SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **2004-02-12** | Period of Report: **2003-12-31**
SEC Accession No. 0000950144-04-001172

(HTML Version on secdatabase.com)

FILER

ACG HOLDINGS INC

CIK:**856710**| IRS No.: **621395968** | State of Incorp.:**DE** | Fiscal Year End: **0331**
Type: **10-Q** | Act: **34** | File No.: **033-97090-01** | Film No.: **04592251**
SIC: **2750** Commercial printing

Mailing Address
100 WINNERS CIRCLE
BRENTWOOD TN 37027

Business Address
225 HIGH RIDGE RD
STAMFORD CT 06905
6153770377

AMERICAN COLOR GRAPHICS INC

CIK:**856709**| IRS No.: **161003976** | State of Incorp.:**NY** | Fiscal Year End: **0331**
Type: **10-Q** | Act: **34** | File No.: **033-97090** | Film No.: **04592252**
SIC: **2750** Commercial printing

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BRENTWOOD TN 37027

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2003

or

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

For the transition period from __________to __________

Commission file number 33-97090

ACG HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**62-1395968**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

100 Winners Circle
Brentwood, Tennessee 37027
(615) 377-0377

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

AMERICAN COLOR GRAPHICS, INC.

(Exact name of registrant as specified in its charter)

New York	**16-1003976**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

100 Winners Circle
Brentwood, Tennessee 37027
(615) 377-0377

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been

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subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2) of the Exchange Act.

Yes [ ] No [X]

ACG Holdings, Inc. has 160,067 shares outstanding of its Common Stock, $.01 Par Value, as of January 31, 2004 (all of which are privately owned and not traded on a public market).

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ACG HOLDINGS, INC.

Condensed Consolidated Balance Sheets

(In thousands)

		December 31, 2003	March 31, 2003
		(Unaudited)	
Assets			
Current assets:			
Cash	$	–	–
Receivables:			
Trade accounts, less allowance for doubtful accounts of $2,933 and $2,544 at December 31, 2003 and March 31, 2003, respectively		49,407	49,402
Income tax receivable		38	233
Other		3,485	2,227
Total receivables		52,930	51,862
Inventories		9,030	10,203
Deferred income taxes		2,442	6,246
Prepaid expenses and other current assets		4,358	4,296
Current assets of discontinued operations		–	866
Total current assets		68,760	73,473
Property, plant and equipment		311,108	310,180
Less accumulated depreciation		(187,114)	(183,167)
Net property, plant and equipment		123,994	127,013
Excess of cost over net assets acquired		66,548	66,548
Deferred financing costs		12,527	3,335
Other assets		7,597	7,790
Long-term assets of discontinued operations		–	282
Total assets	$	279,426	278,441

See accompanying notes to condensed consolidated financial statements.

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ACG HOLDINGS, INC.

Condensed Consolidated Balance Sheets

(Dollars in thousands, except par values and liquidation preference)

	December 31, 2003	March 31, 2003
	(Unaudited)	
Liabilities and Stockholders' Deficit		
Current liabilities:		
Current installments of long-term debt and capitalized leases	$ 5,348	31,698
Trade accounts payable	36,626	39,044
Accrued expenses	29,449	32,302
Current liabilities of discontinued operations	–	249
Total current liabilities	71,423	103,293
Long-term debt and capitalized leases, excluding current installments	302,371	200,059
Deferred income taxes	8,873	2,023
Other liabilities	76,421	80,765
Total liabilities	459,088	386,140
Commitments and contingencies (Note 7)		
Stockholders' deficit:		
Common stock, voting, $.01 par value, 5,852,223 shares authorized, 165,054 and 163,929 shares issued and outstanding at December 31, 2003 and March 31, 2003, respectively	2	2
Preferred stock, $.01 par value, 15,823 shares authorized, none issued and outstanding as of December 31, 2003, as of March 31, 2003, 3,617 shares Series AA convertible preferred stock issued and outstanding, $39,442,500 liquidation preference, and 1,606 shares Series BB convertible preferred stock issued and outstanding, $17,500,000 liquidation preference	–	–
Additional paid-in capital	2,045	58,816
Accumulated deficit	(157,227)	(140,655)
Other accumulated comprehensive loss, net of tax	(24,482)	(25,862)
Total stockholders' deficit	(179,662)	(107,699)
Total liabilities and stockholders' deficit	$ 279,426	278,441

See accompanying notes to condensed consolidated financial statements.

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ACG HOLDINGS, INC.

Condensed Consolidated Statements of Operations
(In thousands)
(Unaudited)

	Three Months Ended December 31,	
	2003	2002
Sales	$ 128,569	141,913
Cost of sales	111,339	122,390
Gross profit	17,230	19,523
Selling, general and administrative expenses	7,519	9,460
Operating income	9,711	10,063
Other expense (income):		
Interest expense	8,412	7,149
Interest income	(1)	(6)
Other, net	83	38
Total other expense	8,494	7,181
Income from continuing operations before income taxes	1,217	2,882
Income tax expense (benefit):		
Current	406	532
Deferred	(2,196)	(114)
Total income tax expense (benefit)	(1,790)	418
Income from continuing operations	3,007	2,464
Discontinued operations:		
Loss from operations, net of $0 tax	–	243
Net income	$ 3,007	2,221

See accompanying notes to condensed consolidated financial statements.

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ACG HOLDINGS, INC.

Condensed Consolidated Statements of Operations
(In thousands)
(Unaudited)

	Nine Months Ended December 31,	
	2003	2002
Sales	$ 365,536	399,444
Cost of sales	314,931	341,193
Gross profit	50,605	58,251
Selling, general and administrative expenses	23,842	26,480
Restructuring costs	2,000	–
Operating income	24,763	31,771
Other expense (income):		
Interest expense	25,713	21,454
Interest income	(8)	(83)
Loss on early extinguishment of debt	3,196	–
Other, net	294	520
Total other expense	29,195	21,891
Income (loss) from continuing operations before income taxes	(4,432)	9,880
Income tax expense:		
Current	1,030	1,258
Deferred	10,654	75
Total income tax expense	11,684	1,333
Income (loss) from continuing operations	(16,116)	8,547
Discontinued operations:		
Loss from operations, net of $0 tax	12	745
Loss on sale, net of $0 tax	444	–
Net income (loss)	$ (16,572)	7,802

See accompanying notes to condensed consolidated financial statements.

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ACG HOLDINGS, INC.

Condensed Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

	Nine Months Ended December 31,	
	2003	**2002**
Cash flows provided (used) by operating activities:		
Net income (loss)	$ (16,572)	7,802
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	17,708	17,354
Depreciation related to discontinued operations	26	308
Amortization of other assets	497	411
Amortization of deferred financing costs	1,591	1,175
Write-off of deferred financing costs	3,196	–
Deferred income tax expense	10,654	75
Discontinued operations, net of tax	430	437
Decrease (increase) in working capital and other	(9,360)	351
Net cash provided by operating activities	8,170	27,913
Cash flows provided (used) by investing activities:		
Purchases of property, plant and equipment	(10,501)	(24,944)
Proceeds from sales of property, plant and equipment	24	259
Other	260	(18)
Net cash used by investing activities	(10,217)	(24,703)
Cash flows provided (used) by financing activities:		
Repayment of long-term debt, net	(39,185)	(9,428)
Net increase in revolver borrowings	7,164	10,731
Repayment of 12 ¾% senior subordinated notes	(170,055)	(1,700)
Proceeds from issuance of 10% senior second secured notes	280,000	–
Repayment of capital lease obligations	(4,832)	(6,799)
Repayment of capital lease obligations – discontinued operations	–	(100)
Payment of deferred financing costs	(13,979)	(458)
Repurchase and retire preferred stock and cancel preferred stock options	(56,942)	–
Other, net	–	(3)
Net cash provided (used) by financing activities	2,171	(7,757)
Effect of exchange rates on cash	(124)	–
Net change in cash	–	(4,547)
Cash:		
Beginning of period	–	4,547

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End of period	$	–	–
Non-cash investing activity:			
Equipment purchases under capital leases	$	2,870	725

See accompanying notes to condensed consolidated financial statements.

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ACG HOLDINGS, INC.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Description of the Company

ACG Holdings, Inc. ("Holdings") has no operations or significant assets other than its investment in American Color Graphics, Inc. ("Graphics"), (collectively the "Company"). Holdings owns 100% of the outstanding voting shares of Graphics. The two business segments of the commercial printing industry in which the Company operates are (i) print and (ii) premedia services.

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and are in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. The operating results for the three and nine-month periods ended December 31, 2003 are not necessarily indicative of the results that may be expected for the fiscal year ending March 31, 2004. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and footnotes thereto included in the Company' s Form 10-K for the fiscal year ended March 31, 2003, as reclassified in the Company' s current report on Form 8-K dated November 6, 2003, as filed with the Securities and Exchange Commission.

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Certain prior period information has been reclassified to conform to current period presentation.

2. Discontinued Operations

In June 2003, the Company sold its digital visual effects business, ("Digiscope"), for a de minimis amount, which resulted in a net loss of approximately $0.4 million, which is net of zero income tax benefits. The sale of Digiscope has been accounted for as a discontinued operation, and accordingly, Digiscope' s operations are segregated and reported within discontinued operations in the accompanying condensed consolidated financial statements. Sales, cost of sales, selling, general and administrative expenses and other expenses attributable to Digiscope for the three and nine months ended December 31, 2002 have been reclassified and presented within discontinued operations.

3. Inventories

The components of inventories are as follows (in thousands):

		December 31, 2003	March 31, 2003
Paper	$	6,919	7,973
Ink		187	164
Supplies and other		1,924	2,066
Total inventories	$	9,030	10,203

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ACG HOLDINGS, INC.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

4. July 3, 2003 Refinancing Transactions

On July 3, 2003, the Company sold $280 million aggregate principal amount of its 10% Senior Second Secured Notes Due 2010 (the "10% Notes") as part of a recapitalization involving Graphics, Holdings and certain affiliates of the Company and also entered into a $70 million senior secured revolving credit facility maturing on July 3, 2008, with a syndicate of lenders (the "Revolving Credit Facility"), (collectively the "2003 Refinancing"). Graphics repaid substantially all existing indebtedness (excluding capital leases) through:

the repayment of all amounts outstanding under the old bank credit agreement, and the concurrent termination of all related commitments thereunder;

the issuance of letters of credit under the Revolving Credit Facility to replace outstanding letters of credit; and

effective August 3, 2003, the redemption of all of the 12 ¾% Senior Subordinated Notes Due 2005 (the "12 ¾% Notes"), at a redemption price equal to 100% of their aggregate principal amount, plus accrued and unpaid interest thereon.

In addition, the Company repurchased, and concurrently retired, all 5,223 outstanding shares of preferred stock of Holdings, and canceled all outstanding options to purchase shares of preferred stock of Holdings held by certain key officers, for an aggregate purchase price of $56.9 million. The canceled options would have been exercisable for 582 shares of preferred stock of Holdings.

In connection with the 2003 Refinancing, the Company incurred $13.6 million of deferred financing fees through December 31, 2003. Of the total deferred financing fees, $4.9 million was paid to affiliates of Morgan Stanley for the services they performed in conjunction with the Revolving Credit Facility and the original private placement of the 10% Notes. The Company also incurred a charge of approximately $3.2 million in the nine months ended December 31, 2003 related to the write-off of deferred financing costs associated with the old bank credit agreement and the 12 ¾% Notes. In addition, the Company recorded incremental interest expense of approximately $1.7 million in the nine months ended December 31, 2003 as a result of the 30 day call provision related to the 12 ¾% Notes.

The Revolving Credit Facility provides for maximum borrowings of $70 million, including a letter of credit sub-facility of up to $40 million. Borrowings under this facility, as amended, are subject to a borrowing base limitation based on certain percentages of eligible accounts receivable, eligible inventory and the appraised value of eligible machinery and equipment and real estate, subject to certain limitations. The borrowing base arrangement includes a provision whereby proceeds from collection of substantially all of the Company's accounts receivable are deposited into bank accounts which are applied daily toward repayment of borrowings outstanding, if any, under the Revolving Credit Facility. At December 31, 2003, the Company had additional borrowing availability under the Revolving Credit Facility of $31.7 million.

The Revolving Credit Facility is secured by substantially all of the assets of Graphics. Holdings has guaranteed Graphics' indebtedness under the Revolving Credit Facility, which guarantee is secured by a pledge of all of Graphics' and Graphics' subsidiaries' stock.

Amounts outstanding under the Revolving Credit Facility, as amended, bear interest at a rate equal to, at the Company's option, (a) an alternate base rate, plus an applicable margin of 2.00% or (b) a reserve adjusted LIBOR rate, plus an applicable margin of 3.00%. The applicable margins under both rate structures are subject to periodic downward adjustment based upon the attainment of certain fixed charge coverage ratio levels.

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ACG HOLDINGS, INC.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

The Revolving Credit Facility, as amended, contains customary affirmative and negative covenants, including but not limited to:

minimum fixed charge coverage ratio requirements; and

limitations on acquisitions and investments, new subsidiaries, uses of proceeds, indebtedness, liens, dividends and distributions, prepayments of certain indebtedness, affiliate transactions, loans, asset dispositions and Holdings' business operations.

5. Comprehensive Income (Loss)

Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income," requires foreign currency translation adjustments, minimum pension liability adjustments and unrealized gains or losses on available-for-sale securities to be included in comprehensive income (loss).

Total comprehensive income (loss) for the three and nine months ended December 31, 2003 and 2002 are as follows (in thousands):

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2003	2002	2003	2002
Net income (loss)	$ 3,007	2,221	(16,572)	7,802
Foreign currency translation adjustment, net of tax	331	(67)	1,380	119
Total comprehensive income (loss)	$ 3,338	2,154	(15,192)	7,921

6. Income Taxes

Income taxes have been provided using the liability method in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS 109"). Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts as measured by tax laws and regulations.

The Company recorded an income tax benefit of $1.8 million and income tax expense of $11.7 million for the three and nine months ended December 31, 2003, respectively compared to expense of $0.4 million and expense of $1.3 million for the three and nine months ended December 31, 2002, respectively. The increase in income tax benefit in the three months ended December 31, 2003 is primarily due to an adjustment of $2.2 million to reflect a change in estimate with respect to the Company' s income tax liability. The increase in income tax expense in the nine months ended December 31, 2003 is primarily due to an adjustment, recorded in the three months ended September 30, 2003, to increase the deferred tax asset valuation allowance by $12.8 million. This adjustment reflected a change in circumstances which resulted in a judgment that, based on the provisions in SFAS 109 that restrict the Company' s ability to consider forecasts of future income, a corresponding amount of deferred tax assets may not be realized. The change in circumstances arose from an assessment of the economic climate, particularly the continuance of competitive pricing pressures in the industry, and the expected increase in annual interest costs arising from the issuance of the 10% Notes that have provided negative evidence about the Company' s ability to realize certain deferred tax assets.

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The Company will reverse its valuation allowance into income when and to the extent sufficient positive evidence arises to support the realization of the related deferred tax assets.

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ACG HOLDINGS, INC.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

7. Commitments and Contingencies

The Company has employment agreements with one of its principal officers and two other employees. Such agreements provide for minimum salary levels as well as for incentive bonuses, which are payable if specified management goals are attained. In addition, the Company has a consulting agreement with one former employee. The aggregate commitment for future compensation at December 31, 2003, excluding bonuses, was approximately $2.0 million.

In the quarter ended December 31, 1997, the Company entered into multi-year contracts to purchase a portion of the Company' s raw materials to be used in its normal operations. In connection with such purchase agreements, pricing for a portion of the Company' s raw materials is adjusted for certain movements in market prices, changes in raw material costs and other specific price increases. The Company is deferring certain contractual provisions over the life of the contracts, which are being recognized as the purchase commitments are achieved. The amount deferred at December 31, 2003 is $45.6 million and is included within Other liabilities in the Company' s condensed consolidated balance sheet.

Graphics, together with over 300 other persons, has been designated by the U.S. Environmental Protection Agency as a potentially responsible party (a "PRP") under the Comprehensive Environmental Response Compensation and Liability Act ("CERCLA," also known as "Superfund") at a solvent recovery operation that closed in 1989. Although liability under CERCLA may be imposed on a joint and several basis and the Company' s ultimate liability is not precisely determinable, the PRPs have agreed in writing that Graphics' share of removal costs is approximately 0.583% and therefore Graphics believes that its share of the anticipated remediation costs at such site will not be material to its business or financial condition. Based upon an analysis of Graphics' volumetric share of waste contributed to the site and the agreement among the PRPs, the Company maintains a reserve of approximately $0.1 million in connection with this liability on its condensed consolidated balance sheet at December 31, 2003. The Company believes this amount is adequate to cover such liability.

The Company has been named as a defendant in several legal actions arising from its normal business activities. In the opinion of management, any liabilities that may arise from such actions will not, individually or in the aggregate, have a material adverse effect on the condensed consolidated financial statements of the Company.

8. Restructuring Costs

Fiscal Year 2004 Restructuring Costs

In July 2003, the Company implemented a restructuring plan for the print and premedia services segments to further reduce its selling, general and administrative expenses. This plan resulted in the termination of four administrative employees.

As a result of this plan, the Company recorded a pre-tax restructuring charge of approximately $1.8 million in the quarter ended September 30, 2003. This charge was classified within restructuring costs in the accompanying condensed consolidated statements of operations in the nine month period ended December 31, 2003. The cost of this restructuring plan was accounted for in accordance with the guidance set forth in Statement of Financial Accounting Standards No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" ("SFAS 146"). The restructuring charge is composed of severance and related termination benefits.

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ACG HOLDINGS, INC.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

The following table summarizes the activity related to this restructuring plan for the nine months ended December 31, 2003 (in thousands):

	Initial Recording of Restructuring Reserve	Activity	12/31/03 Restructuring Reserve Balance
Severance and other employee costs	$ 1,775	(373)	1,402

As of December 31, 2003, the Company believes the restructuring reserve of approximately $1.4 million is adequate. The Company anticipates that approximately $0.3 million of the restructuring balance will be paid by March 31, 2004, approximately $0.7 million will be paid during fiscal year ending March 31, 2005, approximately $0.3 million will be paid during fiscal year ending March 31, 2006 and the remaining $0.1 million will be paid during fiscal year ending March 31, 2007. These costs will be funded through cash generated from operations and borrowings under the Revolving Credit Facility, as amended.

Fiscal Year 2003 Restructuring Costs

In the fourth quarter of the fiscal year ended March 31, 2003, the Company' s Board of Directors approved a restructuring plan for the print and premedia services segments designed to improve operating efficiency and profitability. This plan included the closing of a premedia services facility in Nashville, Tennessee, a reduction of personnel in both the print and premedia services segments and the elimination of certain administrative personnel. These combined actions resulted in the elimination of 30 positions within the Company.

As a result of this plan, the Company recorded a pre-tax restructuring charge of approximately $1.2 million in the fourth quarter of the fiscal year ended March 31, 2003. This charge was classified within restructuring costs and other special charges in the consolidated statements of operations in the fiscal year ended March 31, 2003. The cost of this restructuring plan was accounted for in accordance with the guidance set forth in SFAS 146. The restructuring charge is primarily composed of severance and related termination benefits.

The following table summarizes the activity related to this restructuring plan for the nine months ended December 31, 2003 (in thousands):

	03/31/03 Restructuring Reserve Balance	Activity	12/31/03 Restructuring Reserve Balance
Severance and other employee costs	$ 979	(719)	260
Other costs	103	(93)	10
	$ 1,082	(812)	270

The process of closing a premedia services facility, and the elimination of certain personnel within the Company was completed by March 31, 2003. During the fiscal year ended March 31, 2003, $0.1 million of these costs were paid. As of December 31, 2003, the Company believes the restructuring reserve of approximately $0.3 million is adequate. The Company anticipates that $0.1 million of the remaining costs will be

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paid by March 31, 2004 and the remaining $0.2 million will be paid by March 31, 2005. These costs will be funded through cash generated from operations and borrowings under the Revolving Credit Facility, as amended.

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ACG HOLDINGS, INC.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

Fiscal Year 2002 Restructuring Costs

In January 2002, the Company' s Board of Directors approved a restructuring plan for the print and premedia services segments designed to improve asset utilization, operating efficiency and profitability. This plan included the closing of a print facility in Hanover, Pennsylvania, and a premedia services facility in West Palm Beach, Florida, the downsizing of a Buffalo, New York premedia services facility and the elimination of certain administrative personnel. This action resulted in the elimination of 189 positions within the Company. As a result of this plan, the Company recorded a pre-tax restructuring charge of approximately $8.6 million in the fourth quarter of the fiscal year ended March 31, 2002. This charge was classified within restructuring costs and other special charges in the consolidated statements of operations in the fiscal year ended March 31, 2002. The cost of this restructuring plan was accounted for in accordance with the guidance set forth in Emerging Issues Task Force Issue 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (Including Certain Costs Incurred in a Restructuring)" ("EITF 94-3"). The restructuring charge included severance and related termination benefits, lease termination costs primarily related to future lease commitments, equipment deinstallation costs directly associated with the disassembly of certain printing presses and other equipment, and other costs primarily including legal fees, site clean-up costs and the write-off of certain press related parts that provided no future use or functionality. The Company recorded an additional $0.2 million of restructuring charges related to this plan in the quarter ended September 30, 2003. This charge relates to future lease commitments and is classified within restructuring costs in the accompanying condensed consolidated statements of operations for the nine months ended December 31, 2003.

The following table summarizes the activity related to this restructuring plan for the nine months ended December 31, 2003 (in thousands):

	03/31/03 Restructuring Reserve Balance	Activity	Additional Reserve	12/31/03 Restructuring Reserve Balance
Severance and other employee costs	$ 498	(211)	–	287
Lease termination costs	1,311	(468)	225	1,068
Other costs	70	(22)	–	48
	$ 1,879	(701)	225	1,403

The process of closing two facilities and downsizing one facility, including equipment deinstallation and relocation of that equipment to other facilities within the Company was completed by March 31, 2002. During the fiscal years ended March 31, 2003 and March 31, 2002, $3.3 million and $3.4 million of these costs were paid, respectively. As of December 31, 2003, the Company believes the restructuring reserve of approximately $1.4 million is adequate. The Company anticipates that $0.3 million of the restructuring reserve balance will be paid by March 31, 2004, $0.5 million will be paid by March 31, 2005 and the remaining $0.6 million will be paid by March 31, 2006. These costs will be funded through cash generated from operations and borrowings under the Revolving Credit Facility, as amended.

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ACG HOLDINGS, INC.

Notes to Condensed Consolidated Financial Statements

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9. Industry Segment Information

The Company has significant operations principally in two industry segments: (1) print and (2) premedia services. All of the Company’ s print business and assets are attributed to the print division and all of the Company’ s premedia services business and assets are attributed to the premedia services division. The Company’ s corporate expenses have been segregated and do not constitute a reportable segment.

The Company has two reportable segments: (1) print and (2) premedia services. The print business produces advertising inserts, comics (Sunday newspaper comics, comic insert advertising and comic books), and other publications. The Company’ s premedia services business assists customers in the capture, manipulation, transmission and distribution of images. The majority of the premedia services work leads to the production of four-color separations in a format appropriate for use by printers.

The accounting policies of each of the segments are the same as those used by the Company in its condensed consolidated financial statements. The Company evaluates performance based on segment EBITDA as calculated by management, which is defined as earnings before net interest expense, income tax expense, depreciation, amortization, restructuring costs, loss on early extinguishment of debt, other expense (income) and discontinued operations. This calculation differs from the EBITDA disclosed in Management’ s Discussion and Analysis of Financial Condition and Results of Operations as that definition includes the impact of restructuring costs, loss on early extinguishment of debt, other expense (income) and discontinued operations. The Company generally accounts for intersegment revenues and transfers as if the revenues or transfers were to third parties, that is, at current market prices. Certain reclassifications have been made to prior period balances to conform with the current period presentation.

In June 2003, the Company sold its digital visual effects business, Digiscope, for a de minimis amount and recorded a net loss of approximately $0.4 million, which is net of zero income tax benefits. Segment operating results for the three and nine months ended December 31, 2002 have been reclassified to present Digiscope’ s operating results as a discontinued operation. In addition, the three and nine months ended December 31, 2002 reflect a reclassification to the print segment of certain premedia revenues and expenses performed in the print facilities previously presented within the premedia services segment. We revised and reclassified the segment reporting to reflect the current approach used by the Chief Operating Decision Maker in evaluating segment operating results. These reclassifications do not impact the Company’ s previously reported consolidated results.

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The Company' s reportable segments are business units that offer different products and services. They are managed separately because each segment requires different technology and marketing strategies. A substantial portion of the revenue, long-lived assets and other assets of the Company' s reportable segments are attributed to or located in the United States.

(In thousands)		Print	Premedia Services	Corporate and Other	Total
Nine Months Ended December 31, 2003					
Segment revenues	$	325,848	39,688	–	365,536
EBITDA as calculated by management	$	39,491	7,830	(2,353)	44,968
Depreciation and amortization		(15,493)	(2,712)	–	(18,205)
Restructuring costs		(1,716)	(284)	–	(2,000)
Operating income (loss)		22,282	4,834	(2,353)	24,763
Interest expense		–	–	(25,713)	(25,713)
Interest income		–	–	8	8
Loss on early extinguishment of debt		–	–	(3,196)	(3,196)
Other, net		(75)	(29)	(190)	(294)
Income tax expense		–	–	(11,684)	(11,684)
Depreciation from discontinued operations		–	–	(26)	(26)
Discontinued operations excluding depreciation		–	–	(430)	(430)
Net income (loss)	$	22,207	4,805	(43,584)	(16,572)
Total assets	$	250,608	13,788	15,030	279,426
Total goodwill	$	64,656	1,892	–	66,548
Total capital expenditures	$	12,331	1,040	–	13,371
Nine Months Ended December 31, 2002					
Segment revenues	$	358,835	40,609	–	399,444
EBITDA as calculated by management	$	46,272	6,085	(2,821)	49,536
Depreciation and amortization		(14,573)	(3,192)	–	(17,765)
Operating income (loss)		31,699	2,893	(2,821)	31,771
Interest expense		–	–	(21,454)	(21,454)
Interest income		–	–	83	83
Other, net		(179)	(234)	(107)	(520)
Income tax expense		–	–	(1,333)	(1,333)
Depreciation from discontinued operations		–	–	(308)	(308)
Discontinued operations excluding depreciation		–	–	(437)	(437)
Net income (loss)	$	31,520	2,659	(26,377)	7,802
Total assets	$	259,458	18,802	13,011	291,271

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Total goodwill	$ 64,656	1,892	−	66,548
Total capital expenditures	$ 24,005	1,664	−	25,669

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(In thousands)	Print	Premedia Services	Corporate and Other	Total
Three Months Ended December 31, 2003				
Segment revenues	$ 115,340	13,229	–	128,569
EBITDA as calculated by management	$ 13,657	2,753	(636)	15,774
Depreciation and amortization	(5,215)	(848)	–	(6,063)
Operating income (loss)	8,442	1,905	(636)	9,711
Interest expense	–	–	(8,412)	(8,412)
Interest income	–	–	1	1
Other, net	(44)	(5)	(34)	(83)
Income tax benefit	–	–	1,790	1,790
Net income (loss)	$ 8,398	1,900	(7,291)	3,007
Total assets	$ 250,608	13,788	15,030	279,426
Total goodwill	$ 64,656	1,892	–	66,548
Total capital expenditures	$ 870	361	–	1,231
Three Months Ended December 31, 2002				
Segment revenues	$ 128,349	13,564	–	141,913
EBITDA as calculated by management	$ 14,809	2,603	(1,040)	16,372
Depreciation and amortization	(5,224)	(1,085)	–	(6,309)
Operating income (loss)	9,585	1,518	(1,040)	10,063
Interest expense	–	–	(7,149)	(7,149)
Interest income	–	–	6	6
Other, net	22	(50)	(10)	(38)
Income tax expense	–	–	(418)	(418)
Depreciation from discontinued operations	–	–	(71)	(71)
Discontinued operations excluding depreciation	–	–	(172)	(172)
Net income (loss)	$ 9,607	1,468	(8,854)	2,221
Total assets	$ 259,458	18,802	13,011	291,271
Total goodwill	$ 64,656	1,892	–	66,548
Total capital expenditures	$ 3,549	550	–	4,099

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10. Impact of Recently Issued Accounting Standards

In April 2002, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections" ("SFAS 145"). SFAS 145 rescinds Statement of Financial Accounting Standards No. 4, "Reporting Gains and Losses from Extinguishment of Debt" ("SFAS 4"), which required all gains and losses from extinguishment of debt to be aggregated and, if material, classified as an extraordinary item, net of the related income tax effect. As a result, the criteria in Accounting Principles Board Opinion No. 30 will now be used to classify those gains and losses. SFAS 145 amends Statement of Financial Accounting Standards No. 13, "Accounting for Leases" ("SFAS 13"), to require that certain lease modifications that have economic effects similar to sale-leaseback transactions be accounted for in the same manner as sale-leaseback transactions. SFAS 145 makes various technical corrections to existing pronouncements. While those corrections are not substantive in nature, in some instances, they may change accounting practice. The provisions of SFAS 145 are effective for financial statements issued for fiscal years beginning after May 15, 2002, and interim periods within those fiscal years. In accordance with the guidance set forth in SFAS 145, the Company classified the $3.2 million charge incurred in the nine month period ended December 31, 2003 related to the write-off of deferred financing costs associated with the old bank credit agreement and the 12 3/4% Notes as Other expense in the accompanying condensed consolidated statements of operations.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46") to expand upon and strengthen existing accounting guidance that addresses when a company should include in its financial statements the assets, liabilities and activities of another entity. Until now, a company generally has included another entity in its consolidated financial statements only if it controlled the entity through voting interests. FIN 46 changes that guidance by requiring a variable interest entity, as defined, to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity' s activities or is entitled to receive a majority of the entity' s residual returns or both. FIN 46 also requires disclosure about variable interest entities that the company is not required to consolidate but in which it has a significant variable interest. The consolidation requirements of FIN 46 apply immediately to variable interest entities created after January 31, 2003 and to existing entities in the first fiscal year or interim period ending after December 15, 2003. Certain of the disclosure requirements apply in all financial statements issued after January 31, 2003, regardless of when the variable interest entity was established. The Company has evaluated the requirements of FIN 46 and does not expect any effect on its consolidated financial position or operating results.

11. Subsequent Event

In January 2004, the Company approved a plan for the print and premedia services segments designed to improve operating efficiency and profitability. This plan included a consolidation of capacity and the related downsizing of a print facility in Stevensville, Ontario, a reduction of personnel in certain of the Company' s other print and premedia facilities and the elimination of certain selling and administrative positions. These actions in total will result in the elimination of approximately 170 positions within the Company. As a result, the Company plans to record a pre-tax restructuring charge of approximately $5.8 million in the quarter ending March 31, 2004 associated with this plan. This restructuring charge is composed primarily of severance and related termination benefits. The cost of this restructuring plan will be accounted for in accordance with the guidance set forth in SFAS 146.

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ACG HOLDINGS, INC.
Management' s Discussion and Analysis of
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Special Note Regarding Forward Looking Statements

This Quarterly Report on Form 10-Q (this "Report") contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. Discussions containing such forward-looking statements may be found in this section, as well as within this Report generally. In addition, when used in this Report, the words "believes," "intends," "expects," "may," "will," "estimates," "should," "could," "anticipates," "plans" or other comparable terms are intended to identify forward-looking statements. Forward-looking statements are subject to a number of risks and uncertainties. Actual results in the future could differ materially from those described in the forward-looking statements as a result of many factors outside of the control of ACG Holdings, Inc. ("Holdings"), together with its wholly-owned subsidiary, American Color Graphics, Inc. ("Graphics"), including, but not limited to:

a failure to achieve expected cost reductions or to execute other key strategies,

fluctuations in the cost of paper, ink and other key raw materials,

changes in the advertising and print markets,

actions by our competitors, particularly with respect to pricing,

the financial condition of our customers,

downgrades of our credit ratings,

our financial condition and liquidity and our leverage and debt service obligations,

the general condition of the United States economy,

interest rate and foreign currency exchange rate fluctuations,

the level of capital resources required for our operations,

changes in the legal and regulatory environment,

the demand for our products and services, and

other risks and uncertainties, including the matters set forth in this Report generally and those described from time to time in our filings with the Securities and Exchange Commission.

All forward-looking statements in this Report are qualified by these cautionary statements and are made only as of the date of this Report. We do not undertake any obligation, other than as required by law, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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Consequently, such forward-looking statements should be regarded solely as our current plans, estimates and beliefs. We do not undertake, and specifically decline any obligation to publicly release the results of any revisions to these forward-looking statements that may be made to reflect any future events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

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ACG HOLDINGS, INC.
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Results of Operations

General

In June 2003, we made a strategic decision to sell the operations of our digital visual effects business, Digiscope, for a de minimis amount. This resulted in a net loss of approximately $0.4 million in the nine month period ended December 31, 2003, which is net of zero income tax benefits. The sale of Digiscope has been accounted for as a discontinued operation, and accordingly, Digiscope' s operations are reclassified and presented within discontinued operations in the accompanying condensed consolidated financial statements. Sales, costs of sales, selling, general and administrative expenses and other expenses attributable to Digiscope for the three and nine months ended December 31, 2002 have been reclassified and presented within discontinued operations.

In July 2003, we implemented a plan to further reduce our selling, general and administrative expenses. This plan resulted in the termination of four administrative employees. We recorded a pre-tax restructuring charge of approximately $1.8 million in the quarter ended September 30, 2003 associated with this plan. This restructuring charge is composed of severance and related termination benefits. The cost of this restructuring plan was accounted for in accordance with the guidance set forth in SFAS 146. We also recorded an additional $0.2 million of restructuring charges related to the Fiscal Year 2002 restructuring plan (see note 8 to our condensed consolidated financial statements) in the quarter ended September 30, 2003. This charge is related to future lease commitments and is classified within restructuring costs in our condensed consolidated statements of operations for the nine months ended December 31, 2003.

In January 2004, we approved a plan for our print and premedia services segments designed to improve operating efficiency and profitability. This plan included a consolidation of capacity and the related downsizing of our print facility in Stevensville, Ontario, a reduction of personnel in certain of our other print and premedia facilities and the elimination of certain selling and administrative positions. These actions in total will result in the elimination of approximately 170 positions within the Company. As a result, we plan to record a pre-tax restructuring charge of approximately $5.8 million in the quarter ending March 31, 2004 associated with this plan. This restructuring charge is composed primarily of severance and related termination benefits. The cost of this restructuring plan will be accounted for in accordance with the guidance set forth in SFAS 146.

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The following table, including certain reclassifications in prior year results to conform with current year presentation, summarizes our results of operations for the three months ended December 31, 2003 (the "2003 Three-Month Period"), the three months ended December 31, 2002 (the "2002 Three-Month Period"), the nine months ended December 31, 2003 (the "2003 Nine-Month Period") and the nine months ended December 31, 2002 (the "2002 Nine-Month Period"):

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2003	2002	2003	2002
	(Dollars in thousands)			
Sales:				
Print	$ 115,340	128,349	325,848	358,835
Premedia Services	13,229	13,564	39,688	40,609
Total	$ 128,569	141,913	365,536	399,444
Gross Profit:				
Print	$ 13,653	15,815	39,986	48,097
Premedia Services	3,566	3,707	10,612	10,152
Other (a)	11	1	7	2
Total	$ 17,230	19,523	50,605	58,251
Gross Margin:				
Print	11.8 %	12.3 %	12.3 %	13.4 %
Premedia Services	27.0 %	27.3 %	26.7 %	25.0 %
Total	13.4 %	13.8 %	13.8 %	14.6 %
Operating Income (Loss):				
Print (b)	$ 8,442	9,585	22,282	31,699
Premedia Services (b)	1,905	1,518	4,834	2,893
Other (a)	(636)	(1,040)	(2,353)	(2,821)
Total	$ 9,711	10,063	24,763	31,771

(a) Includes corporate general and administrative expenses.

(b) In the 2003 Nine-Month Period, print and premedia services' operating incomes include the impact of restructuring costs of $1.7 million and $0.3 million, respectively.

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Print

Sales. In the 2003 Nine-Month Period, print sales decreased $33.0 million to $325.8 million from $358.8 million in the 2002 Nine-Month Period. The decrease in the 2003 Nine-Month Period includes an increase in customer supplied paper, the impact of competitive pricing pressures and certain changes in product and customer mix. These decreases were offset in part by increased paper prices and an approximate 2% increase in print production volume. See "−Value Added Revenue and Print Impressions for the Print Segment" below.

In the 2003 Three-Month Period, print sales decreased $13.0 million to $115.3 million from $128.3 million in the 2002 Three-Month Period. The decrease in the 2003 Three-Month Period includes an increase in customer supplied paper, the impact of competitive pricing pressures and certain changes in product and customer mix. These decreases were offset in part by increased paper prices.

Gross Profit. In the 2003 Nine-Month Period, print gross profit decreased $8.1 million to $40.0 million from $48.1 million in the 2002 Nine-Month Period. In the 2003 Nine-Month Period, print gross margin decreased to 12.3% from 13.4% in the 2002 Nine-Month Period. The decrease in gross profit includes the impact of competitive pricing pressures, certain changes in product and customer mix, foreign exchange losses associated with our Canadian operations and increases in certain operating expenses including energy, pension and health costs. These decreases were offset in part by the increased print production volume. The decrease in gross margin includes these items, coupled with the impact of increased paper prices and increased levels of customer supplied paper reflected in sales. Our gross margin may not be comparable from period to period because of the impact of changes in paper prices and levels of customer supplied paper included in sales.

In the 2003 Three-Month Period, print gross profit decreased $2.1 million to $13.7 million from $15.8 million in the 2002 Three-Month Period. In the 2003 Three-Month Period, print gross margin decreased to 11.8% from 12.3% in the 2002 Three-Month Period. The decrease in gross profit includes the impact of competitive pricing pressures, certain changes in product and customer mix, foreign exchange losses associated with our Canadian operations and increases in certain operating expenses including energy, pension and health costs. These decreases were offset in part by benefits from productivity improvements and various cost containment programs at our facilities. The decrease in gross margin includes these items, coupled with the impact of increased paper prices and increased levels of customer supplied paper reflected in sales. Our gross margin may not be comparable from period to period because of the impact of changes in paper prices and levels of customer supplied paper included in sales.

Selling, General and Administrative Expenses. In the 2003 Nine-Month Period, print selling, general and administrative expenses decreased $0.4 million to $16.0 million, or 4.9% of print sales, from $16.4 million, or 4.6% of print sales in the 2002 Nine-Month Period. This decrease includes reductions in certain administrative costs, offset in part by the impact of the change in our estimates related to the allowance for doubtful accounts.

In the 2003 Three-Month Period, print selling, general and administrative expenses decreased $1.0 million to $5.2 million, or 4.5% of print sales, from $6.2 million, or 4.9% of print sales in the 2002 Three-Month Period. This decrease primarily includes reductions in certain administrative costs.

Restructuring Costs. Restructuring costs were $1.7 million in the 2003 Nine-Month Period and none were incurred in the 2003 Three-Month Period. We incurred no restructuring costs in the 2002 Three or Nine-Month Periods. See note 8 to our condensed consolidated financial statements appearing elsewhere in this Report.

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Operating Income. As a result of the factors discussed above, print operating income decreased to $22.3 million in the 2003 Nine-Month Period from $31.7 million in the 2002 Nine-Month Period and decreased to $8.4 million in the 2003 Three-Month Period from $9.6 million in the 2002 Three-Month Period.

Premedia Services

Sales. In the 2003 Nine-Month Period, premedia services' sales decreased $0.9 million to $39.7 million from $40.6 million in the 2002 Nine-Month Period. These results include the impact of competitive pricing pressures and the continuance of weak premedia market conditions.

In the 2003 Three-Month Period, premedia services' sales decreased $0.3 million to $13.2 million from $13.5 million in the 2002 Three-Month Period. These results include the impact of competitive pricing pressures and the continuance of weak premedia market conditions.

Gross Profit. In the 2003 Nine-Month Period, premedia services' gross profit increased $0.4 million to $10.6 million from $10.2 million in the 2002 Nine-Month Period. In the 2003 Nine-Month Period, premedia services' gross margin increased to 26.7% from 25.0% in the 2002 Nine-Month Period. The increase in gross profit and gross margin for the 2003 Nine-Month Period is primarily the result of reduced manufacturing costs related to various cost containment programs and the closure of a premedia facility.

In the 2003 Three-Month Period, premedia services' gross profit remained relatively unchanged at $3.6 million versus $3.7 million in the 2002 Three-Month Period. In the 2003 Three-Month Period, premedia services' gross margin decreased to 27.0% from 27.3% in the 2002 Three-Month Period.

Selling, General and Administrative Expenses. In the 2003 Nine-Month Period, premedia services' selling, general and administrative expenses decreased $1.8 million to $5.5 million, or 13.8% of premedia services' sales, from $7.3 million, or 17.9% of premedia services' sales in the 2002 Nine-Month Period. The decrease in the 2003 Nine-Month Period includes decreases in both the selling and administrative areas due to various cost containment initiatives.

In the 2003 Three-Month Period, premedia services' selling, general and administrative expenses decreased $0.5 million to $1.7 million, or 12.6% of premedia services' sales, from $2.2 million, or 16.1% of premedia services' sales in the 2002 Three-Month Period. The decrease in the 2003 Three-Month Period includes decreases in both the selling and administrative areas due to various cost containment initiatives.

Restructuring Costs. Restructuring costs were $0.3 million in the 2003 Nine-Month Period and none were incurred in the 2003 Three-Month Period. We incurred no restructuring costs in the 2002 Three or Nine-Month Periods. See note 8 to our condensed consolidated financial statements appearing elsewhere in this Report.

Operating Income. As a result of the factors discussed above, premedia services' operating income increased to $4.8 million in the 2003 Nine-Month Period from $2.9 million in the 2002 Nine-Month Period and increased to $1.9 million in the 2003 Three-Month Period from $1.5 million in the 2002 Three-Month Period.

Other Operations

Other operations consist of corporate general and administrative expenses. In the 2003 Nine-Month Period, operating losses from other operations improved to a loss of $2.4 million from a loss of $2.8 million in the 2002 Nine-Month Period. In the 2003 Three-Month Period, operating losses from other operations improved to a loss of $0.6 million from a loss of $1.0 million in the 2002 Three-Month Period. The decreases in both the 2003 Nine-Month Period and the 2003 Three-Month Period include decreases in certain employee related expenses.

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Interest Expense

In the 2003 Nine-Month Period, interest expense increased to $25.7 million from $21.5 million in the 2002 Nine-Month Period and increased to $8.4 million in the 2003 Three-Month Period from $7.1 million in the 2002 Three-Month Period. These increases include the impact of higher levels of indebtedness associated with our 2003 Refinancing. In addition, interest expense in the 2003 Nine-Month Period, includes incremental interest expense of approximately $1.7 million, related to the 30 day call provision associated with the 12 3/4% Notes.

Loss on Early Extinguishment of Debt

In the 2003 Nine-Month Period, we incurred a charge of approximately $3.2 million, net of $0 taxes, related to the write-off of deferred financing costs associated with our old bank credit agreement and the 12 3/4% Notes. See note 4 to our condensed consolidated financial statements appearing elsewhere in this Report.

Income Taxes

In the 2003 Nine-Month Period, income tax expense increased to $11.7 million from $1.3 million in the 2002 Nine-Month Period. In the 2003 Three-Month Period income tax expense improved to a benefit of $1.8 million from expense of $0.4 million in the 2002 Three-Month Period. The increase in the 2003 Nine-Month Period is primarily due to an adjustment, recorded in the quarter ended September 30, 2003, to increase the deferred tax asset valuation allowance by $12.8 million. This adjustment reflected a change in circumstances which resulted in a judgment that, based on the provisions of SFAS 109 that restrict our ability to consider forecasts of future income, a corresponding amount of deferred tax assets may not be realized. The change in circumstances arose from our assessment of the economic climate, particularly the continuance of competitive pricing pressures in our industry, and the expected increase in annual interest costs arising from the issuance of our 10% Notes in July 2003 (see note 4 to our condensed consolidated financial statements appearing elsewhere in this Report) that have provided negative evidence about our ability to realize certain deferred tax assets. We will reverse our valuation allowance into income when and to the extent sufficient positive evidence arises to support the realization of the related deferred tax assets. The increase in the income tax benefit in the 2003 Three-Month Period is primarily due to an adjustment of $2.2 million to reflect a change in estimate with respect to our income tax liability.

Discontinued Operations

In June 2003, we sold the operations of Digiscope for a de minimis amount, which resulted in a net loss of approximately $0.4 million, which is net of zero income tax benefits. The sale of Digiscope has been accounted for as a discontinued operation, and accordingly, Digiscope' s operations for the 2002 Three and Nine-Month Periods have been reclassified and presented within discontinued operations in the accompanying condensed consolidated statements of operations.

Net Income (Loss)

As a result of the factors discussed above, net income (loss) decreased to a loss of $16.6 million in the 2003 Nine-Month Period from income of $7.8 million in the 2002 Nine-Month Period and in the 2003 Three-Month Period, net income increased to $3.0 million from $2.2 million in the 2002 Three-Month Period.

Liquidity and Capital Resources

On July 3, 2003, we refinanced all of our existing indebtedness (excluding capital leases) in connection with the 2003 Refinancing. The primary objectives of this refinancing included the placement of a long-term capital

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structure which (1) eliminated the near-term amortization requirements of our old bank credit agreement and our 12 ¾% Notes, (2) provided strong liquidity and greater operating and financial flexibility and (3) reduced our overall cost of capital. As part of the 2003 Refinancing, we sold $280 million aggregate principal amount of our 10% Notes and also entered into the Revolving Credit Facility. We repaid substantially all existing indebtedness (excluding capital leases) through:

the repayment of all amounts outstanding under our old bank credit agreement, and the concurrent termination of all related commitments thereunder;

the issuance of letters of credit under the Revolving Credit Facility to replace outstanding letters of credit; and

effective August 3, 2003, the redemption of all of the 12 ¾% Notes, at a redemption price equal to 100% of their aggregate principal amount, plus accrued and unpaid interest thereon.

In addition, we repurchased, and concurrently retired, all 5,223 outstanding shares of preferred stock of Holdings, and canceled all outstanding options to purchase shares of preferred stock of Holdings held by certain key officers, for an aggregate purchase price of $56.9 million. The canceled options would have been exercisable for 582 shares of preferred stock of Holdings.

As part of the 2003 Refinancing, we incurred $13.6 million of deferred financing fees through December 31, 2003. Of the total deferred financing fees, $4.9 million was paid to affiliates of Morgan Stanley for the services they performed in conjunction with the Revolving Credit Facility and the original private placement of the 10% Notes. We also incurred a charge of approximately $3.2 million in the 2003 Nine-Month Period related to the write-off of deferred financing costs associated with the old bank credit agreement and the 12 ¾% Notes. In addition, we recorded incremental interest expense of approximately $1.7 million in the 2003 Nine-Month Period related to the 30 day call provision associated with the 12 ¾% Notes.

Our primary sources of liquidity are cash provided by operating activities and borrowings under the Revolving Credit Facility. The Revolving Credit Facility, as amended, provides for:

maximum borrowings of $70 million subject to a borrowing base limitation based on certain percentages of eligible accounts receivable, eligible inventory and the appraised value of eligible machinery and equipment and real estate, subject to certain limitations, maturing on July 3, 2008, including a letter of credit sub-facility of up to $40 million.

At December 31, 2003, we had borrowings outstanding under the Revolving Credit Facility of $7.2 million and had letters of credit outstanding of approximately $31.1 million. We had additional borrowing availability under the Revolving Credit Facility of approximately $31.7 million. Payments due on existing capital lease obligations during the remainder of our fiscal year ending March 31, 2004 ("Fiscal Year 2004") are approximately $2.2 million.

During the 2003 Nine-Month Period, we used net cash provided by operating activities of $8.2 million (see Condensed Consolidated Statements of Cash Flows appearing elsewhere in this Report), proceeds from the 2003 Refinancing of $280 million and net revolver borrowings of $7.2 million primarily to fund the following expenditures:

$39.2 million to repay indebtedness outstanding under the old bank credit agreement,

$170.1 million to redeem the 12 ¾% Notes,

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$56.9 million to repurchase and retire all outstanding shares of preferred stock of Holdings, and cancel all outstanding options to purchase shares of preferred stock of Holdings,

$13.6 million for fees and expenses paid to date related to the 2003 Refinancing,

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$10.5 million in cash capital expenditures, and

$5.1 million to service other indebtedness (including capital lease obligations of $4.8 million and deferred financing fees related to the old bank credit agreement and the 12 ¾% Notes of $0.3 million).

Our cash-on-hand of approximately $6.2 million is presented net of outstanding checks within trade accounts payable at December 31, 2003. Accordingly, cash is presented at a balance of $0 million in the December 31, 2003 condensed consolidated balance sheet.

We plan to continue our program of upgrading our print and premedia services equipment. We anticipate that total Fiscal Year 2004 capital expenditures, including maintenance, cost reduction and customer support capital, will approximate $16 million. This will include cash capital expenditures of approximately $13 million and capital lease spending of approximately $3 million.

Our primary sources of liquidity have been cash provided by operating activities and borrowings under the Revolving Credit Facility. We anticipate that our primary needs for liquidity will be to conduct our business, meet our debt service requirements, make capital expenditures and, if we elect, redeem, repay or repurchase outstanding indebtedness including repurchases of our 10% Notes in privately negotiated transactions, or in open market purchases, to the extent permitted by the Revolving Credit Facility, as amended.

At December 31, 2003, we had total indebtedness of $307.7 million, including borrowings under the Revolving Credit Facility of $7.2 million, capital lease obligations of $20.5 million and $280.0 million of our 10% Notes. We have no off-balance sheet financial instruments. We are currently in compliance with all financial covenants set forth in the Revolving Credit Facility, as amended.

A significant portion of Graphics' long-term obligations, including indebtedness under the Revolving Credit Facility and the 10% Notes, has been fully and unconditionally guaranteed by Holdings. Holdings is subject to certain restrictions under its guarantee of indebtedness under the Revolving Credit Facility, including among other things, restrictions on mergers, acquisitions, incurrence of additional debt and payment of cash dividends.

EBITDA and EBITDA Margin

EBITDA is presented and discussed because management believes that investors regard EBITDA as a key measure of a leveraged company' s performance and ability to meet its future debt service requirements. "EBITDA" is defined as earnings before net interest expense, income tax expense, depreciation and amortization. This calculation of EBITDA differs from the EBITDA disclosed in note 9 to our condensed consolidated financial statements appearing elsewhere in this Report. The definition in note 9 follows the guidelines required under the provisions of Financial Accounting Standards Board Statement of Financial Accounting Standard No. 131 "Disclosures about Segments of an Enterprise and Related Information" and is reflective of management' s calculation of EBITDA. "EBITDA Margin" is defined as EBITDA as a percentage of net sales. EBITDA is not a measure of financial performance under accounting principles generally accepted in the United States and should not be considered an alternative to net income (or any other measure of performance under accounting principles generally accepted in the United States) as a measure of performance or to cash flows from operating, investing or financing activities as an indicator of cash flows or as a measure of liquidity. Certain covenants in the 10% Senior Second Secured Notes Indenture and the Revolving Credit Facility, as amended, are based on, or include EBITDA, subject to certain adjustments.

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	Three Months Ended December 31,		Nine Months Ended December 31,	
	2003	2002	2003	2002
	(Dollars in thousands)			
EBITDA:				
Print (a)	$ 13,613	14,831	37,700	46,093
Premedia Services (a)	2,748	2,553	7,517	5,851
Other (b)	(670)	(1,222)	(6,169)	(3,365)
Total	$ 15,691	16,162	39,048	48,579
EBITDA Margin:				
Print	11.8 %	11.6 %	11.6 %	12.8 %
Premedia Services	20.8 %	18.8 %	18.9 %	14.4 %
Total	12.2 %	11.4 %	10.7 %	12.2 %

(a) In the 2003 Nine-Month Period, EBITDA for the print and premedia services' segments includes the impact of restructuring costs of $1.7 million and $0.3 million, respectively.

(b) Other operations includes corporate general and administrative expenses as well as discontinued operations. In addition, other operations includes the write-off of deferred financing costs related to the 2003 Refinancing of $3.2 million in the 2003 Nine-Month Period.

The following table provides a reconciliation (in thousands) of EBITDA to net income (loss):

	Print	Premedia Services	Other	Total
Three Months Ended December 31, 2003				
EBITDA	$ 13,613	2,748	(670)	15,691
Depreciation and amortization	(5,215)	(848)	–	(6,063)
Interest expense, net	–	–	(8,411)	(8,411)
Income tax benefit	–	–	1,790	1,790
Net income (loss)	$ 8,398	1,900	(7,291)	3,007
Three Months Ended December 31, 2002				
EBITDA	$ 14,831	2,553	(1,222)	16,162
Depreciation and amortization	(5,224)	(1,085)	(71)	(6,380)
Interest expense, net	–	–	(7,143)	(7,143)

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Income tax expense	–	–	(418)	(418)
Net income (loss)	$ 9,607	1,468	(8,854)	2,221

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	Print	Premedia Services	Other	Total
Nine Months Ended December 31, 2003				
EBITDA	$ 37,700	7,517	(6,169)	39,048
Depreciation and amortization	(15,493)	(2,712)	(26)	(18,231)
Interest expense, net	–	–	(25,705)	(25,705)
Income tax expense	–	–	(11,684)	(11,684)
Net income (loss)	$ 22,207	4,805	(43,584)	(16,572)
Nine Months Ended December 31, 2002				
EBITDA	$ 46,093	5,851	(3,365)	48,579
Depreciation and amortization	(14,573)	(3,192)	(308)	(18,073)
Interest expense, net	–	–	(21,371)	(21,371)
Income tax expense	–	–	(1,333)	(1,333)
Net income (loss)	$ 31,520	2,659	(26,377)	7,802

Value Added Revenue and Print Impressions for the Print Segment

We have included value-added revenue, or VAR, information to provide a better understanding of sales activity within our print segment. VAR is a non-GAAP measure and is defined as sales less the cost of paper, ink and subcontract services. We generally pass these expenses through to our customers. We have also included print impressions because we use this as an internal measure of production throughput. Although we believe print impressions to be indicative of overall production volume, total impressions may not be fully comparable period to period due to (1) differences in the type, performance and width of press equipment utilized and (2) product mix produced.

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2003	2002	2003	2002
Print Segment VAR (in thousands)	$ 56,618	59,671	166,790	170,713
Print Segment Impressions (in millions)	3,573	3,573	9,995	9,804

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The following table provides a reconciliation of print segment sales to print segment VAR:

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2003	2002	2003	2002
	(In thousands)			
Print Segment Sales	$ 115,340	128,349	325,848	358,835
Paper, Ink and Subcontract Services	58,722	68,678	159,058	188,122
Print Segment VAR	$ 56,618	59,671	166,790	170,713

New Accounting Pronouncements

In April 2002, the FASB issued SFAS 145. SFAS 145 rescinds SFAS 4, which required all gains and losses from extinguishment of debt to be aggregated and, if material, classified as an extraordinary item, net of the related income tax effect. As a result, the criteria in Accounting Principles Board Opinion No. 30 will now be used to classify those gains and losses. SFAS 145 amends SFAS 13, to require that certain lease modifications that have economic effects similar to sale-leaseback transactions be accounted for in the same manner as sale-leaseback transactions. SFAS 145 makes various technical corrections to existing pronouncements. While those corrections are not substantive in nature, in some instances, they may change accounting practice. The provisions of SFAS 145 are effective for financial statements issued for fiscal years beginning after May 15, 2002, and interim periods within those fiscal years. In accordance with the guidance set forth in SFAS 145, we classified the $3.2 million charge incurred in the 2003 Nine-Month Period related to the write-off of deferred financing costs associated with our old bank credit agreement and the 12 3/4% Notes as Other expense in the accompanying condensed consolidated statements of operations.

In January 2003, the FASB issued FIN 46 to expand upon and strengthen existing accounting guidance that addresses when a company should include in its financial statements the assets, liabilities and activities of another entity. Until now, a company generally has included another entity in its consolidated financial statements only if it controlled the entity through voting interests. FIN 46 changes that guidance by requiring a variable interest entity, as defined, to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity' s activities or is entitled to receive a majority of the entity' s residual returns or both. FIN 46 also requires disclosure about variable interest entities that the company is not required to consolidate but in which it has a significant variable interest. The consolidation requirements of FIN 46 apply immediately to variable interest entities created after January 31, 2003 and to existing entities in the first fiscal year or interim period ending after December 15, 2003. Certain of the disclosure requirements apply in all financial statements issued after January 31, 2003, regardless of when the variable interest entity was established. We have evaluated the requirements of FIN 46 and do not expect any effect on our consolidated financial position or operating results.

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Contractual Obligations and Commercial Commitments

The following table gives information about our existing material commitments under our indebtedness and contractual obligations, which excludes the effect of imputed interest:

Contractual Obligations	Total	Payments Due < 1 year	1-3 years	3-5 years	> 5 years
		(Dollars in thousands)			
Long-term debt	$ 287,164	–	–	7,164	280,000
Capitalized lease obligations	20,555	5,348	8,093	6,886	228
Operating lease obligations	9,920	4,517	3,419	1,670	314
Total contractual cash obligations	$ 317,639	9,865	11,512	15,720	280,542

In the quarter ended December 31, 1997, we entered into multi-year contracts to purchase a portion of our raw materials to be used in our normal operations. In connection with such purchase agreements, pricing for a portion of our raw materials is adjusted for certain movements in market prices, changes in raw material costs and other specific price increases. We are deferring certain contractual provisions over the life of the contracts, which are being recognized as the purchase commitments are achieved. The amount deferred at December 31, 2003 is $45.6 million and is included within Other liabilities in our consolidated balance sheet. At December 31, 2003, we had no other significant contingent commitments. The following table gives information about our other commercial commitments:

Other Commercial Commitments	Total	Commitment Due < 1 year	1-3 years	3-5 years	> 5 years
		(Dollars in thousands)			
Standby letters of credit	$ 31,164	26,638	–	750	3,776

The standby letters of credit generally serve as collateral and generally are renewable quarterly pursuant to the terms of certain long-term arrangements.

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ACG HOLDINGS, INC.

Part I

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Qualitative Information

In the ordinary course of business, our exposure to market risks is limited as is described below. Market risk is the potential loss arising from adverse changes in market rates and prices, such as interest and foreign currency exchange rates. Currently, we do not utilize derivative financial instruments such as forward exchange contracts, future contracts, options and swap agreements.

Interest rate risk for us primarily relates to interest rate fluctuations on variable rate debt.

Foreign currency exchange rate risk is minimal as we have only one print facility outside the United States, in Canada, and any fluctuations in net asset values as a result of changes in foreign currency exchange rates associated with activity at this one facility would be immaterial to our company as a whole.

Quantitative Information

At December 31, 2003, we had fixed rate debt and variable rate debt (both excluding capitalized lease obligations) approximating $280.0 million and $7.2 million, respectively. The carrying values of such debt instruments approximated their estimated fair values as of December 31, 2003. At our December 31, 2003 borrowing levels, a 1% adverse change in interest rates would result in an approximate $15 million reduction in the fair value of our fixed rate debt and would have an immaterial impact on earnings and cash flows relating to our variable rate.

The above market risk discussions are forward-looking statements of market risk assuming the occurrence of certain adverse market conditions. Actual results in the future may differ materially from those projected as a result of actual developments in the market.

Item 4. Controls and Procedures.

As of December 31, 2003, an evaluation was performed under the supervision and with the participation of the Company’ s management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company’ s disclosure controls and procedures (as defined in Rules 13a-14(c) and 15d-14(c) promulgated under the Securities Exchange Act of 1934, as amended). Based on that evaluation, the Company’ s management, including the Chief Executive Officer and Chief Financial Officer, concluded that the Company’ s disclosure controls and procedures were effective as of December 31, 2003. There have been no significant changes in the Company’ s internal controls or in other factors that could significantly affect internal controls subsequent to December 31, 2003.

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Part II Other Information

Item 1. Legal Proceedings.

There have been no significant changes since March 31, 2003. Reference is made to "Business - Legal Proceedings" disclosure in our Amendment No. 1 on Form S-1 to Form S-4 as filed with the Securities and Exchange Commission on November 26, 2003.

Item 2. Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities.

Recent Sales of Unregistered Securities

During the quarter ended December 31,2003, an officer exercised options to purchase an aggregate of 1,125 shares of Holdings' common stock for $.01/share. The securities that were sold were exempt from registration on the basis that such an officer is an "accredited investor" as defined by the rules of the Securities Act of 1933, as amended.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits

Exhibit No.	Description
10.12 (a)	First Amendment to Credit Agreement dated as of February 9, 2004 to Credit Agreement dated as of July 3, 2003, among Graphics, Bank of America, N. A., as Administrative Agent, Collateral Agent and as a Lender, Morgan Stanley Senior Funding, Inc., as Documentation Agent, GECC Capital Markets Group Inc., as Syndication Agent, and the financial institutions named therein as Lenders
12.1	Statement Re: Computation of Ratio of Earnings to Fixed Charges
31.1	Rule 13a - 14(a)/15d-14(a) Certification of Chief Executive Officer
31.2	Rule 13a - 14(a)/15d-14(a) Certification of Chief Financial Officer
32.1	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350

(b) Reports on Form 8-K

Form 8-K filed with the Securities and Exchange Commission on November 6, 2003 under Item 7 announced American Color Graphics, Inc.' s financial results for the second fiscal quarter and the six month period ended September 30, 2003 and under Item 9 announced that the financial results for the fiscal years ended March 31, 2003, 2002 and 2001 had been reclassified.

There were no other reports filed on Form 8-K in the quarter ended December 31, 2003.

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Form 8-K filed with the Securities and Exchange Commission on February 9, 2004 under Item 5, announced American Color Graphics, Inc. will host a teleconference to discuss its financial results of the third quarter of fiscal year ending March 31, 2004.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, Holdings and Graphics have duly caused this Report to be signed on their behalf by the undersigned thereunto duly authorized.

ACG Holdings, Inc.
American Color Graphics, Inc.

Date: February 12, 2004

By /s/ Patrick W. Kellick

Patrick W. Kellick
Senior Vice President/Chief Financial Officer and Assistant Secretary
(Authorized Officer and Principal Financial Officer)

Date: February 12, 2004

By /s/ Angela C. Marshall

Angela C. Marshall
Corporate Controller
(Chief Accounting Officer)

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EXHIBIT INDEX

Exhibit No.	Description	Page
10.12 (a)	First Amendment to Credit Agreement dated as of February 9, 2004 to Credit Agreement dated as of July 3, 2003, among Graphics, Bank of America, N. A., as Administrative Agent, Collateral Agent and as a Lender, Morgan Stanley Senior Funding, Inc., as Documentation Agent, GECC Capital Markets Group Inc., as Syndication Agent, and the financial institutions named therein as Lenders	34
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32.1	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350	51

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EXHIBIT 10.12(a)

FIRST AMENDMENT TO CREDIT AGREEMENT

This FIRST AMENDMENT TO CREDIT AGREEMENT (this "First Amendment"), dated as of February 9, 2004, is by and among AMERICAN COLOR GRAPHICS, INC., a New York Corporation (the "Borrower"), each of the Lenders signatory hereto (the "Lenders"), GECC CAPITAL MARKETS GROUP INC., as Syndication Agent (the "Syndication Agent"), and BANK OF AMERICA, N.A., as Administrative Agent and Collateral Agent for the Lenders (in such capacity, the "Agent"). Capitalized terms used herein and not otherwise defined shall have the meaning assigned such term in the Credit Agreement (as defined below).

RECITALS:

A. The Borrower, the Lenders, the Syndication Agent and the Agent are parties to that certain Credit Agreement, dated as of July 3, 2003 (the "Credit Agreement" as amended by, and together with, this First Amendment, and as hereinafter amended, modified, supplemented, extended or restated from time to time, being called the "Amended Agreement").

B. The parties hereto have agreed to amend the Credit Agreement as set forth below.

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto agree as follows:

SECTION 1.01 Amendments to Credit Agreement.

(a) Amendments to Section 5.2. Section 5.2(d) of the Credit Agreement is hereby amended by inserting at the end of the first sentence thereof the following:

> , together with (i) a analysis of the ten (10) largest print customers of the Parent and its Subsidiaries setting forth detail as to year-to-date sales, value-added revenue, past due Accounts and such other matters relating to such customers as the Agent may reasonably request and (ii) a detailed variance analysis (actual compared to the forecasts provided to the Agent and the Lenders on January 16, 2004) of the Parent's and its Subsidiaries' results of operations (income and cash flow) for the most recently ended fiscal quarter, all in form reasonably acceptable to the Agent.

(b) Amendments to Section 7.10. Section 7.10 of the Credit Agreement is hereby deleted and the following new Section 7.10 is inserted in replacement thereof:

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7.10 Distributions and Restricted Investments. None of the Parent, the Borrower or any of its Subsidiaries shall directly or indirectly declare or make, or incur any liability to make, any Distribution or Restricted Investment, except (a) Distributions to the Borrower by its

Subsidiaries; (b) Distributions or Restricted Investments from the Borrower to the Parent to enable the Parent to make Distributions otherwise permitted to be made by it hereunder and to enable the Parent to pay its general operating expenses; (c) Permitted Distributions; (d) the Digiscope Loans; (e) loans and advances to employees, officers and directors in an aggregate principal amount not to exceed $1,000,000 at any time outstanding; (f) contributions of capital to Immaterial Subsidiaries provided such Subsidiaries use such contributions to simultaneously pay off accumulated intercompany debt of such Immaterial Subsidiaries to the Borrower or the Parent existing on the Closing Date in an amount not in excess of $7,000,000; (g) payments made pursuant to the Tax Sharing Agreement; (h) Distributions and Restricted Investments made in connection with the 2003 Recapitalization; (i) loans made giving rise to Debt permitted under Section 7.13(d); (j) purchases of Equipment (not included in the Borrowing Base) owned by Borrower but subject to a purchase option in favor of the customer for whose account such Equipment was purchased, with such option being exercisable at the end of a specified contractual term, entered into in accordance with past practice and in the ordinary course of business; (k) purchases of spare parts inventory booked as a long-term rather than current asset in accordance with past practice and in the ordinary course of business; (l) payments described in clause (i) of the definition of the term "Permitted Affiliate Transactions"; (m) payments in amounts necessary to permit Parent to (x) make payments in respect of its indemnification obligations owing to directors, officers or other Persons under Parent's charter or by-laws or pursuant to written agreements with any such Person, or obligations in respect of director and officer insurance (including premiums therefor) or (y) satisfy its obligations, or through the Company satisfy its obligations, under any registration rights agreement or (z) make payments in respect of indemnification obligations of Parent in connection with any issuance by Parent of capital stock of Parent; (n) Distributions and Restricted Investments by the Parent in an aggregate amount of up to $500,000 made to permit repurchases of common stock of the Parent or to purchase options to purchase common stock of the Parent granted to directors, officers and certain key employees of the Parent or the Borrower pursuant to stock option plans adopted by the board of directors of the Parent or the Borrower; and (o) other Distributions and Restricted

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Investments in an aggregate amount outstanding of up to $500,000; provided, however, the Parent, the Borrower or any Subsidiary may (I) make the Distributions and Restricted Investments permitted under clauses (n) and (o) above only if no Default or Event of Default shall exist immediately prior to or immediately after giving effect to such Distribution or Restricted Investment and (II) make additional Distributions and Restricted Investments in an aggregate amount of up to $1,500,000 in excess of those permitted under clause (n) above and

additional Distributions and Restricted Investments in an aggregate amount of up to $1,500,000 in excess of those permitted under clause (o) above, in each case, only if (i) no Default or Event of Default shall exist immediately prior to or immediately after giving effect to such Distribution or Restricted Investment, (ii) the Fixed Charge Coverage Ratio shall be no less than 1.00 to 1.00 (A) for the two-fiscal quarter period ended December 31, 2003 (taken together as one accounting period) for any Distribution or Restricted Investment made during the period between delivery of financial statements for the fiscal quarter ended December 31, 2003 and the delivery of financial statements for the fiscal quarter ended March 31, 2004, (B) for the three-fiscal quarter period ended March 31, 2004 (taken together as one accounting period) for any Distribution or Restricted Investment made during the period between delivery of financial statements for the fiscal quarter ended March 31, 2004 and the delivery of financial statements for the fiscal quarter ended June 30, 2004, and (C) for the Four Quarter Period ended most recently prior to such Distribution or Restricted Investment for which the financial statements have been delivered to the Agent pursuant to Section 5.2 at any time after delivery of financial statements for the fiscal quarter ended September 30, 2004, and (iii) Availability prior to and after giving effect to such Distribution or Restricted Investment shall be (A) for any Distribution or Restricted Investment made prior to March 31, 2004, greater than $20,000,000 and (B) for any Distribution or Restricted Investment made thereafter, greater than $18,000,000.

(c) Amendments to Section 7.22. Section 7.22 of the Credit Agreement is hereby deleted and the following new Section 7.22 is inserted in replacement thereof:

7.22 Capital Expenditures. The Parent shall not make any Capital Expenditures. Neither the Borrower nor any of its Subsidiaries shall make or incur any Capital Expenditure if, after giving effect thereto, the aggregate amount of all Capital Expenditures by the Borrower and its Subsidiaries on a consolidated basis, in excess of insurance proceeds or condemnation awards, would exceed (a) $18,500,000

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during the Fiscal Year ending March 31, 2004, (b) $15,000,000 during the Fiscal Year ending March 31, 2005, or (c) $17,000,000 during any Fiscal Year thereafter. To the extent that the aggregate amount of Capital Expenditures of the Borrower and the Subsidiaries during a Fiscal Year is less than the amount that is permitted by the preceding sentence (the result of such permitted amount minus the actual amount of Capital Expenditures during a Fiscal Year being the "Unused Amount"), the aggregate amount of Capital Expenditures that may be made by the Borrower and the Subsidiaries during the next succeeding Fiscal Year will be the sum of the amount otherwise permitted by the preceding sentence plus the Unused Amount from the previous Fiscal Year.

(d) Amendment to Section 7.23. Section 7.23 of the Credit Agreement is hereby deleted and the following new Section 7.23 is inserted in replacement thereof:

7.23 Fixed Charge Coverage Ratio. The Borrower will have a Fixed Charge Coverage Ratio of not less than (a) 1.00 to 1.00 for the one-fiscal quarter period ended December 31, 2003, (b) 0.89 to 1.00 for the two-fiscal quarter period ended March 31, 2004 (taken together as one accounting period), (c) 0.86 to 1.00 for the three-fiscal quarter period ended June 30, 2004 (taken together as one accounting period) and (d) the ratio set forth below opposite each fiscal quarter for each Four Quarter Period ended on the last day of such fiscal quarter set forth below:

<TABLE>
<CAPTION>

Four Quarter Period Ending	Fixed Charge Coverage Ratio
<S>	<C>
September 30, 2004	0.82 to 1.00
December 31, 2004	0.77 to 1.00
March 31, 2005	0.87 to 1.00
June 30, 2005	0.91 to 1.00
September 30, 2005	0.97 to 1.00
December 31, 2005	0.98 to 1.00
March 31, 2006 and each fiscal quarter end thereafter	1.00 to 1.00

</TABLE>

(e) Amendments to Annex A to the Credit Agreement.

(i) The following new defined terms are hereby added to Annex A to the Credit Agreement in alphabetical position:

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"Actual Fixed Asset Amortization Amount" means the aggregate amount of the amortized reduction in the Fixed Asset Maximum from February 9, 2004 to the date of calculation of the applicable Adjusted Fixed Charge Coverage Ratio including amortization based on any recalculation or reduction of the Fixed Asset Maximum arising under the first proviso to the definition of "Fixed Asset Maximum" in Annex A hereto.

"Adjusted Fixed Charge Coverage Ratio" means, with respect to any fiscal period of the Parent, the ratio of (a) EBITDA minus Capital Expenditures paid in cash during such period to (b) Fixed Charges plus the Actual Fixed Asset Amortization Amount.

"Adjusted Value" means an amount equal to (a) eighty percent (80%) of the Appraisal Value of Eligible Equipment plus (b) fifty percent (50%) of the Appraisal Value of Mortgaged Property.

"Scheduled Appraisal Date" means each date after the Closing Date upon which the Agent receives results of an annual appraisal conducted by an Eligible Appraiser which receipt shall occur on or about March 31, 2004 and on or about each anniversary of such date.

"Scheduled Fixed Asset Amortization Amount" means the aggregate pro forma amount of the amortized reduction in the Fixed Asset Maximum from February 9, 2004 to the date of calculation thereof without giving effect to any recalculation or reduction in the Fixed Asset Maximum or the monthly amortization thereof arising under the first proviso to the definition of "Fixed Asset Maximum" in Annex A hereto.

"Scheduled Fixed Asset Maximum" means, on any date of calculation thereof, (a) the lesser of (i) $34,364,500 or (ii) the Adjusted Value of Fixed Assets set forth in the appraisal received on the first Scheduled Appraisal Date minus (b) the Scheduled Fixed Asset Amortization Amount as of such date.

(ii) The definition of "Applicable Margin" set forth in Annex A to the Credit Agreement is hereby amended by (A) deleting the references to "1.50%" and "2.50%" in clauses (i) and (ii) thereof,

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respectively, and inserting "2.00%" and "3.00%" in replacement thereof, respectively, (B) deleting the date "December 31, 2003" therein and inserting the date "September 30, 2004" in replacement thereof and (C) deleting the pricing grids therein and replacing them with the following new pricing grids:

IF FIXED CHARGE COVERAGE RATIO IS:	LEVEL OF APPLICABLE MARGINS:
> Greater than or equal to 1.50 to 1.00	Level I
Greater than or equal to 1.25 to 1.00 but less than 1.50 to 1.00	Level II
Less than 1.25 to 1.00	Level III

LOW TO HIGH

	APPLICABLE MARGINS		
	LEVEL I	LEVEL II	LEVEL III
Base Rate Loans	1.50%	1.75%	2.00%
LIBOR Loans	2.50%	2.75%	3.00%

(iii) The definition of "Appraisal Date" set forth in Annex A to the Credit Agreement is hereby deleted in its entirety and replaced with the following:

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"Appraisal Date" means each of (a) the Closing Date, (b) each Scheduled Appraisal Date and (c) any other date on which results are received by the Agent of an appraisal conducted by an Eligible Appraiser at the Borrower's request or, if an Event of Default exists, the Agent's request.

(iv) The definition of "EBITDA" set forth in Annex A to the Credit Agreement is hereby deleted in its entirety and replaced with the following:

"EBITDA" means, with respect to any fiscal period of the Parent, Adjusted Net Earnings from Operations, plus, to the extent deducted in the determination of Adjusted Net Earnings from Operations for that fiscal period, Interest Expense, Federal, state, local, foreign and deferred income tax expense, depreciation and amortization, plus restructuring charges, severance expenses and other non-recurring charges accrued during such period and minus restructuring charges, severance expenses and other non-recurring charges paid during such period whether or not such charges and expenses were accrued during such period; provided, however, there shall be excluded from the immediately foregoing deduction (a) up to $2,000,000 of such restructuring charges, severance expenses and other non-recurring charges accrued during the Fiscal Year ended March 31, 2002, and the Fiscal Year ended March 31, 2003 of the Borrower and unpaid as of the Closing Date and (b) for the purposes of calculating EBITDA in connection with determining the Fixed Charge Coverage Ratio for compliance with Section 7.23 and the determination of the Applicable Margin only, up to $5,000,000 of such other restructuring charges, severance expenses and other non-recurring charges accrued during the fiscal quarter ending March 31, 2004, irrespective of when paid.

(v) The definition of "Fixed Asset Maximum" set forth in Annex A to the Credit Agreement is hereby deleted in its entirety and replaced with the following:

"Fixed Asset Maximum" means $34,364,500 as such amount shall be reduced on the first day of each month by $409,101 (based on even monthly amortization over a seven year period), beginning April 1, 2004; provided, however, that if, as of any Appraisal Date, the Adjusted Value of Fixed Assets is less than the Fixed Asset Maximum (as reduced pursuant to the amortization described above or pursuant to the establishment of a new Fixed Asset Maximum as provided herein), such Adjusted

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Value shall become the new Fixed Asset Maximum; provided further, however, that if, as of any Scheduled Appraisal Date occurring after January 1, 2006, (a) the Adjusted Value of Fixed Assets is greater than the Fixed Asset Maximum (as reduced pursuant to the establishment of a new Fixed Asset Maximum as provided in the first proviso above or as increased pursuant to the establishment of a new Fixed Asset Maximum as provided in this second proviso), (b) the Adjusted Fixed Charge Coverage Ratio for the most recently ended twelve month period is greater than 1.00 to 1.00 and (c) no Default or Event of Default shall exist, then a new Fixed Asset Maximum shall be established at the lower of (i) the Adjusted Value as of such Scheduled Appraisal Date or (ii) the Scheduled Fixed Asset Maximum. Any new Fixed Asset Maximum established pursuant to the first or second proviso above shall be reduced on the first day of each month, beginning with the first month after the Appraisal Date establishing such new Fixed Asset Maximum, based on even monthly amortization over the remainder of the seven year period first described above.

(vi) The definition of "Pro Rata Share" set forth in Annex A to the Credit Agreement is hereby deleted in its entirety and replaced with the following:

"Pro Rata Share" means, with respect to a Lender, a fraction (expressed as a percentage), the numerator of which is the amount of such Lender's Commitment and the denominator of which is the sum of the amounts of all of the Lenders' Commitments, or if no Commitments are outstanding, a fraction (expressed as a percentage), the numerator of which is the amount of Obligations (other than Obligations in respect of Bank Products) owed to such Lender and the denominator of which is the aggregate amount of the Obligations (other than Obligations in respect of Bank Products) owed to the Lenders, in each case giving effect to a Lender's participation in Non-Ratable Loans and Agent Advances.

(vii) The definition of "Required Lenders" is hereby deleted in its entirety and replaced with the following:

"Required Lenders" means at any time any Lender or Lenders whose Pro Rata Shares (the "Required Pro Rata Share") aggregate more than 50% of the aggregate of all Lenders' Pro Rata Shares; provided, however, that if there are three or more Lenders at such time, such aggregate Required Pro Rata Share shall be held by at least two Lenders.

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EXHIBIT 10.12(a)

(viii) The definition of "Restricted Investment" is hereby deleted in its entirety and replaced with the following:

"Restricted Investment" means, as to the Parent, the Borrower or any of its Subsidiaries, any acquisition of property by such Person in exchange for cash or other property, whether in the form of an acquisition of stock, debt, or other indebtedness, obligation or equity interest, or the purchase or acquisition of any other property, or a loan, advance, capital contribution, or subscription, except the following: (a) acquisitions of Equipment to be used in the business of the Borrower so long as the acquisition costs thereof constitute Capital Expenditures permitted hereunder; (b) acquisitions of Inventory in the ordinary course of business of the Borrower; (c) acquisitions of current assets acquired in the ordinary course of business of the Borrower; (d) direct obligations of the United States of America, or any agency thereof, or obligations guaranteed by the United States of America, provided that such obligations mature within one year from the date of acquisition thereof; (e) acquisitions of certificates of deposit maturing within one year from the date of acquisition, bankers' acceptances, Eurodollar bank deposits, or overnight bank deposits, in each case issued by, created by, or with a bank or trust company organized under the laws of the United States of America or Canada or any state or province thereof having capital and surplus aggregating at least $100,000,000; (f) acquisitions of commercial paper given a rating of "A2" or better by Standard & Poor's Corporation or "P2" or better by Moody's Investors Service, Inc. and maturing not more than 90 days from the date of creation thereof; (g) repurchase agreements with parties described in clause (e) above or other parties reasonably acceptable to the Agent, in each case with a term of not more than 30 days; (h) Hedge Agreements; (i) shares of money market mutual or similar funds which invest substantially all their assets in assets satisfying the requirements of clauses (d) through (g) above; and (j) investments held as of the date hereof listed on Schedule 1.3.

SECTION 1.02 Representations and Warranties. The Borrower hereby represents and warrants to each Lender and the Agent, on the First Amendment Effective Date (as hereinafter defined), as follows:

(a) After giving effect to this amendment, the representations and warranties set forth in Article 6 of the Credit Agreement, and in each other

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Loan Document, are true and correct in all material respects on and as of the date hereof and on and as of the First Amendment Effective Date (as defined in Section 1.03) with the same effect as if made on and as of the date hereof or the First Amendment Effective Date, as the case may be, except to the extent such representations and warranties expressly relate solely to an early date.

(b) Each of the Borrower and the other Credit Parties is in compliance with all terms and conditions of the Credit Agreement and the other Loan Documents on its part to be observed and performed and no Default or Event of Default has occurred and is continuing.

(c) The execution, delivery and performance by the Borrower of this First Amendment has been duly authorized by the Borrower.

(d) This First Amendment constitutes the legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms, except to the extent that enforceability may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or other similar laws affecting the enforcement of creditors' rights or by the effect of general equitable principles.

(e) The execution, delivery and performance by the Borrower of this First Amendment do not and will not conflict with, or constitute a violation or breach of, or result in the imposition of any Lien upon the property of the Borrower or any of its Subsidiaries, by reason of the terms of (i) any contract, mortgage, lease, agreement, indenture, or instrument to which the Borrower is a party or which is binding upon it, (ii) any Requirement of Law applicable to the Borrower, or (iii) the certificate or articles of incorporation or by-laws or the limited liability company or limited partnership agreement of the Borrower.

SECTION 1.03 Effectiveness. This First Amendment shall become effective only upon satisfaction of the following conditions precedent (the first date upon which each such condition has been satisfied being herein called the "First Amendment Effective Date"):

(a) The Agent shall have received duly executed counterparts of this First Amendment which, when taken together, bear the authorized signatures of the Borrower, the Agent and the Lenders.

(b) The Agent and the Lenders shall be satisfied that the representations and warranties set forth in Section 1.02 of this First Amendment are true and correct on and as of the First Amendment Effective Date and that no Default or Event of Default has occurred and is continuing on and as of the First Amendment Effective Date.

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(c) The Agent shall have received (a) an amendment fee for the pro rata benefit of the Lenders in the amount of $50,000 and (b) all other fees and expenses to be paid by the Borrower pursuant to Section 1.05 of this First Amendment.

(d) There shall not be any action pending or any judgment, order or decree in effect which, in the judgment of the Agent or the Lenders, is likely to restrain, prevent or impose materially adverse conditions upon the performance by the Borrower or any other Credit Party of its obligations under the Credit Agreement or the other Loan Documents.

(e) The Agent shall have received such other documents, legal opinions, instruments and certificates relating to this First Amendment as it shall reasonably

request and such other documents, legal opinions, instruments and certificates that shall be reasonably satisfactory in form and substance to the Agent and the Lenders. All corporate proceedings taken or to be taken in connection with this First Amendment and documents incidental thereto whether or not referred to herein shall be reasonably satisfactory in form and substance to the Agent and the Lenders.

SECTION 1.04 Guarantor's Reaffirmation. By its acknowledgement below, the Guarantor hereby (i) consents to the terms of this First Amendment, (ii) acknowledges and reaffirms all of its obligations and undertakings under the Facility Guaranty and (iii) acknowledges and agrees that the Facility Guaranty is and shall remain in full force and effect in accordance with the terms thereof.

SECTION 1.05 Expenses. The Borrower shall pay all reasonable out-of-pocket expenses incurred by Agent in connection with the preparation, negotiation, execution and delivery of this First Amendment, including, but not limited to, the reasonable fees and disbursements of counsel to the Agent.

SECTION 1.06 Cross-References. References in this First Amendment to any Section are, unless otherwise specified, to such Section of this First Amendment.

SECTION 1.07 Instrument Pursuant to Credit Agreement. This First Amendment is a Loan Document executed pursuant to the Credit Agreement and shall (unless otherwise expressly indicated herein) be construed, administered and applied in accordance with the terms and provisions of the Credit Agreement.

SECTION 1.08 Further Acts. Each of the parties to this First Amendment

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agrees that at any time and from time to time upon the written request of any other party, it will execute and deliver such further documents and do such further acts and things as such other party may reasonably request in order to effect the purposes of this First Amendment.

SECTION 1.09 Governing Law; Submission to Jurisdiction; Waiver of Jury Trial.

(a) THIS FIRST AMENDMENT AND EACH OF THE OTHER LOAN DOCUMENTS SHALL BE INTERPRETED AND THE RIGHTS AND LIABILITIES OF THE PARTIES HERETO DETERMINED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK; PROVIDED THAT THE AGENT AND THE LENDERS SHALL RETAIN ALL RIGHTS ARISING UNDER FEDERAL LAW.

(b) ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS FIRST AMENDMENT OR ANY OTHER LOAN DOCUMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK IN THE BOROUGH OF MANHATTAN OR OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF NEW YORK, AND BY EXECUTION AND DELIVERY OF THIS FIRST AMENDMENT, EACH OF THE BORROWER, EACH OTHER CREDIT PARTY, THE AGENT AND THE LENDERS CONSENTS, FOR ITSELF AND IN RESPECT OF ITS

PROPERTY, TO THE NON-EXCLUSIVE JURISDICTION OF THOSE COURTS. EACH OF THE BORROWER, EACH OTHER CREDIT PARTY, THE AGENT AND THE LENDERS IRREVOCABLY WAIVES ANY OBJECTION, INCLUDING ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH JURISDICTION IN RESPECT OF THIS FIRST AMENDMENT OR ANY DOCUMENT RELATED HERETO. NOTWITHSTANDING THE FOREGOING: (1) THE AGENT AND THE LENDERS SHALL HAVE THE RIGHT TO BRING ANY ACTION OR PROCEEDING AGAINST THE BORROWER OR ANY OTHER CREDIT PARTY OR THEIR RESPECTIVE PROPERTY IN THE COURTS OF ANY OTHER JURISDICTION THE AGENT OR THE LENDERS DEEM NECESSARY OR APPROPRIATE IN ORDER TO REALIZE ON THE COLLATERAL OR OTHER SECURITY FOR THE OBLIGATIONS AND (2) EACH OF THE PARTIES HERETO ACKNOWLEDGES THAT ANY APPEALS FROM THE COURTS DESCRIBED IN THE IMMEDIATELY PRECEDING SENTENCE MAY HAVE TO BE HEARD BY A COURT LOCATED OUTSIDE THOSE JURISDICTIONS.

(c) THE BORROWER AND EACH OTHER CREDIT PARTY HEREBY WAIVES PERSONAL SERVICE OF ANY AND ALL PROCESS UPON IT AND CONSENTS THAT ALL SUCH SERVICE OF PROCESS MAY BE MADE BY REGISTERED MAIL (RETURN RECEIPT REQUESTED) DIRECTED TO THE BORROWER AT ITS ADDRESS SET FORTH IN SECTION 13.8 OF THE CREDIT AGREEMENT AND SERVICE SO MADE SHALL BE DEEMED TO BE COMPLETED FIVE (5) DAYS AFTER THE SAME SHALL HAVE BEEN SO DEPOSITED IN THE U.S. MAILS POSTAGE PREPAID. NOTHING CONTAINED HEREIN SHALL AFFECT THE RIGHT OF AGENT OR THE LENDERS TO SERVE LEGAL PROCESS BY ANY OTHER MANNER PERMITTED BY LAW.

(d) THE BORROWER, EACH OTHER CREDIT PARTY, THE LENDERS AND THE AGENT EACH IRREVOCABLY WAIVE THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY OF ANY CLAIM

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OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF OR RELATED TO THIS FIRST AMENDMENT, THE OTHER LOAN DOCUMENTS, OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, IN ANY ACTION, PROCEEDING OR OTHER LITIGATION OF ANY TYPE BROUGHT BY ANY OF THE PARTIES AGAINST ANY OTHER PARTY OR ANY AGENT-RELATED PERSON, PARTICIPANT OR ASSIGNEE, WHETHER WITH RESPECT TO CONTRACT CLAIMS, TORT CLAIMS, OR OTHERWISE. THE BORROWER, EACH OTHER CREDIT PARTY, THE LENDERS AND THE AGENT EACH AGREE THAT ANY SUCH CLAIM OR CAUSE OF ACTION SHALL BE TRIED BY A COURT TRIAL WITHOUT A JURY. WITHOUT LIMITING THE FOREGOING, THE PARTIES FURTHER AGREE THAT THEIR RESPECTIVE RIGHT TO A TRIAL BY JURY IS WAIVED BY OPERATION OF THIS SECTION AS TO ANY ACTION, COUNTERCLAIM OR OTHER PROCEEDING WHICH SEEKS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF THIS FIRST AMENDMENT OR THE OTHER LOAN DOCUMENTS OR ANY PROVISION HEREOF OR THEREOF. THIS WAIVER

SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS.

SECTION 1.10 Counterparts. This First Amendment may be executed in any number of counterparts and by the different parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument.

SECTION 1.11 Severability. In case any provision in or obligation under this First Amendment or the other Loan Documents shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

SECTION 1.12 Benefit of Agreement. This First Amendment shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto; provided that the Borrower may not assign or transfer any of its interest hereunder without the prior written consent of the Lenders.

SECTION 1.13 Integration. This First Amendment represents the agreement of the Borrower, each other Credit Party, the Agent and each of the Lenders signatory hereto with respect to the subject matter hereof, and there are no promises, undertakings, representations or warranties relative to the subject matter hereof not expressly set forth or referred to herein or in the other Loan Documents.

SECTION 1.14 Confirmation. Except as expressly amended by the terms hereof, all of the terms of the Credit Agreement and the other Loan Documents shall continue in full force and effect and are hereby ratified and confirmed in all respects.

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SECTION 1.15 Loan Documents. Except as expressly set forth herein, the amendments provided herein shall not by implication or otherwise limit, constitute a waiver of, or otherwise affect the rights and remedies of the Lenders or the Agent under the Amended Agreement or any other Loan Document, nor shall they constitute a waiver of any Event of Default, nor shall they alter, modify, amend or in any way affect any of the terms, conditions, obligations, covenants or agreements contained in the Amended Agreements or any other Loan Document. Each of the amendments provided herein shall apply and be effective only with respect to the provisions of the Amended Agreement specifically referred to by such amendments. Except as expressly amended herein, the Amended Agreement and the other Loan Documents shall continue in full force and effect in accordance with the provisions thereof. As used in the Amended Agreement, the terms "Agreement", "herein", "hereinafter", "hereunder", "hereto" and words of similar import shall mean, from and after the date hereof, the Amended Agreement.

[Signature Pages to Follow]

IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this First Amendment to be duly executed and delivered as of the date first above written.

BORROWER:

AMERICAN COLOR GRAPHICS, INC.

By: /s/

Name: Patrick Kellick
Title: Senior Vice President/Chief Financial Officer

ADMINISTRATIVE AGENT AND COLLATERAL AGENT:

BANK OF AMERICA, N.A., as the Agent

By: /s/

Name: Jang S. Kim
Title: Vice President

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SYNDICATION AGENT:

GECC CAPITAL MARKETS GROUP
INC., as Syndication Agent

By: /s/

Name: Gregory O. Davis
Title: Managing Director

LENDERS:

BANK OF AMERICA, N.A., as a Lender

By: /s/

Name: Jang S. Kim
Title: Vice President

EXHIBIT 10.12(a)

GENERAL ELECTRIC CAPITAL
CORPORATION, as a Lender

By: /s/

Name: George Neamonitis
Title: Manager - Operations

WEBSTER BUSINESS CREDIT
CORPORATION, as a Lender

By: /s/

Name: Joe Zautra
Title: Vice President

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ACKNOWLEDGED AND AGREED
BY THE UNDERSIGNED GUARANTOR:

ACG HOLDINGS, INC., a Delaware corporation

By: /s/

Name: Patrick Kellick
Title: Senior Vice President/Chief Financial Officer

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EXHIBIT 12.1

STATEMENT RE: COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

	NINE MONTHS ENDED DECEMBER 31, 2003	YEAR ENDED MARCH 31, 2003	YEAR ENDED MARCH 31, 2002	YEAR ENDED MARCH 31, 2001	YEAR ENDED MARCH 31, 2000	YEAR ENDED MARCH 31, 1999
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Consolidated pretax income (loss) from continuing operations	$ (4,432)	2,223	(2,948)	20,129	13,694	(10,818)
Net amortization of debt issuance expense	1,591	1,626	1,420	1,389	1,326	1,412
Interest expense	24,122	27,048	28,553	31,653	32,637	34,830
Interest portion of rental expense	1,126	1,501	1,579	1,766	1,885	2,199
Earnings	$ 22,407	32,398	28,604	54,937	49,542	27,623
Interest expense	$ 24,122	27,048	28,553	31,653	32,637	34,830
Net amortization of debt issuance expense	1,591	1,626	1,420	1,389	1,326	1,412
Interest portion of rental expense	1,126	1,501	1,579	1,766	1,885	2,199
Fixed Charges	$ 26,839	30,175	31,552	34,808	35,848	38,441
Ratio of Earnings to Fixed Charges	(a)	1.07x	(a)	1.58x	1.38x	(a)

</TABLE>

(a) The deficiency of earnings required to cover fixed charges for the nine months ended December 31, 2003, the fiscal years ended March 31, 2002 and 1999 was $4,432, $2,948 and $10,818, respectively. The deficiency of earnings to cover fixed charges is computed by subtracting earnings before fixed charges, income taxes and discontinued operations from fixed charges. Fixed charges consist of interest expense and one-third of operating lease rental expense, which is deemed to be representative of the interest factor. The deficiency of earnings required to cover fixed charges includes depreciation of property, plant and equipment and amortization of goodwill and other assets and non-cash charges which are reflected in cost of sales and selling, general and administrative expenses, in the following amounts (in thousands):

<TABLE>
<CAPTION>

	NINE MONTHS ENDED DECEMBER 31, 2003	FISCAL YEAR ENDED MARCH 31, 2002	FISCAL YEAR ENDED MARCH 31, 1999
<S>	<C>	<C>	<C>
Depreciation	$ 17,734	26,209	27,911
Amortization	497	4,175	4,025
Non-cash charges	171	4,723	945
Total	$ 18,402	35,107	32,881

</TABLE>

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EXHIBIT 31.1

CERTIFICATIONS

I, Stephen M. Dyott, Chief Executive Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ACG Holdings, Inc. and American Color Graphics, Inc., collectively (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial

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reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 12, 2004

/s/ Stephen M. Dyott

Stephen M. Dyott
Chief Executive Officer

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EXHIBIT 31.2

CERTIFICATIONS

I, Patrick W. Kellick, Chief Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ACG Holdings, Inc. and American Color Graphics, Inc., collectively (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial

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reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 12, 2004

/s/ Patrick W. Kellick

Patrick W. Kellick
Chief Financial Officer

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EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Each of the undersigned hereby certifies, in his capacity as an officer of ACG Holdings, Inc. and American Color Graphics, Inc., collectively (the "Company") that the Quarterly Report of the Company on Form 10-Q for the period ended December 31, 2003 fully complies with the requirements of sections 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained herein fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 12, 2004

/s/ Stephen M. Dyott

Stephen M. Dyott
Chief Executive Officer

Date: February 12, 2004

/s/ Patrick W. Kellick

Patrick W. Kellick
Chief Financial Officer

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