American Reprographics CO
Form 424A
January 20, 2005

Filed pursuant to Rule 424(a)
Registration Statement No. 333-119788

Subject to Completion. Dated January 20, 2005.

13,350,000 Shares

Common Stock

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

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

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

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

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

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

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

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

Goldman, Sachs & Co. **JPMorgan**

Credit Suisse First Boston

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

Prospectus dated 2005.

PROSPECTUS SUMMARY

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

Our Company

We are the leading reprographics company in the United States providing business-to-business document management services to the architectural, engineering and construction industry, or AEC industry. We also provide these services to companies in non-AEC industries, such as technology, financial services, retail, entertainment, and food and hospitality that also require sophisticated document management services. We provide our core services through our suite of reprographics technology products, a network of 177 locally branded reprographics service centers in 135 cities, and more than 1,760 facilities management programs at our customers locations throughout the country. Our service centers are arranged in a hub and satellite structure and are digitally connected as a cohesive network, allowing us to provide our services both locally and nationally. We service more than 65,000 active customers and employ over 3,450 people, including a sales force of approximately 270 employees. In terms of revenue, number of service facilities and number of customers, we believe we are the largest company in our industry, operating in more than eight times as many cities and with more than five times the number of service facilities as our next largest competitor.

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

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

Industry Overview

According to the International Reprographics Association, or IRgA, and other industry sources, the reprographics industry in the United States is estimated to be approximately $5 billion in size. The IRgA indicates that the reprographics industry is highly fragmented, consisting of approximately 3,000 firms with average annual sales of approximately $1.5 million and 20 to 25 employees. Since construction documents are the primary medium of communication for the AEC industry, demand for reprographics services in the AEC market is closely tied to the level of activity in the construction industry, which in turn is driven by macroeconomic trends such as GDP growth, interest rates, job creation, office vacancy rates, and tax revenues. According to FMI Corporation, or FMI, a consulting firm to the construction industry, construction industry spending in the United States for 2005 is estimated at $1.0 trillion, with expenditures divided between residential construction (55%) and commercial and public, or non-residential, construction (45%). The $5 billion reprographics industry is approximately 0.5% of the $1.0 trillion construction industry in the United States. Our AEC revenues are most closely correlated to the non-residential sectors of the construction industry, which sectors are the largest users of reprographics services. According to FMI, the non-residential sectors of the construction industry are projected to grow at an average of 5.4% per year over the next three years.

Market opportunities for business-to-business document management services such as ours are rapidly expanding into non-AEC industries. For example, non-AEC customers are increasingly using large and small format color imaging for point-of-purchase displays, digital publishing, presentation materials, educational materials and marketing materials as these services have become more efficient and available on a short-run, on-demand basis through digital technology. As a result, we believe that our addressable market is substantially larger than the core AEC reprographics market. We believe that the growth of non-AEC industries is generally tied to growth in the U.S. gross domestic product, or GDP, which is projected to have grown 4.4% in 2004 and is projected to grow 3.7% in 2005 according to Wall Street s consensus estimates.

Our Competitive Strengths

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

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

Leader in Technology and Innovation. We believe our PlanWell online planrooms are well positioned to become the industry standard for managing and procuring reprographics services within the AEC industry. In addition, we have developed other proprietary software applications that complement PlanWell and have enabled us to improve the efficiency of our services, add complementary services and increase our revenue.

Extensive National Footprint with Regional Expertise. Our national network of service centers maintains local customer relationships while benefiting from our centralized corporate functions and national scale. Our service facilities are organized as hub and satellite structures within individual markets, allowing us to balance production capacity and minimize capital expenditures through technology sharing among our service centers within each market. In addition, we serve our national and regional customers under a single contract through our Premier Accounts business unit, while offering centralized access to project specific services, billing, and tracking information.

Flexible Operating Model. By promoting regional decision making for marketing, pricing, and selling practices, we remain responsive to our customers while benefiting from the cost structure advantages of our centralized administrative functions. Our flexible operating model also allows us to capitalize on an improving business environment.

Consistent, Strong Cash Flow. Through management of our inventory and receivables and our low capital expenditure requirements, we have consistently generated strong cash flow from operations after capital expenditures regardless of industry and economic conditions.

Low Cost Operator. We believe we are one of the lowest cost operators in the reprographics industry, which we have accomplished by minimizing branch level expenses and capitalizing on our significant scale for purchasing efficiencies.

Experienced Management Team and Highly Trained Workforce. Our senior management team has an average of over 20 years of industry experience. We have also successfully retained approximately 93% of the managers of the 84 businesses we have acquired since 1997.

Our Business Strategy

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

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

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

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

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

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

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

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

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

Corporate Reorganization

Our predecessor, Ford Graphics, was founded in Los Angeles, California in 1960. We are currently organized as American Reprographics Holdings, L.L.C., a California limited liability company, or Holdings. We conduct our operations through our wholly-owned operating subsidiary, American Reprographics Company, L.L.C., a California limited liability company, or Opco, and its subsidiaries. Immediately prior to this offering, we will be reorganized as a Delaware corporation, American Reprographics Company. In this prospectus, unless the context indicates otherwise, we, us,   American Reprographics,   ARC,   our company,   and similar terms refer to Holdings and its consolidated subsidiaries.

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

The Offering

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

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

assumes our conversion from a California limited liability company to a Delaware corporation, which will occur prior to this offering;

assumes 35,487,511 shares of common stock outstanding at September 30, 2004;

excludes 1,712,915 shares of common stock subject to outstanding options at September 30, 2004 issued at a weighted average exercise price of $5.22 per share;

excludes 22,500 shares of common stock issued upon option exercises since September 30, 2004;

excludes 5,000,000 shares of common stock reserved for future issuance under our 2005 Stock Plan, and 750,000 shares of common stock reserved for future issuance under our 2005 Employee Stock Purchase Plan;

includes a net of 809,618 shares of common stock (assuming an initial public offering price of $15.00 per share) issuable upon the exercise of outstanding warrants at September 30, 2004 issued at an exercise price of $4.61 per share, which will be issued upon the closing of this offering in connection with our conversion to a Delaware corporation; and

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

Summary Historical and Unaudited Pro Forma Financial Data

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(3) Non-GAAP Measures.

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

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

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

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

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

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

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

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

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

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

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

EBITDA	42,932	50,288	89,494	86,062	67,011	64,975	71,842
Costs incurred in connection with the 2000 recapitalization		20,544					