle facility expense, freight, handling costs and wasted materials (spoilage) be recorded as current period charges and that the allocation of fixed production overheads to inventory be based on the normal capacity of the production facilities. SFAS No. 151 is effective for the Company on January 1, 2006. The Company has concluded that SFAS No. 151 will not have a material impact on its consolidated financial statements.

In December 2004, the FASB issued SFAS No. 123 (revised 2004), Share-Based Payment (SFAS 123R), which replaces SFAS No. 123, Accounting for Stock-Based Compensation, (SFAS 123) and supercedes APB Opinion No. 25, Accounting for Stock Issued to Employees. SFAS 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their grant date fair values. The provisions of SFAS 123R, as supplemented by SEC Staff Accounting Bulletin No. 107, Share-Based Payment, are effective no later than the beginning of the next fiscal year that begins after June 15, 2005. The Company will adopt the new requirements using the modified prospective transition method in the first quarter of fiscal 2006, and as a result, will not retroactively adjust results from prior periods. Under this transition method, compensation expense associated with stock options recognized in the first quarter of fiscal 2006 will include: 1) expense related to the remaining unvested portion of all stock option awards granted prior to January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123; and 2) expense related to all stock option awards granted subsequent to January 1, 2006, based on the grant date fair value estimated in accordance with the provisions of SFAS No. 123R. The Company will apply the Black-Scholes valuation model in determining the fair value of share-based payments to employees, which will then be amortized on a straight-line basis over the requisite service period. The Company is currently assessing the provisions of SFAS 123 and the impact that it will have on its consolidated financial statements.

In December 2004, the FASB issued SFAS No. 153, Exchanges of Nonmonetary Assets, an amendment of APB Opinion No. 29. SFAS No. 153 is based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. APB Opinion No. 29, Accounting for Nonmonetary Transactions, provided an exception to its basic measurement principle (fair value) for exchanges of similar productive assets. Under APB Opinion No. 29, an exchange of a productive asset for a similar productive asset was based on the recorded amount of the asset relinquished. SFAS No. 153 eliminates this exception and replaces it with an exception of exchanges of nonmonetary assets that do not have commercial substance. The Company has concluded that SFAS No. 153 will not have a material impact on its consolidated financial statements.

In March 2005, the FASB issued FIN 47, Accounting for Conditional Asset Retirement Obligations, an interpretation of SFAS 143. This statement clarified the term conditional asset

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retirement obligation and is effective for the Company s fourth quarter ending December 31, 2005. Adoption of FIN 47 did not have an impact on the Company s consolidated financial statements.

In September 2005, the Emerging Issues Task Force or EITF amended and ratified previous consensus on EITF No. 05-6, Determining the Amortization Period for Leasehold Improvements Purchased after Lease Inception or Acquired in a Business Combination which addresses the amortization period for leasehold improvements in operating leases that are either placed in service significantly after and not contemplated at or near the beginning of the initial lease term or acquired in a business combination. This consensus applies to leasehold improvements that are purchased or acquired in reporting periods beginning after ratification. Adoption of the provisions of EITF No. 05-6 did not have an impact on the Company s consolidated financial statements.

In May 2005, the FASB issued FAS 154, which changes the requirements for the accounting and reporting of a change in accounting principle. FAS 154 eliminates the requirement to include the cumulative effect of changes in accounting principle in the income statement and instead requires that changes in accounting principle be retroactively applied. FAS 154 is effective for accounting changes and correction of errors made on or after January 1, 2006, with early adoption permitted. The Company began applying the provisions of this statement during the fourth quarter of 2005.

Quantitative and Qualitative Disclosures about Market Risk

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

In January 2004, we entered into an interest rate collar agreement that became effective in September 2005 and has a fixed notional amount of $111.0 million. The interest rate collar agreement expires in December 2006. At December 31, 2005, the fair value of the interest rate collar agreement was $42,000. In March 2006, we entered into an interest rate collar agreement that becomes effective on December 23, 2006 and has a fixed notional amount of $76.7 million until December 23, 2007, then decreases to $67.0 million until termination of the collar on December 23, 2008. The interest rate collar has a cap strike three month LIBOR rate of 5.50% and a floor strike three month LIBOR rate of 4.70%.

At December 31, 2005, we had $235.4 million of total debt obligations which was bearing interest at variable rates approximating 6.2% on a weighted average basis. A 1.0% change in interest rates on variable rate debt would have resulted in interest expense fluctuating by approximately $2.7 million during the year ended December 31, 2005.

We have not, and do not plan to, enter into any derivative financial instruments for trading or speculative purposes. As of December 31, 2005, we had no other significant material exposure to market risk, including foreign exchange risk and commodity risks.

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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, print-on-demand and a combination of these services in our customers offices as on-site services. We provide our core services through our suite of reprographics technology products, a national network of approximately 220 locally branded reprographics service centers, and approximately 2,500 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 products 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 220 reprographics service centers, including 216 service centers in 161 cities in 33 states throughout the United States and the District of Columbia, three reprographics service centers in the metropolitan area of Toronto, Canada, and one in Mexico City, Mexico. Our reprographics service centers are located in close proximity to the majority of our customers and offer pickup and delivery services within a 15 to 30 mile radius. These service centers are arranged in a hub and satellite structure and are digitally connected as a cohesive network, allowing us to provide our services both locally and nationally. We service approximately 73,000 active customers and we employ more than 3,800 people, including a sales and customer service staff of more than 775 employees.

In terms of revenue, number of service facilities and number of customers, we believe we are the largest company in our industry, operating in approximately eight times as many cities and with more than six 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 retained approximately 90% of the management of these acquired companies. As part of our growth strategy, we recently began opening and operating branch service centers, which we view as a low cost, rapid form of

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market expansion. Our branch openings require modest capital expenditures and are expected to generate operating profit within 12 months from opening. We have opened 19 new branches in key markets since December 31, 2004 and expect to open an additional 15 branches by the end of 2006.

Our main office is located at 700 North Central Avenue, Suite 550, Glendale, California 91203, and our telephone number is (818) 500- 0225.

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 April 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).

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

Acquisitions

In addition to our primary focus on the organic 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. In 2003 and 2004, we acquired five and six reprographics companies for an aggregate purchase price of $870,000 and $3.7 million, respectively. In 2005, we acquired 14 reprographics companies for an aggregate purchase price of $32.1 million. All aggregate purchase price figures include acquisition related costs. See Note 3 to our consolidated financial statements for further details concerning our acquisitions.

Subsequent to December 31, 2005, we completed the acquisition of two reprographics companies in the United States with combined annual sales of approximately $19.9 million in 2005 for a total purchase price of $11.0 million.

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 2006 was estimated at $1.1 trillion, with expenditures divided between residential construction 55% and commercial and public, or non-residential, construction 45%. The $5 billion reprographics industry is approximately 0.5% of the approximately $1.1 trillion construction industry in the United States. Our AEC revenues are most closely correlated to the non-residential sectors of the construction industry, which are the largest users of the reprographics services. According to FMI, the non-residential sectors of the construction industry are projected to grow at a compounded annual growth rate of approximately 8% 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 3.5% in 2005 and is projected to remain at that growth rate in 2006 according to Wall Street s consensus estimates.

Our competitive strengths

We believe that our competitive strengths include the following:

Leading Market Position in Fragmented Industry. Our size and national footprint provide us with significant purchasing power, economies of scale, the ability to invest in industry-leading technologies, and the resources to service large, national customers.

Leader in Technology and Innovation. We believe our PlanWell online 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 the 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 more than 20 years of industry experience. We have also successfully retained approximately 90% of the managers of the businesses we have acquired since 1997.

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 11×17 inches, requiring specialized production equipment, and the documents are iterative in nature; frequently 10 or more versions of a single document must be tracked and managed throughout the course of a project.

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

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

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

These broad categories of services are provided to our 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.

These services include:

PlanWell, our proprietary, internet-based planroom launched in June 2000, and our suite of other reprographics software products that enable the online purchase and fulfillment of document management services.

Production services, including print-on-demand, document assembly, document finishing, mounting, laminating, binding, and kitting. Documents can be digitally transferred from one service facility to another to balance production capacity or take advantage of a distribute and print operating system.

Document distribution and logistics, including the physical pick up, delivery, and shipping of time-sensitive, critical documents.

Highly customized large and small format reprographics in color and black and white. This includes digital reproduction of posters, tradeshow displays, plans, banners, signage and maps.

Facilities management, including recurring on-site document management services and staffing at our customers locations.

Sales of reprographics equipment and supplies and licensing of software to other reprographics companies and end-users in the AEC industry.

The design and development of other document management and reprographics software, in addition to PlanWell, that supports ordering, tracking, job costing, and other customer specific accounting information for a variety of projects and services. These proprietary applications include:

Electronic Work Order (EWO), which offers our customers access to the services of all of our service centers through the internet.

Abacus Print Cost Recovery (PCR) 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.

BidCaster Invitation-to-Bid (ITB), a data management internet application that issues customizable invitations to bid from a customer s desktop using email and a hosted fax server.

MetaPrint Print Automation and Device Manager, a universal print driver that facilitates the printing of documents with output devices manufactured by multiple vendors, and allows the reprographer to print multiple documents in various formats as a single print submission.

One View 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.

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

License our suite of reprographics technology products, including our flagship online planroom, PlanWell, to independent reprographers.

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

Our business strategy

We intend to strengthen our competitive position as the preferred provider of reprographics services in each market we serve. We seek to do so while increasing revenue, cash flow, profitability, and market share. Our key strategies to accomplish this objective include:

Continue to Increase Our Market Penetration and Expand Our Nationwide Footprint. We believe that many of our local customers rely on local relationships with our service centers for their document management services. We also recognize a growing desire among larger regional and national customers to consolidate their purchasing of reprographics services. We are currently a leader in approximately half of the top 50 U.S. markets (as defined by Neilsen Media research). To expand our nationwide footprint we intend to increase our presence in the top 50 U.S. markets and other under-penetrated regions through facilities management contracts, targeted branch openings, strategic acquisitions and national accounts.

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. Placing equipment (and sometimes staff) in an architectural studio or construction company office remains a compelling service offering as evidenced by our eight-year compounded annual growth rate of 30% in new on-site services contracts. The highly renewable nature of most on-site service contracts leads us to believe that this source of revenue will continue to increase in the near term. 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.

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. In 2005, we opened 19 such branches in areas that expand or further penetrate our existing markets. We plan to open an additional 15 branches by the end of 2006. We believe that our existing corporate infrastructure is capable of supporting a much larger branch network and significantly higher revenue.

Strategic Acquisitions. Acquisitions have historically been an important component of our growth strategy. Since 1997, we have developed a structured approach to acquiring and integrating companies. 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 acquiring additional reprographics companies at reasonable prices and subsequently realizing substantial operating and purchasing synergies by leveraging our existing corporate infrastructure.

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. 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. We continue to expand the market penetration of PlanWell to create an industry standard for online document management, storage, and document retrieval services. 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 December 2005, we licensed PlanWell technology products for use in 140 independent reprographics service facilities, which in combination with ARC locations, made our technology available in more than 350 locations across the United States.

Solidify Our Non-AEC Service Offerings. We have leveraged our expertise in providing highly customized, quick turnaround 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. Our services to these customers accounted for approximately 20% of our net sales in 2005. In addition, 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, add new revenue streams, and create new reprographics technologies.

Customers

Our business is not dependent on any single customer or few customers, the loss of any one or more of whom would have a material adverse effect on our business. Our customers are both local and national companies, with no single customer accounting for more than 2% of our net sales in 2005.

Operations

Geographic Presence. We operate 220 reprographics service centers, including 216 service centers in 161 cities in 33 states throughout the United States and the District of Columbia, three service centers in the Toronto metropolitan area, and one in Mexico City, Mexico. Our reprographics service centers are located in close proximity to the majority of our customers and offer pickup and delivery services within a 15 to 30 mile radius.

Hub and Satellite Configuration. We organize our business into operating divisions that typically consist of a cluster configuration of at least one large service facility, or hub 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.

Central Hub Facilities. In each of our major markets, we operate one or more large scale full service facilities that have high production capacity and sophisticated equipment. These larger facilities offer specialized services such as laser digital imaging on photographic material, large format color printing, and finishing services that may not be economically viable for smaller facilities to provide. Our central hub facilities also coordinate our facilities management programs.

Satellite Facilities. To supplement the capabilities of our central hub facilities, we operate satellite facilities that are typically located closer to our customers than the central hubs. Our satellite facilities have quick turnaround capabilities, responsive, localized service, and handle the majority of digital processes.

Management Systems and Controls. We operate our business under a dual operating structure of centralized administrative functions and regional decision making. Acquired companies typically retain their local business identities, managers, sales force, and marketing efforts in order to maintain strong local relationships. Our local management maintains autonomy over the day-to-day operations of their business units, including profitability, customer billing, receivables collection, and service mix decisions.

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

Suppliers and vendors

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

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

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Sales and marketing

Divisional Sales Force. We market our products and services throughout the United States through localized sales forces and marketing efforts at the divisional level. We had approximately 775 sales and customer service representatives as of December 31, 2005. Each sales force generally consists of a sales manager and a staff of sales and customer service representatives that target various customer segments. Depending on the size of the operating division, a sales team may be as small as two people or as large as 39. Sales teams serve both the central hub service facility and satellite facilities, or if market demographics require, operate on behalf of a single service facility.

Premier Accounts. To further enhance our market share and service portfolio on a national level, we operate a Premier Accounts business unit. Designed to meet the requirements of large regional and national businesses, we established this operating division to take advantage of growing globalization within the AEC market, and to establish ourselves at the corporate level as the leading national reprographer with extensive geographic and service capabilities. The Premier Accounts sales initiative allows us to attract large AEC and non-AEC companies with document management, distribution and logistics, and print-on-demand needs that span wide geographical or organizational boundaries. Since its launch in the middle of 2003, we have established nine national customers through Premier Accounts.

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

Competition

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

Research and development

We believe that to compete effectively we must continue to invest in research and development of our services. Our research and development efforts are focused on improving and enhancing PlanWell as well as developing new proprietary services. As of December 31, 2005, we employed 53 engineers and technical specialists with expertise in software, internet-based applications, database management, internet security and quality assurance. Cash outlays for research and development which include both capitalized and expensed items amounted to $2.8 million in 2003, $2.5 million in 2004, and $2.9 million in 2005.

Proprietary rights

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

We have registered PlanWell as a trademark with the United States Patent and Trademark Office, in Canada, Australia and the European Union. Additionally, we have registered the trademark PlanWell PDS with the United States Patent and Trademark Office, Australia and the European Union and have applied for registration in Canada. We do not have any other trademarks, service marks or patents that are material to our business.

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

Information technology

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

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

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

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Employees

As of December 31, 2005, we had more than 3,800 employees. Approximately 20 of our employees are covered by two collective bargaining agreements. The collective bargaining agreement with our subsidiary, Ridgway s Ltd., expires on November 30, 2007 and the agreement with our subsidiary, B.P. Independent Reprographics, Inc., expires on December 4, 2006, but will continue thereafter from year to year unless either party terminates the agreement. We have not experienced a work stoppage during the past five years and believe that our relationships with our employees and collective bargaining units are good.

Facilities

As of December 31, 2005 we operated 215 reprographics service centers totaling 1,475,088 square feet. We also occupy two technology centers in Silicon Valley, California, a software programming facility in Calcutta, India, as well as our three administrative facilities. Our executive offices are located in Glendale, California.

Region	Number of admin & IT facilities	Square footage	Reprographics service centers	Square footage
Southern California	1	7,183	47(2)	368,468
Northern California	4(1)	29,901	37	265,789
Pacific Northwest	0	0	11	103,364
East Coast	1	650	37	179,627
Southern	0	0	52	319,104
Midwest	0	0	31(3)	238,736
Total	6	37,734	215	1,475,088

(1) Includes two technology centers in Fremont, California, and one in Calcutta, India.
(2) Includes one service center in Mexico City, Mexico.
(3) Includes two service centers in the Toronto metropolitan area.

We lease 206 of our reprographics service centers, each of our administrative facilities and our technology centers. These leases expire through 2015. Substantially all of the leases contain renewal provisions and provide for annual increases in rent based on the local Consumer Price Index. The owned facilities are subject to major encumbrances under our credit facilities. In addition to the facilities that are owned, our fixed assets are comprised primarily of machinery and equipment, trucks, and computer equipment. We believe that our facilities are adequate and appropriate for the purposes for which they are currently used in our operations and are well maintained.

Legal proceedings

We are a creditor and participant in the Chapter 7 Bankruptcy of Louis Frey Company, Inc., or LF Co., which is pending in the United States Bankruptcy Court, Southern District of New York. We managed LF Co. under a contract from May through September of 2003. LF Co. filed for Bankruptcy protection in August 2003, and the proceeding was converted to a Chapter 7 liquidation in October 2003. On or about June 30, 2004, the Bankruptcy Estate Trustee filed a complaint in the LF Co. Bankruptcy proceeding against us, which was amended on or about July 19, 2004, alleging, among other things, breach of contract, breach of fiduciary duties,

conversion, unjust enrichment, tortious interference with contract, unfair competition and false commercial promotion in violation of The Lanham Act, misappropriation of trade secrets and fraud regarding our handling of the assets of LF Co. The Trustee claims damages of not less than $9.5 million, as well as punitive damages and treble damages with respect to the Lanham Act claims. Previously, on or about October 10, 2003, a secured creditor of LF Co., Merrill Lynch Business Financial Services, Inc., or Merrill, had filed a complaint in the LF Co. Bankruptcy proceeding against us, which was most recently amended on or about July 6, 2004. Merrill s claims are duplicated in the Trustee s suit. We, in turn, have filed answers and counterclaims denying liability to the Trustee and seeking reimbursement of all costs and damages sustained as a result of the Trustee s actions and in our efforts to assist LF Co. These cases are set for trial in April 2006. We believe that we have meritorious defenses as well as substantial counterclaims against Merrill Lynch and the Trustee. We intend to vigorously contest the above matters. Based on the discovery and depositions to date, we do not believe that the outcome of the above matters will have a material adverse impact on our results of operations or financial condition.

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

Environmental and regulatory considerations

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

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Management

The following table sets forth the name, age and position of our directors and executive officers as of March 1, 2006.

Name	Age	Position
Sathiyamurthy Chandramohan	47	Chief Executive Officer and Chairman of the Board of Directors
Kumarakulasingam Suriyakumar	52	President, Chief Operating Officer and Director
Mark W. Legg	51	Chief Financial Officer and Secretary
Rahul K. Roy	46	Chief Technology Officer
Thomas J. Formolo		