

AICP: Annual Member Survey

Discerning Key Distinctions in Commercial Production

Delivered: June 19, 2015





Introduction



The 2014 Annual Member Survey was executed via an online survey from March 25th to April 27th, 2015 among the AICP Member group. The table below illustrates the sample sizes and descriptions of the groups included in the study.

Total	Company Size*		
N = 103 [^]	Small (Sales <\$5M)	Medium (Sales \$5M- \$19.99M)	Large (Sales \$20M+)
	N=59	N=19	N=25
	57%	18%	24%

Total	Main Location		
N = 103	LA	NY	Other
	N=59	N=18	N=26
	57%	17%	25%

The response rate for this year's Survey is consistent with recent years, at 30% of all** members. The following slides showcase a summary of 2014 member and industry findings.

*Company Size based on Gross Billings in 2014. ** Response rate for 2014 calculated based off 347 total members.

[^] While there were 103 unique responses to the survey, because of subsidiary relationships between some member companies, a total of 105 companies participated in this year's survey.



Methodological Considerations



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Below are items to keep in mind when reading the report and its findings.

- **Low Base Sizes:** We recommend caution in drawing any conclusions in data that has a base size of less than 50. While this data can be seen as directional, fluctuations could also be attributed to a minimal number of responses.
- **Top 2 Box:** This term refers to the top two answer options on a 5 or 10 point scale. The percentages are those who reported the decision was made frequently or always by each entity. Consequently, the percentages on slides with the Top 2 Box designation will not add up to 100%.
- **Extrapolations:** These are calculated by multiplying the means or medians of each company type (live action, computer generated, interactive media, combination) by the incidence of each company type within the sample. These ratios are then used to project the numbers to actual membership size.

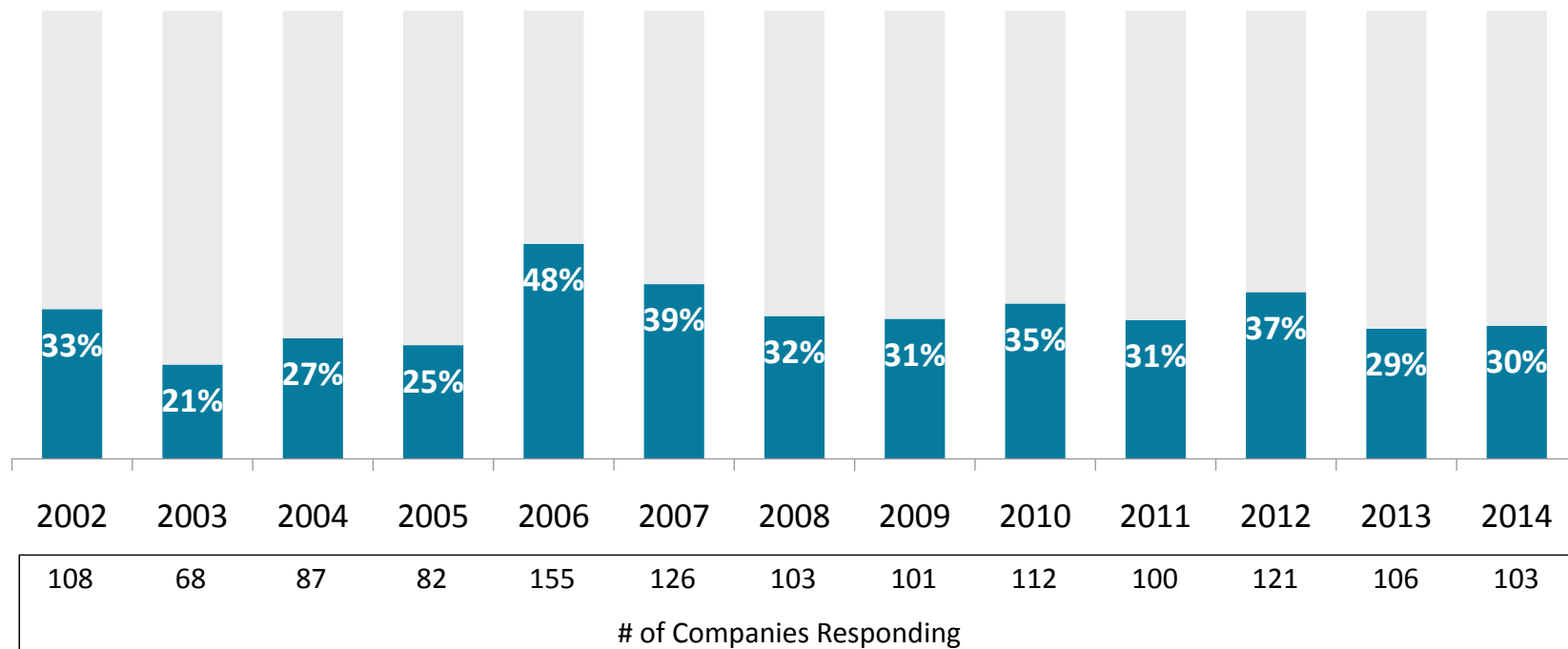


Annual Member Survey Response Rate



The response rate for the 2014 Annual Member Survey is consistent with recent years, at 30%.

AICP Annual Member Survey Response Rate



* Response rate for 2014 calculated based off 347 total members.



Executive Summary



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Projects Overview

- In 2014, the average number of projects completed by AICP companies decreased marginally, with members producing 37 commercials compared to 39 in 2013.
- 29% of companies completed over 50 commercial projects during the year.

Gross Billings

- Total gross billings increased by 11% to \$5.2 billion in 2014.
- The average revenue for member companies increased by 17% in 2014 to \$15 million, the highest average in seven years.

Production Expenditures

- Total production expenditures in 2014 increased by 14% to \$4.0 billion.
- Live action production accounts for nearly all expenditures (95%).
- As expenditure growth outpaced billings (14% to 11% respectively), overall profitability is down as marketer's insatiable appetite for more content grows disproportionately to allocated budgets.



Executive Summary



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Shoot Days & Locations

- Member companies had an average of 74 live action shoot days in 2014, a 5% increase over the previous year and a 9 year high in this category.
- Production activity remained stable across most geographic regions, although the share of shoot days located in Illinois have almost doubled to 7% since 2010.
- Foreign shoot days increased slightly to 15% of all shoot days.
- Internationally, shoot days in Europe are most prominent, while shoot days in Vancouver have increased to 16% from 11% in the prior year.



Executive Summary



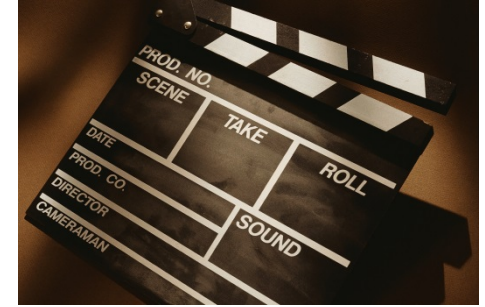
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Green Guidelines

- Most AICP member companies recycle plastic (90%) and paper (88%). The recycling of electronic (71%) and set materials (59%) continues to increase.
- Most members have established rules in the past year for using reusable water bottles and plates (49%) and turning off electronics when they are not being used (40%).
- One out of every four productions (24%) is now completed using AICP's green guidelines, up from just 13% in 2012. Costs and the nature of the project have replaced awareness as the primary reasons for members not following them.

Company Demographics

- A majority (54%) of member companies are headquartered in Los Angeles.
- 20% of member companies are certified as minority owned, with almost half of those designated as a Women-Owned Business Enterprise (WBE).



Projects Overview



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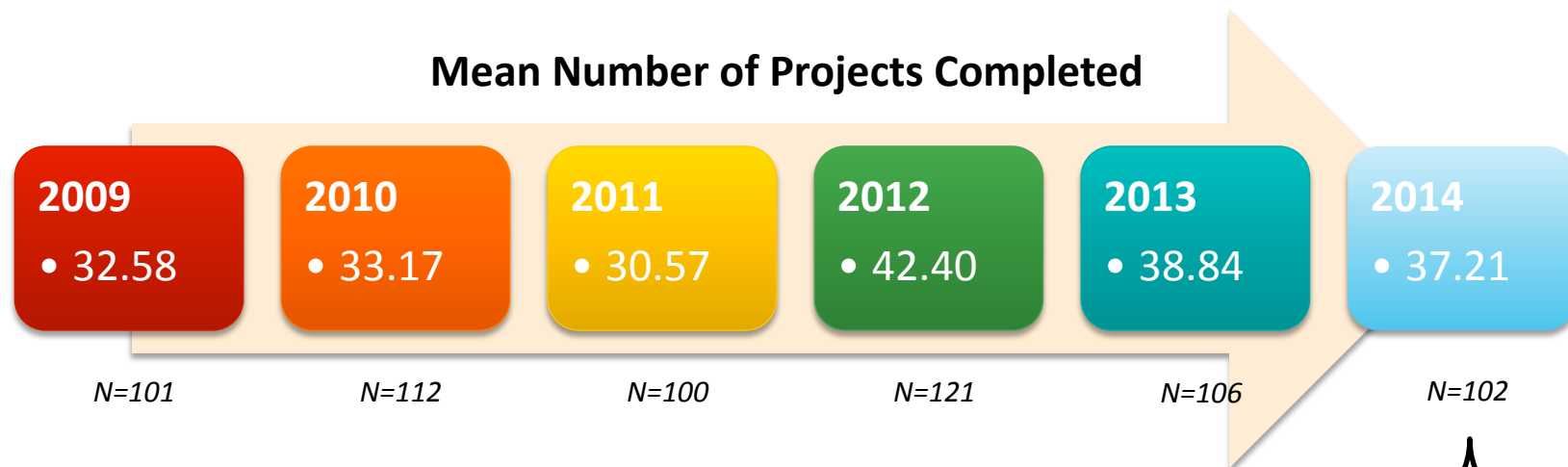




Average Number of Projects Trended



The average number of projects decreased marginally to 37. After a significant increase in 2012, the average has dropped for the second year in a row.



Categorization of Production Work

■ Live action only ■ Computer-generated only ■ Interactive media only ■ Combination



PR2. How many projects in total did your company complete in 2014? Projects include live action, computer-generated, and interactive media production.

PR3. Of the [RESPONSE FROM PR2] projects your company completed in 2014, how many of the following types were completed by your company:



Projects Completed Breakdown



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More than one-quarter (29%) of members completed 51+ commercials in 2014.

**Mean Number of Projects
Completed**

2009

• 32.58

2010

• 33.17

2011

• 30.57

2012

• 42.40

2013

• 38.84

2014

• 37.21

	2009	2010	2011	2012	2013	2014
<i>Base</i>	101	112	100	121	106	102
1-10 commercials	37%	29%	32%	29%	25%	30%
11-30 commercials	25%	33%	35%	31%	34%	23%
31-50 commercials	16%	20%	16%	15%	14%	19%
51-100 commercials	17%	13%	13%	17%	20%	21%
101+ commercials	6%	6%	4%	8%	7%	8%

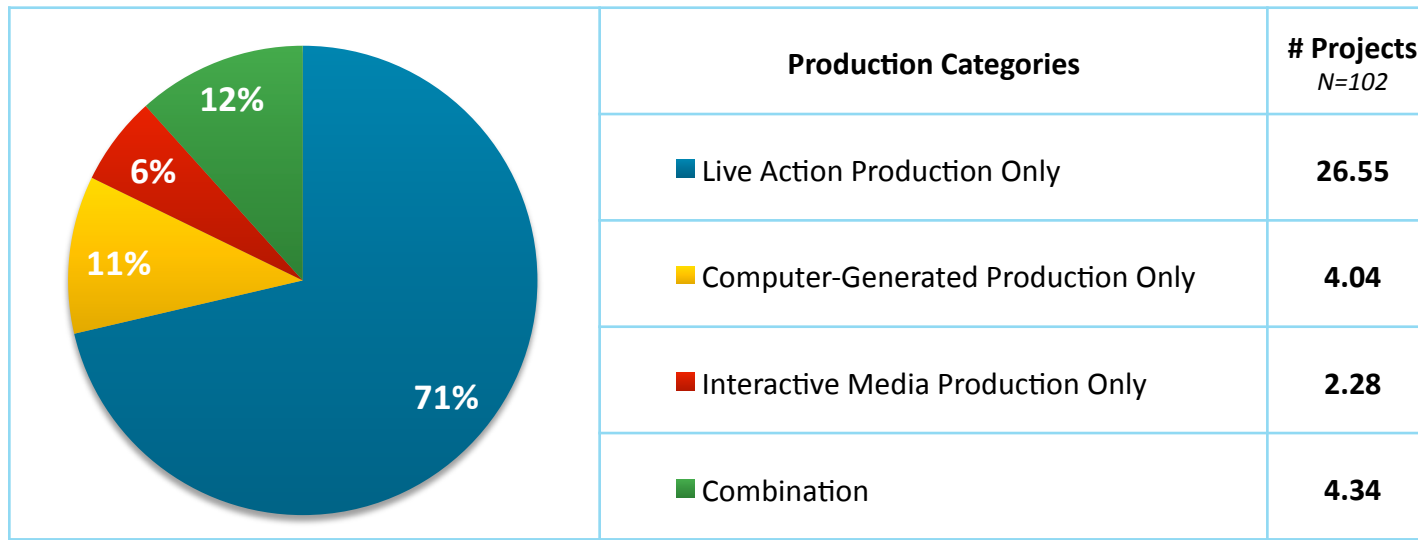


Projects Completed & Production Categories Trended



There is a significant increase in the number of projects that are a combination of live action, computer-generated and interactive media – increasing from 1.67 in 2013 to 4.34 projects in 2014.

Mean Number of Projects Completed in Each Production Category



PR2. How many projects in total did your company complete in 2014? Projects include live action, computer-generated, and interactive media production.

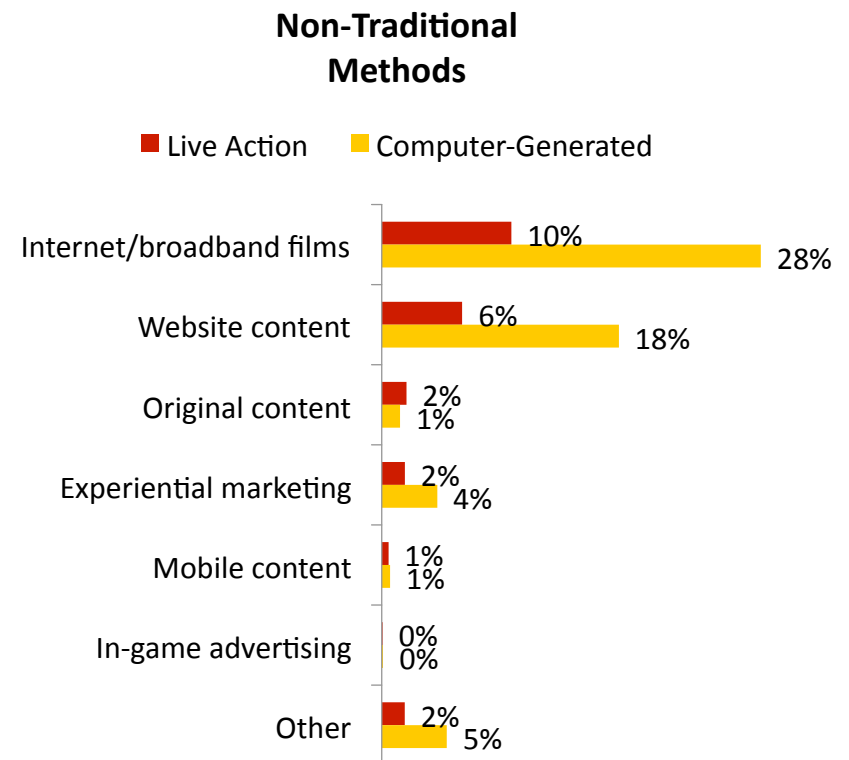
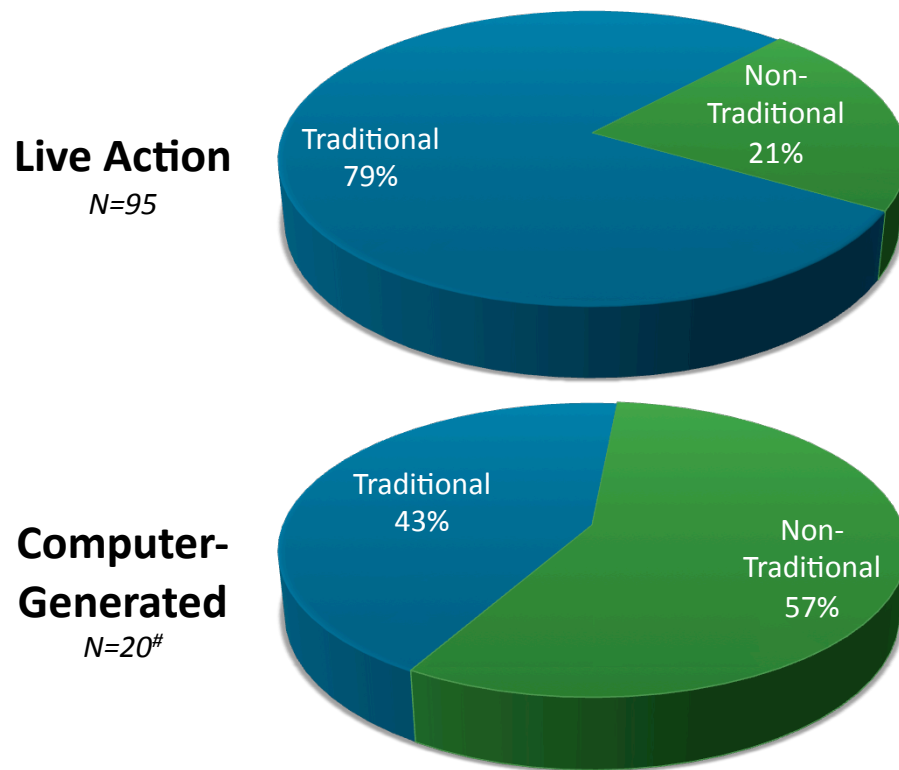
PR3. Of the [RESPONSE FROM PR2] projects your company completed in 2014, how many of the following types were completed by your company:



Live Action & Digital Distribution Breakdown

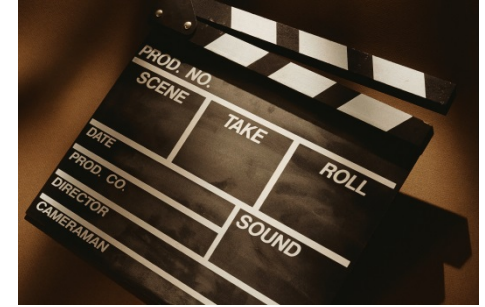


Most Live Action production (79%) was intended for traditional distribution methods, continuing past trends. Internet films and website content are the most popular non-traditional distribution methods.



PR4. What percentage of your live action and computer-generated projects was intended for the following primary distribution methods?

[#]Caution: Low base size under N=50



Gross Billings



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Industry Gross Billings by Total, Mean, Median Trended



	Total *	Mean	Median
2014	\$5,209,551,211 +11%	\$14,992,540	\$3,800,000
2013	\$4,672,741,836 +21%	\$12,802,030	\$4,040,000
2012	\$3,844,744,433 +18%	\$11,829,980	\$3,675,000
2011	\$3,249,482,300 +4%	\$10,060,320	\$2,905,500
2010	\$3,133,328,110 +9%	\$10,075,010	\$3,000,000
2009	\$2,870,000,000	\$9,330,000	\$2,790,000

GB1. For the commercial or advertising-related projects completed by your company in 2014, what were the total gross billings for your company, not including pass through items? *Numbers are estimates extrapolated from the mean to actual member size. Any fluctuation is attributable to rounding.

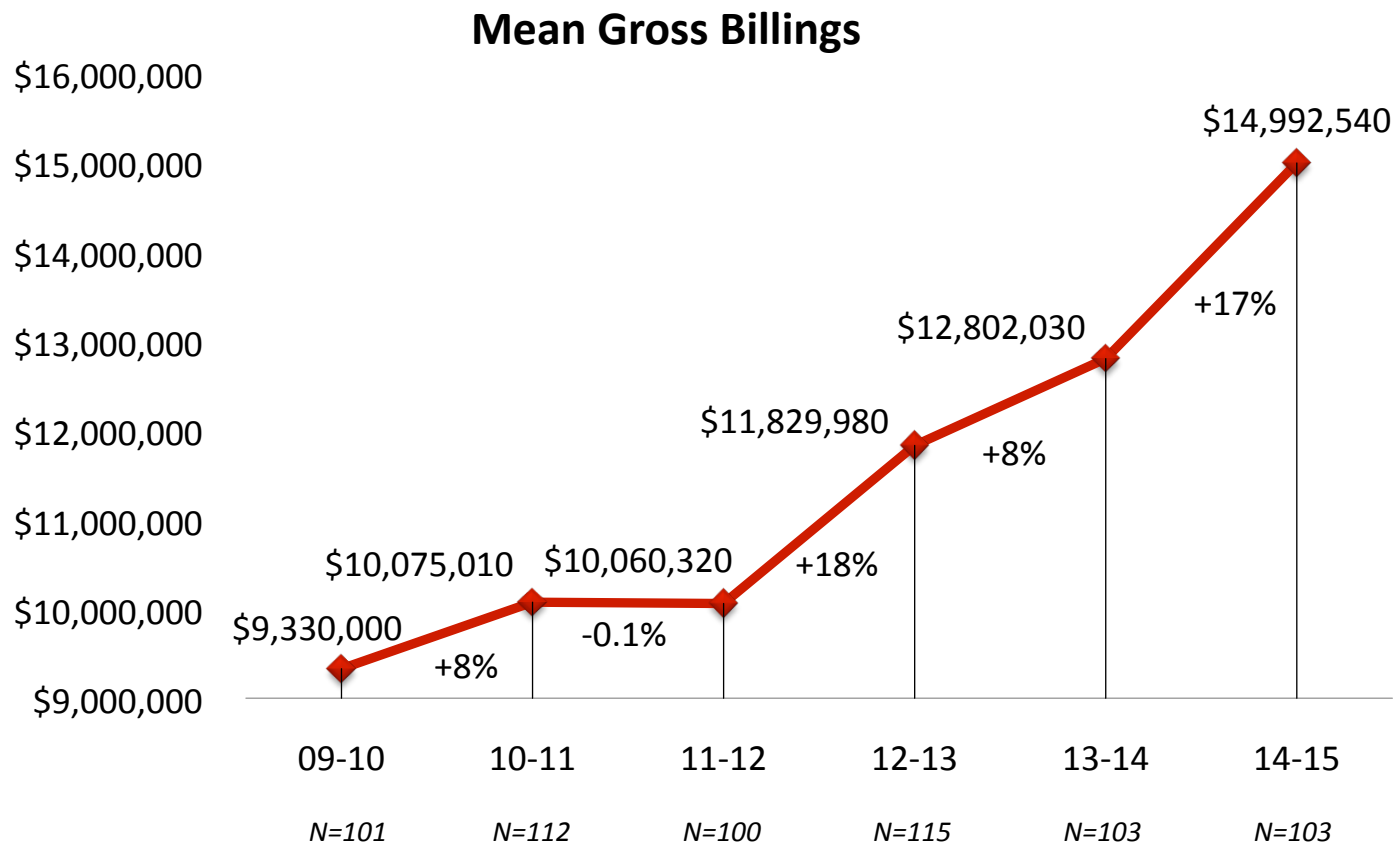


Mean Gross Billings Trended



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Mean gross billings have increased by 17% in 2014. Due to a slight reduction in member size, total billings increased by only 11%.



GB1. For the commercial or advertising-related projects completed by your company in 2014, what were the total gross billings for your company, not including pass through items?



Gross Billings Breakdown Trended

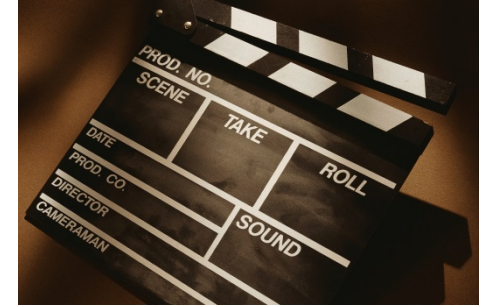


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As the mean gross billing has increased, more companies are exceeding \$20 million in billings compared to previous years.

	2010	2011	2012	2013	2014
<i>Base</i>	112	100	115	103	102
Mean Gross Billings	\$10,075,010	\$10,060,320	\$11,829,980	\$12,802,030	\$14,992,540
Small (Sales <\$5M)	61%	63%	60%	54%	56%
Medium (Sales \$5M-\$19.99M)	21%	19%	21%	25%	17%
Large (Sales \$20M+)	18%	18%	19%	20%	27%

GB1. For the commercial or advertising-related projects completed by your company in 2014, what were the total gross billings for your company, not including pass through items?

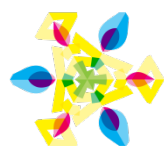


Production Expenditures

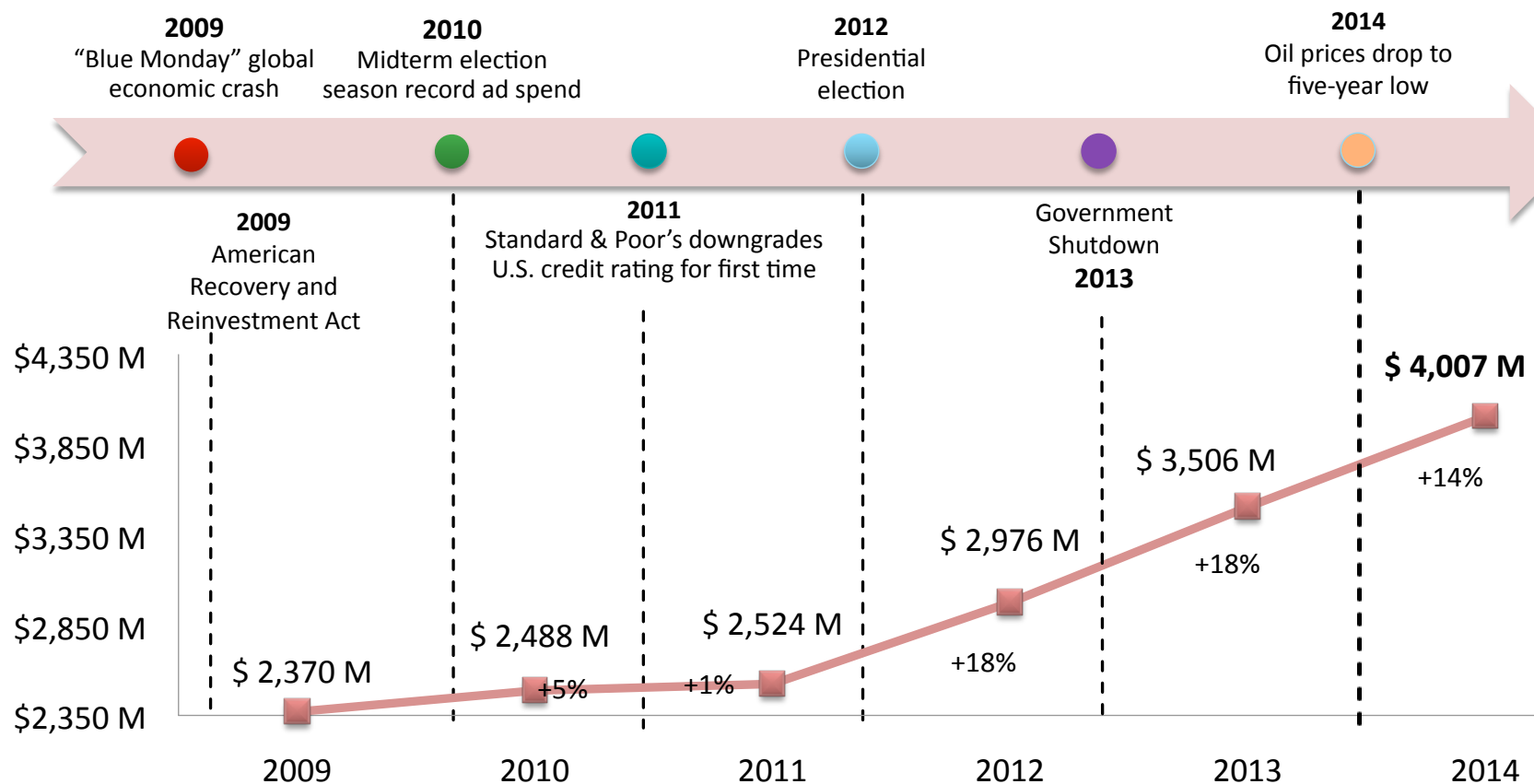


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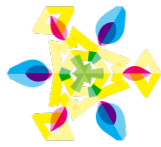
Direct Production Expenditures* Trended



Other expenditures such as talent payments, music and post-production costs are not reflected in these direct production expenditures. Along with all other ancillary and associated costs, this results in a total economic impact of \$6 billion to the commercial production industry.

*Numbers are estimates extrapolated from the mean to actual member size. Any fluctuation is attributable to rounding.

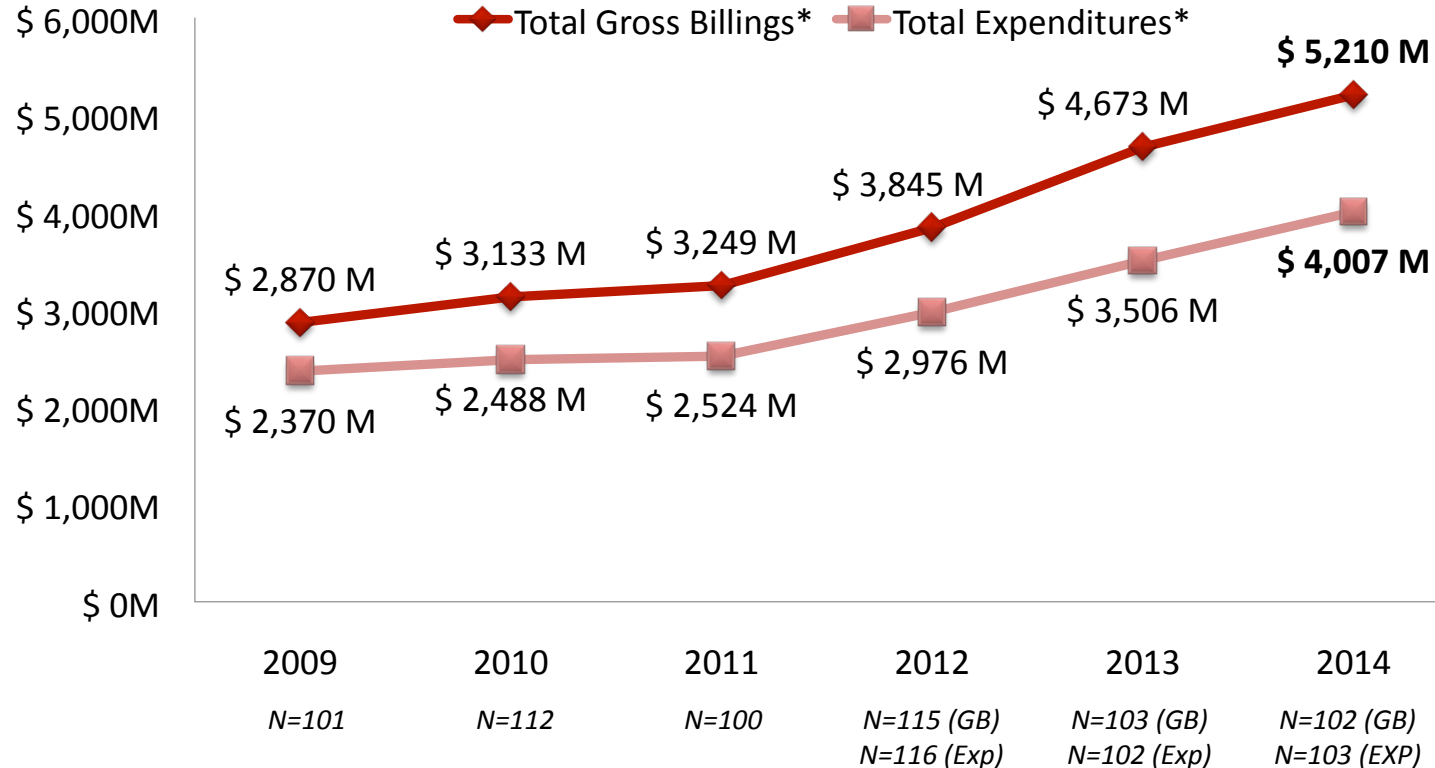
E1. For the commercial or advertising-related projects completed by your company in 2014, what were the total production expenditures for your company?



Total Gross Billings vs. Total Expenditures* Trended



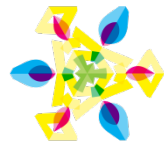
Gross billings have increased by 11% while expenditures increased by 14% .



*Numbers are estimates extrapolated from the mean to actual member size. Any fluctuation is attributable to rounding.

GB1. For the commercial or advertising-related projects completed by your company in 2014, what were the total gross billings for your company, not including pass through items?

E1. For the commercial or advertising-related projects completed by your company in 2014, what were the total production expenditures for your company?

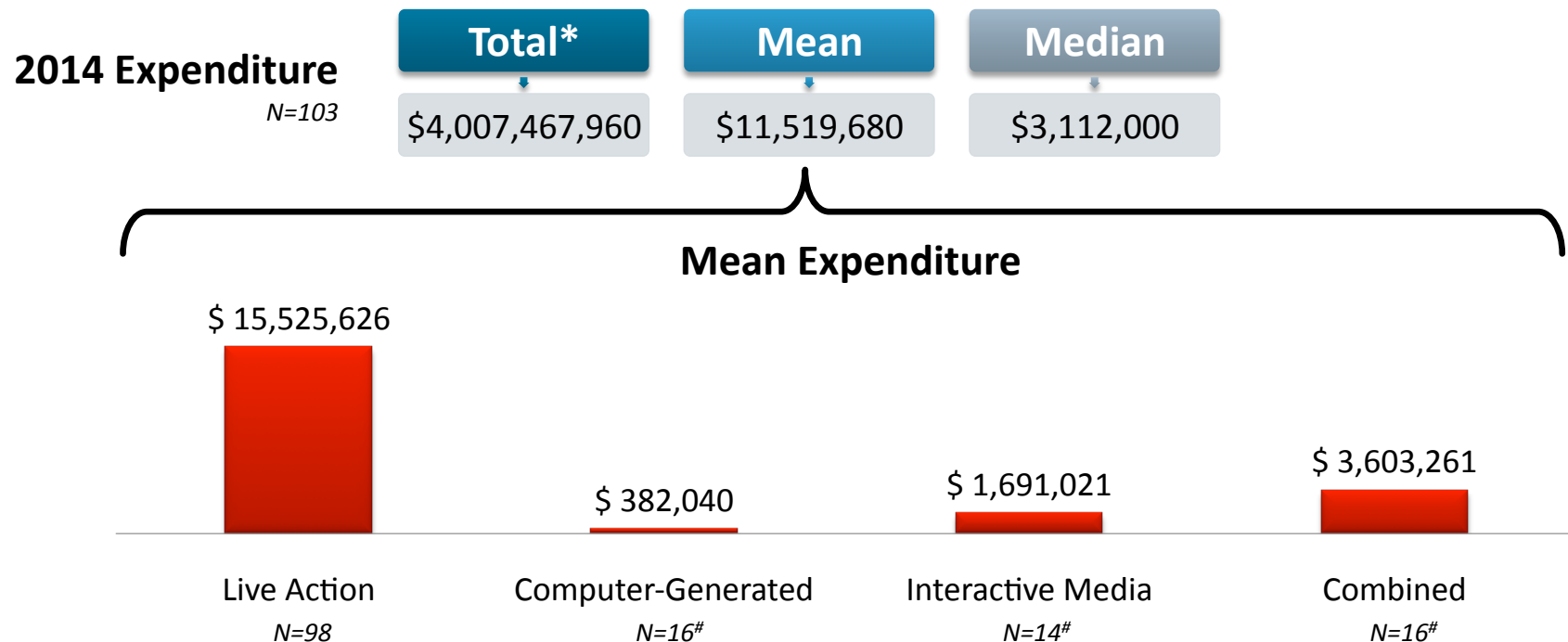


Expenditures by Production Type



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Live action production accounted for nearly all (95%) expenditures generated by members.

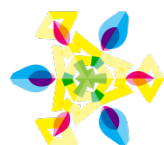


*Numbers are estimates extrapolated from the mean to actual member size. Any fluctuation is attributable to rounding.

[#]Caution: Low base size under N=50

E1. For the commercial or advertising-related projects completed by your company in 2014, what were the total production expenditures for your company?

E2. Of your total production expenditures of [PIPE IN RESPONSE FROM E1] in 2014, what amount of these expenditures was for:



Expenditures by Region Breakdown



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The lion's share of expenditures were spent in California, followed by New York; together, they account for 67% of total* 2014 expenditures.

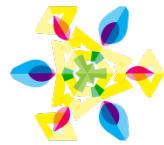
	Expenditures by Region	% of Total Expenditures
California	\$2,062,034,838	51%
New York/New England	\$632,290,368	16%
Illinois	\$142,819,134	4%
Florida	\$111,553,404	3%
Southeast Region**	\$151,980,555	4%
Southwest Region***	\$128,201,554	3%
Other U.S. Locations	\$369,279,639	9%
International	\$408,188,235	10%

*Numbers are estimates extrapolated from the mean to actual member size. Any fluctuation is attributable to rounding.

**The Southeast Region includes the states of Georgia, North & South Carolina, Alabama, Kentucky, Mississippi, Tennessee, Virginia, West Virginia

***The Southwest Region includes Texas, Louisiana, New Mexico, Arizona, Arkansas & Oklahoma

E3. Of the [PIPE IN RESPONSE FROM E1] you SPENT on production in 2014, including live action and non-administrative labor for computer-generated and interactive media production, what percentage did you SPEND in each of the following regions?



Digital and Work Days Trended



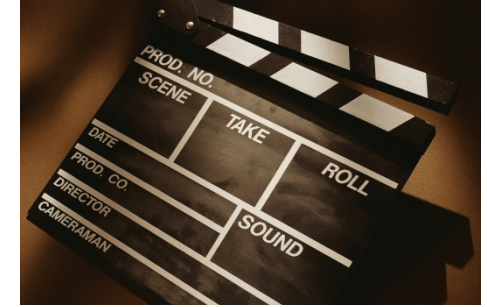
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Staff work days on computer-generated and interactive media projects rebounded 8% from a significant decrease in 2013. Freelance days are down for the third year.

	2008	2009	2010	2011	2012	2013	2014
<i>Base</i>	28 [#]	42 [#]	33 [#]	26 [#]	26 [#]	27 [#]	26 [#]
Staff	91	-10% 82	-4% 79	+33% 105	+44% 151	-22% 118	+8% 127
Freelance	67	-13% 58	+21% 70	+23% 86	+8% 93	-10% 84	-5% 79

E5. For your computer-generated and interactive media production projects completed in 2014, how many work days did your company have in each of the following categories:

#Caution: Low base size under N=50



Shoot Days & Locations



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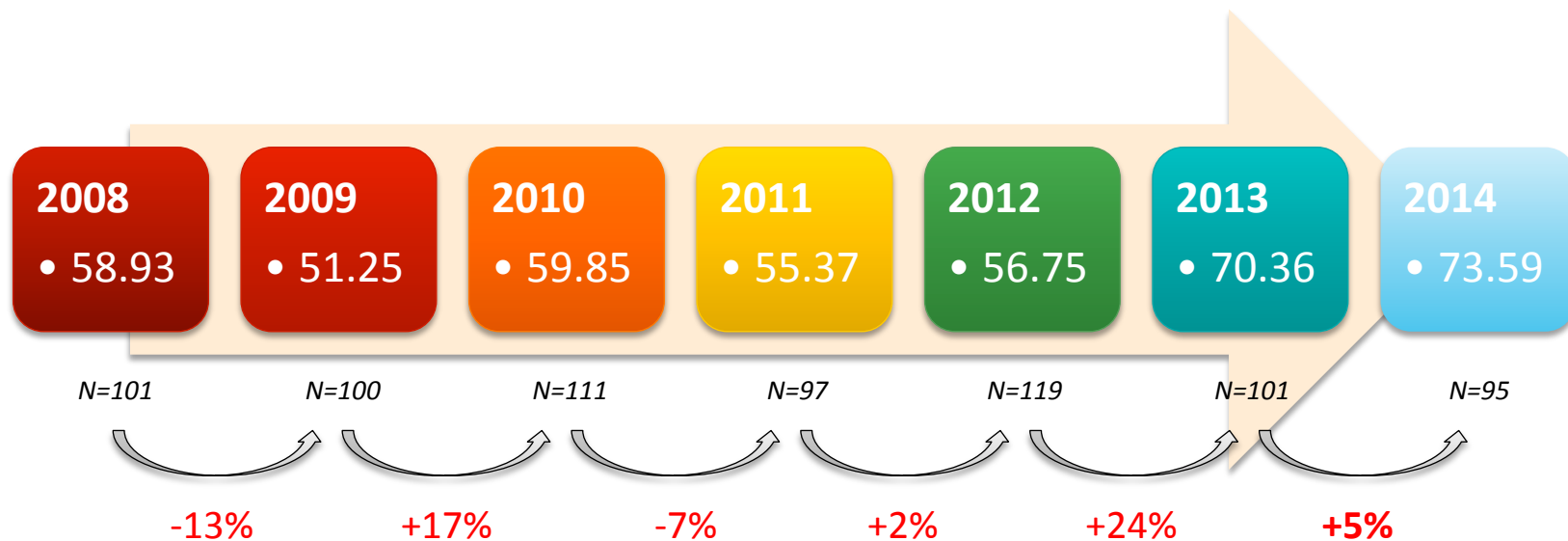
Shoot Days and Distribution Trended



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The average number of shoot days in 2014 increased by 5% to 74 days.

Live Action Shoot Days





Stage vs. On-Location Shoot Days Trended



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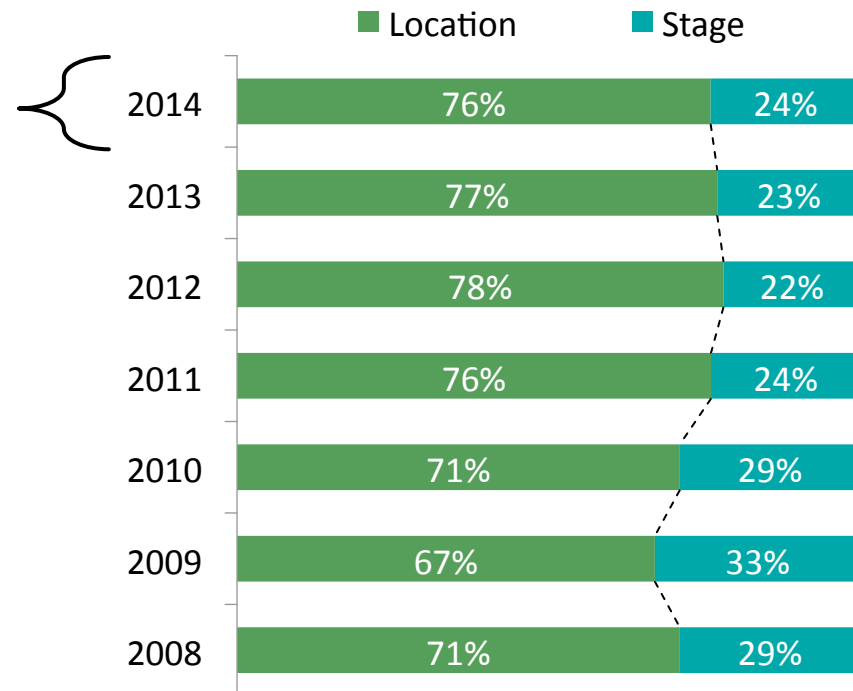
The proportion of shoot days has remained steady since 2011, with every 3 out of 4 shoot days taking place on-location.

**Live Action Shoot Days:
73.59**

**Location:
55.89**

**Stage:
17.70**

N=95



PR7A. How many live action shoot days did your company have for 2014?

PR7B. Of the live action shoot days you completed in 2014, how many were conducted on location and how many were conducted on a stage?

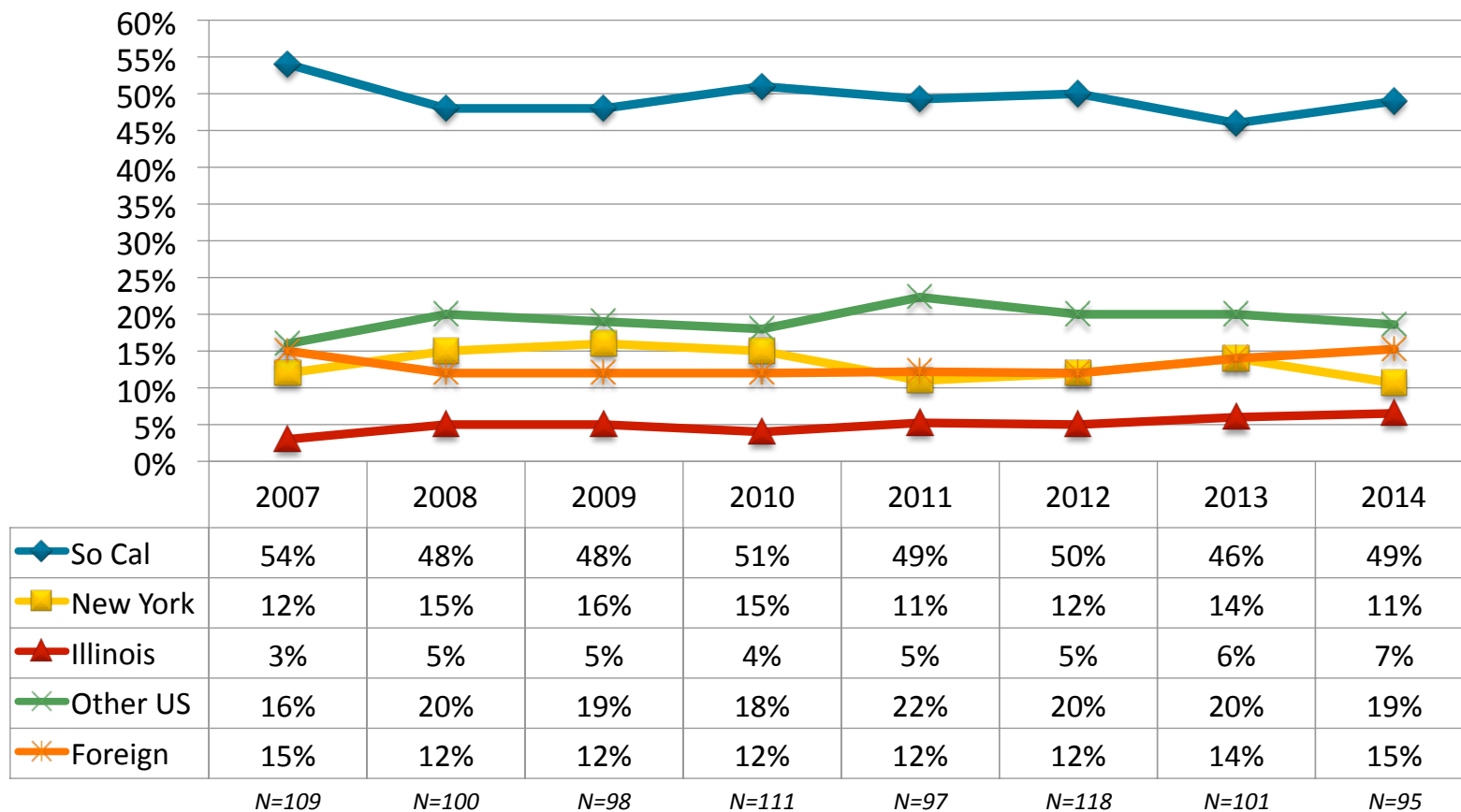


Shoot Days by Region Trended



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Production activity remained stable across most regions. Illinois continues to experience steady growth in recent years.



PR8. Of your [PIPE IN RESPONSE FROM PR7A] live action shoot days in 2014, how many were shot in each of the following regions?



2014 Shoot Days by Region Breakdown



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<i>N=95</i>	Sum of all shoot days in this location	% of all shoot days	% of domestic shoot days	Mean for those with shoot days	Median for those with shoot days	Mean for those who shoot in this location	Median for those who shoot in this location
Los Angeles County	3068	47%	55%	32	10	35	12
Southern California	158	2%	3%	2	0	2	0
Northern California	148	2%	3%	2	0	2	0
New York City	652	10%	12%	7	2	8	2
New York State	48	1%	1%	1	0	1	0
Connecticut/Massachusetts	55	1%	1%	1	0	1	0
Illinois	430	7%	8%	5	0	3	0
Florida	146	2%	3%	2	0	2	0
Georgia	94	1%	2%	1	0	1	0
Southeast (outside of FL/GA)	100	2%	2%	1	0	1	0
Louisiana	35	1%	1%	0	0	0	0
Texas	193	3%	3%	2	0	2	0
Southwest (outside of LA/TX)	76	1%	1%	1	0	1	0
Other U.S. locations	378	6%	7%	4	1	4	1

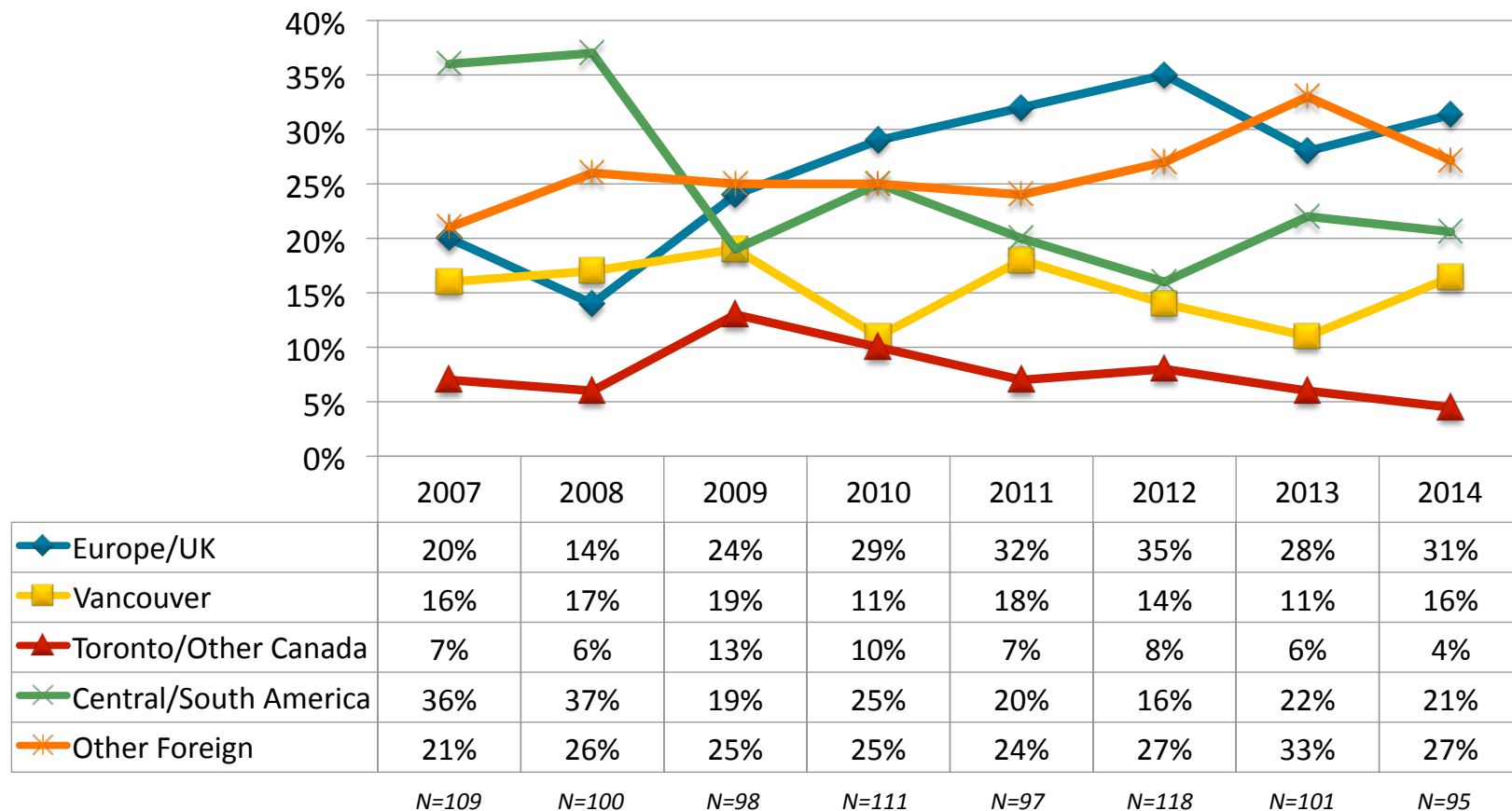


Shoot Days by International Locations Trended



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The ratio of foreign shoot days has marginally increased to 15% of ALL production activity since 2012. Outside of Vancouver, filming in Canada continues to decline.



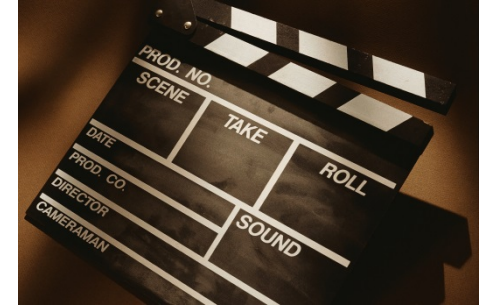


2014 Shoot Days by International Locations Breakdown



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<i>N=95</i>	Sum of all shoot days in this location	% of all shoot days	% of foreign shoot days	Mean for those with shoot days	Median for those with shoot days	Mean for those who shoot in this location	Median for those who shoot in this location
Vancouver	165	3%	16%	2	0	2	0
Toronto	36	1%	4%	0	0	0	0
Other Canadian locations	9	0%	1%	0	0	0	0
United Kingdom/Western Europe	236	4%	23%	2	0	3	0
Central/Eastern Europe	79	1%	8%	1	0	1	0
Australia/New Zealand	25	0%	2%	0	0	0	0
South Africa	65	1%	6%	1	0	1	0
Mexico and Central America	94	1%	9%	1	0	1	0
South America	113	2%	11%	1	0	1	0
Other non-U.S. locations	183	3%	18%	2	0	2	0



Payments



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Payments and Timing Trended



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As in recent years, over half of final payments to member companies were late.

	2009	2010	2011	2012	2013	2014
<i>Base</i>	101	112	100	119	106	103
Prior to Due Date	6%	5%	8%	11%	11%	7%
On Time	31%	41%	40%	35%	33%	37%
1 -15 Days Late	21%	17%	15%	14%	15%	17%
16-30 Days Late	18%	18%	12%	16%	14%	14%
31-45 Days Late	13%	9%	8%	9%	9%	8%
46-60 Days Late	7%	5%	6%	6%	7%	9%
61-90 Days Late	4%	4%	6%	4%	5%	5%
91-120 Days Late			2%	3%	3%	3%
More than 120 Days Late			2%	1%	1%	1%
No Payments	1%	0%	0%	0%	0%	0%

57%

PA2. A major issue in the commercial production industry has been timely payment of agreed-upon agency contracts. In 2014, approximately what percentage of final payments from your clients arrived during each of the following ranges of time?



2014 Payments and Timing by Company Size



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		Company Size (Sales)					
	Total	Small		Medium		Large	
		Sales<\$1m	\$1m-\$4.99m	\$5m-\$9.99m	\$10m-\$19.99m	\$20m-\$49.99m	\$50m+
<i>Base</i>	103	24 [#]	34 [#]	16 [#]	3 [#]	16 [#]	10 [#]
Prior to Due Date	7%	7%	9%	4%	4%	7%	9%
On Time	37%	38%	48%	31%	40%	21%	34%
1 -30 Days Late	30%	39%	20%	32%	23%	41%	27%
31-60 Days Late	16%	7%	16%	18%	27%	22%	22%
61-90 Days Late	5%	7%	5%	5%	3%	6%	3%
91-120 Days Late	3%	2%	1%	10%	2%	2%	4%
More than 120 Days Late	1%	1%	1%	1%	1%	1%	1%
No Payments	0%	0%	0%	0%	1%	0%	0%

PA2. A major issue in the commercial production industry has been timely payment of agreed-upon agency contracts. In 2014, approximately what percentage of final payments from your clients arrived during each of the following ranges of time?

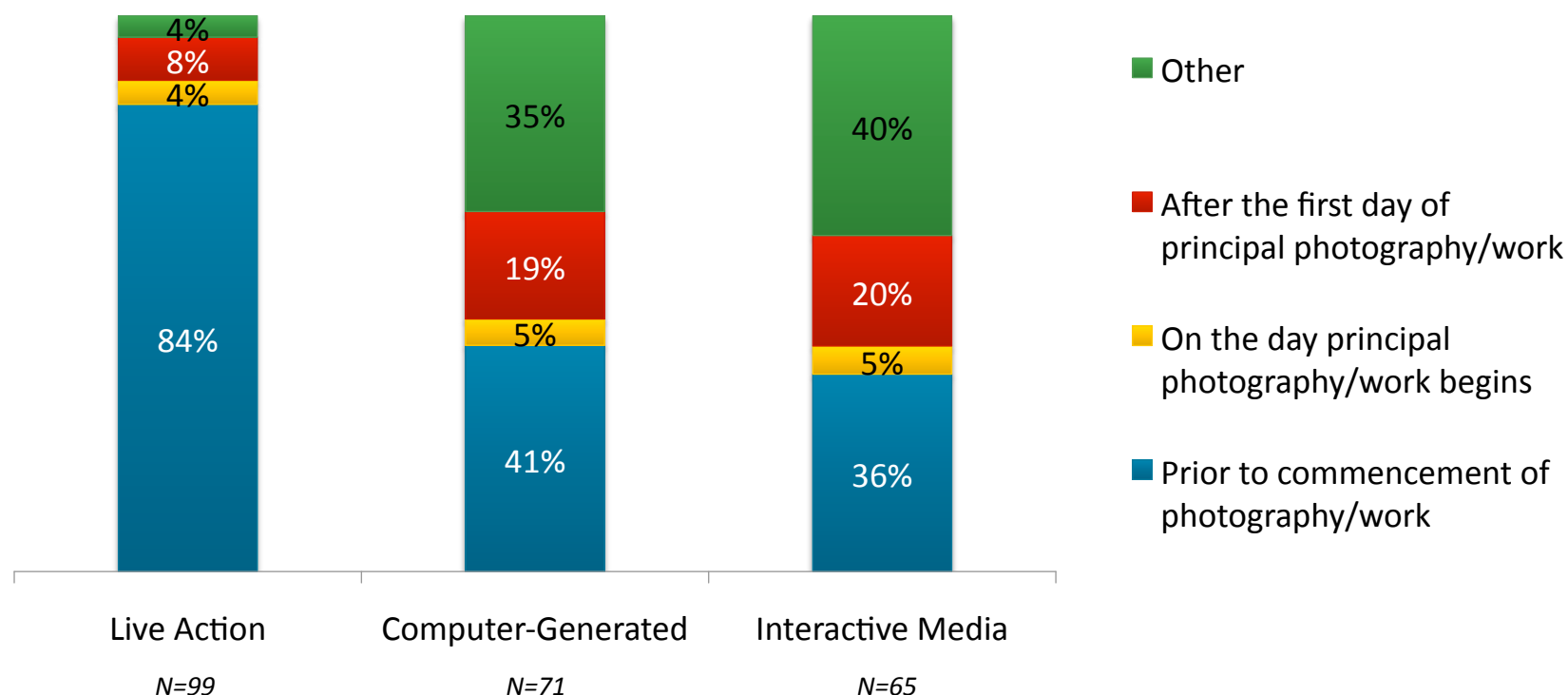
[#]Caution: Low base size below N=50



2014 Payments and First Payment Receipt Breakdown



Over 8 in 10 companies shooting live action received first payment prior to the commencement of production. For other productions, first payment is generally received later.





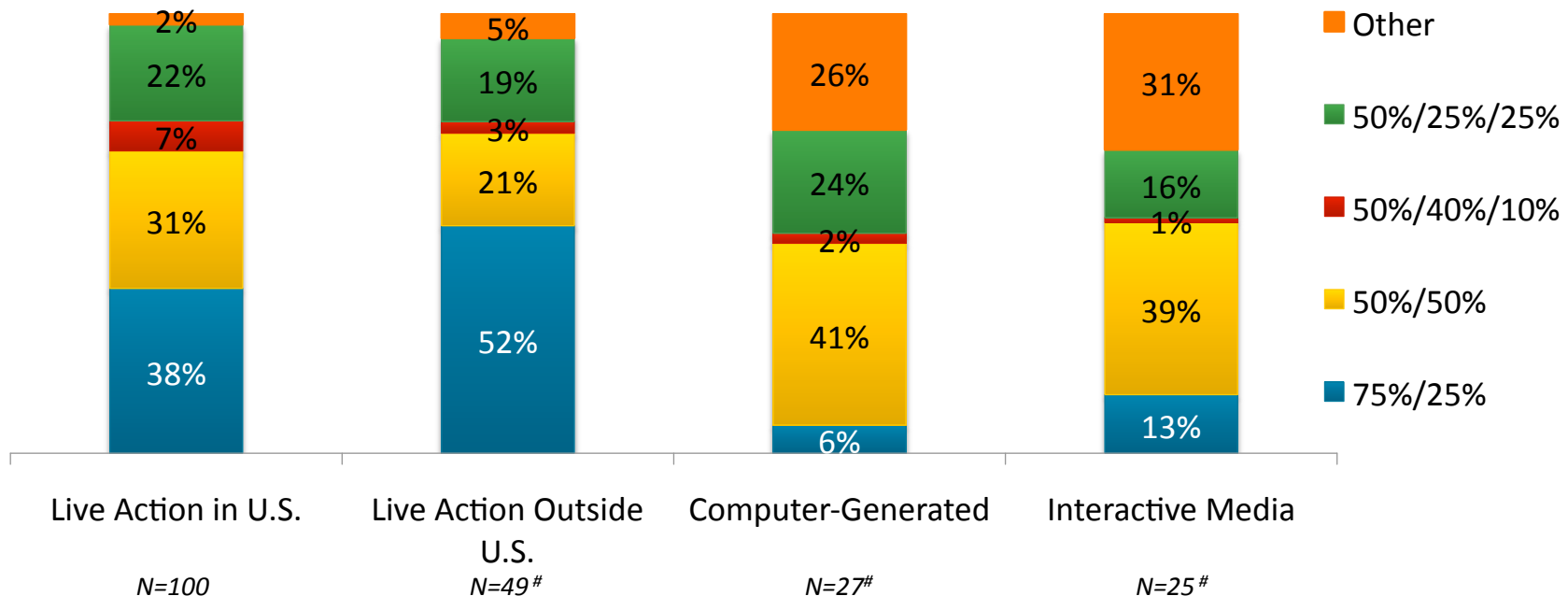
Payment Guidelines



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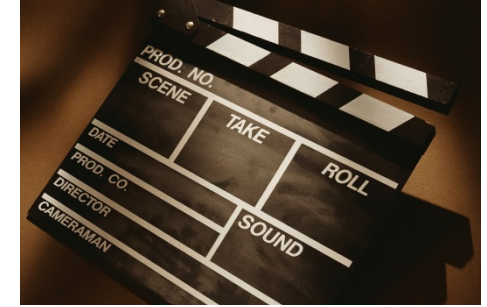
Live action work in the U.S. is generally paid on a 75/25 or a 50/50 payment term. Outside the U.S., live action work is paid using 75/25 payment terms more than half of the time. 50/50 payments terms are more frequently used on CG & IM projects.

Payment Terms



PA5. In 2014, what percentage of your projects was paid using the following payment terms?

[#]Caution: Low base size under N=50



Digital & Non-Traditional



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Digital Production Techniques Trended



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Graphic design and visual effects account for 2/3 of computer generated production.

	2009	2010	2011	2012	2013	2014
<i>Base</i>	42 [#]	33 [#]	26 [#]	40 [#]	18 [#]	20 [#]
Visual Effects	28%	24%	32%	28%	22%	32%
Animation	25%	22%	28%	24%	33%	27%
Graphic Design	32%	29%	18%	24%	23%	34%
Interactive Design	-	-	16%	-	-	-
Other	16%	26%	7%	24%	23%	7%

PR5. In 2014, what percentage of your company's computer-generated production was accounted for by the following digital production focus?

[#]Caution: Low base size below N=50

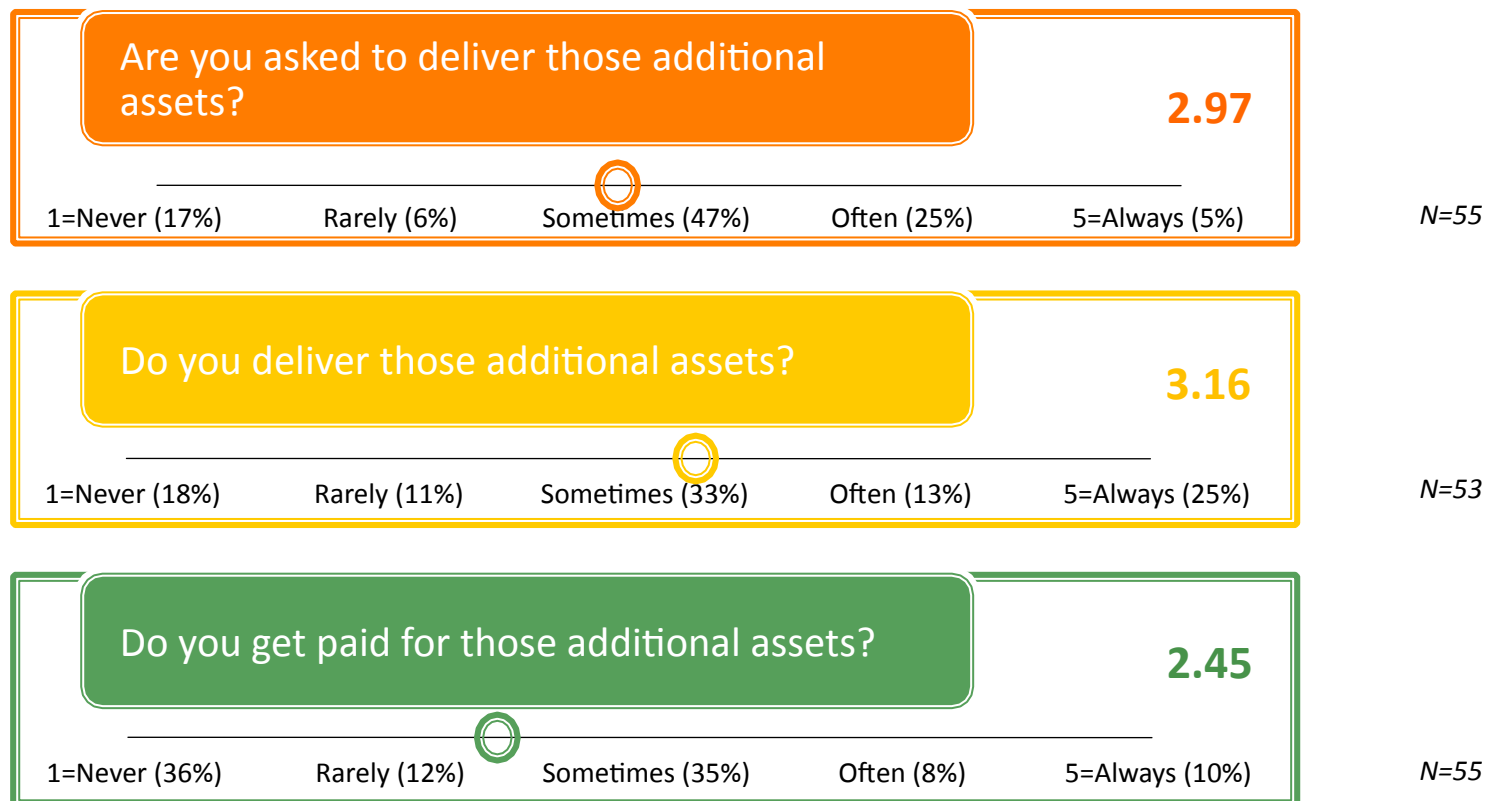


Digital Assets Outside Contract



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Companies are not often asked for additional digital assets but when they do deliver them, they are rarely paid.



Respondents who answered "N/A" were excluded from the base size.

C2. Regarding digital assets outside of the deliverables originally contracted on a computer-generated or interactive media project, how often...



Compensation by Project Type and Distribution Method

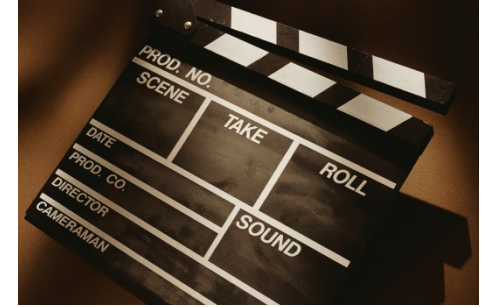


Companies are generally paid a percentage of production costs; more so with live action productions. For computer-generated and interactive media productions, a fee may also be built into the rates for services.

Top 2 Box	Project Type		
	Live Action	Computer-Generated	Interactive Media
<i>Base</i>	<i>Variable</i>		
A percentage of production costs	91%	55%	65%
A combination of a percentage of production costs and a creative fee	20%	27%	34%
A fee built into the rates for services	11%	35%	27%
A creative fee not related to production costs	5%	18%	15%
A licensing fee and the retention of ownership of the materials produced	4%	21%	12%
Other compensation	0%	10%	9%

NOTE: Top 2 Box refers to the top two answer options on a 5 or 10 point scale. The percentages are those who reported being compensated always/usually for each project type. This question allows for totals to be greater than 100%

C1. How often are you compensated in the following ways for each project type?



Green Guidelines



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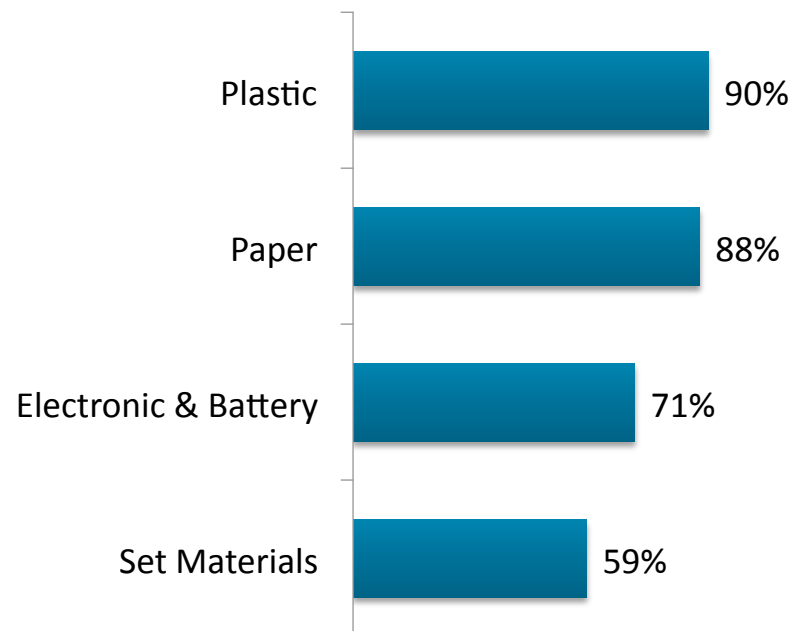
Recycling and Sustainability



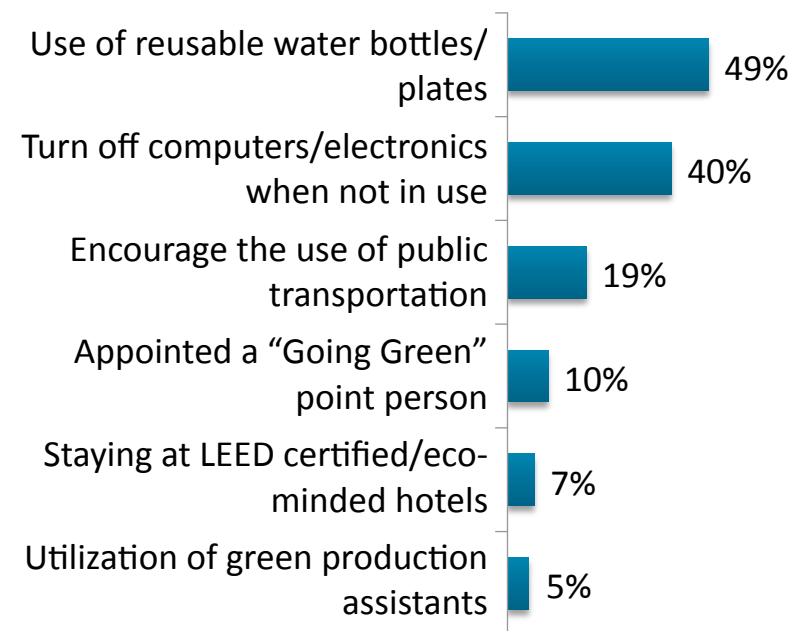
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STRATEGY

Plastic and paper are the most recycled materials. The most commonly established rules include re-using water bottles/plates and turning off electronics.

Material Recycled



**Established Rules for Green Practices
(Top 2 Box)**



NOTE: Top 2 Box refers to the top two answer options on a 5 or 10 point scale. The percentages are those who always/usually established rules for the green practices. This question allows for totals to be greater than 100%

GI1. Does your company recycle any of the following in office/on set?

GI2. In the past year, how often has your company established rules for any of the following green practices?

N=103

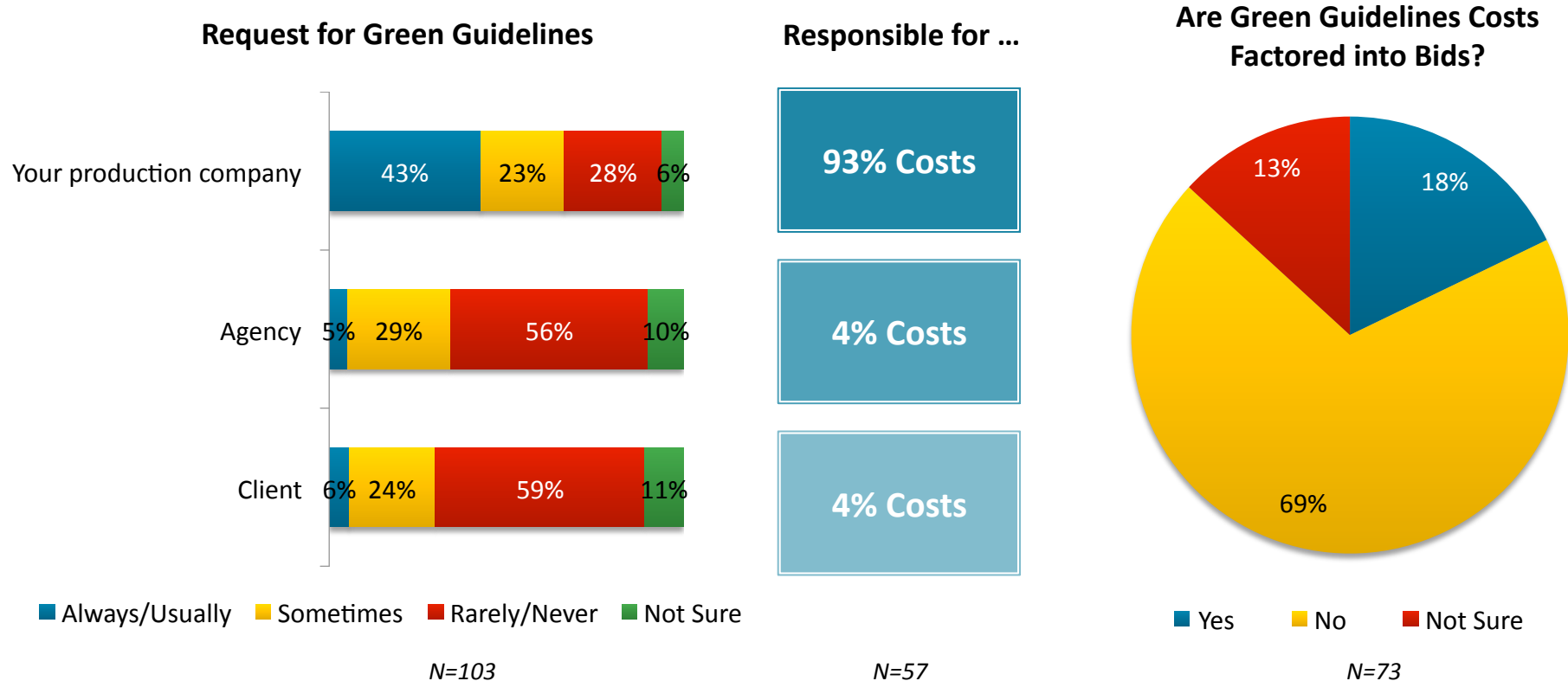


Green Guidelines and Costs



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Member companies are responsible for 93% of the costs for implementing green practices. Similar to 2013, green guidelines are factored into bids 18% of the time.



GI3. How often do the following entities request that productions follow a set of green guidelines? GI4. What percentage of the costs for implementing green practices is each entity responsible for? GI5. Are the related green guideline costs factored into bids?



Reasons for Not Following Guidelines



Cost of implementation continues to emerge as the primary reason why AICP Green Guidelines were not followed on shoots in 2014. In previous years, low awareness was the number one reason and remains an obstacle to this day. One in four projects now utilize them.

Production NOT completed using AICP Guidelines

2011

• 87%

2012

• 88%

2013

• 83%

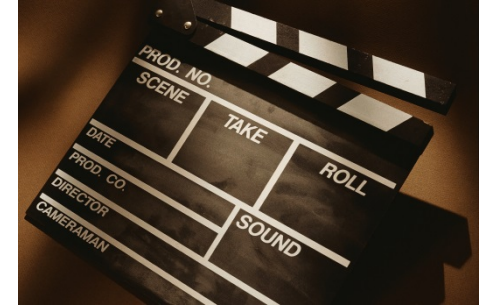
2014

• 76%

Reasons for not following guidelines	AICP Green Guidelines				Other Green Practices			
	2011	2012	2013	2014	2011	2012	2013	2014
<i>Base</i>	100	121	105	103	100	121	105	103
Too expensive to implement	9%	17%	25%	27%	16%	15%	25%	29%
Location/nature does not allow it	10%	16%	17%	21%	20%	20%	14%	21%
Contract procedures do not allow it	6%	5%	10%	4%	8%	7%	8%	11%
Not aware of the AICP Green Guidelines	41%	19%	20%	20%	-	-	-	-
None/Not sure	48%	60%	52%	46%	71%	73%	69%	59%

GI8. Which of the following best describes why AICP Green Guidelines (or similar Green practices) are not being followed on your shoots?

GI9. In 2014, what percentage of your production was completed using the AICP's Green Guidelines for production?

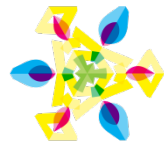


Company Demographics



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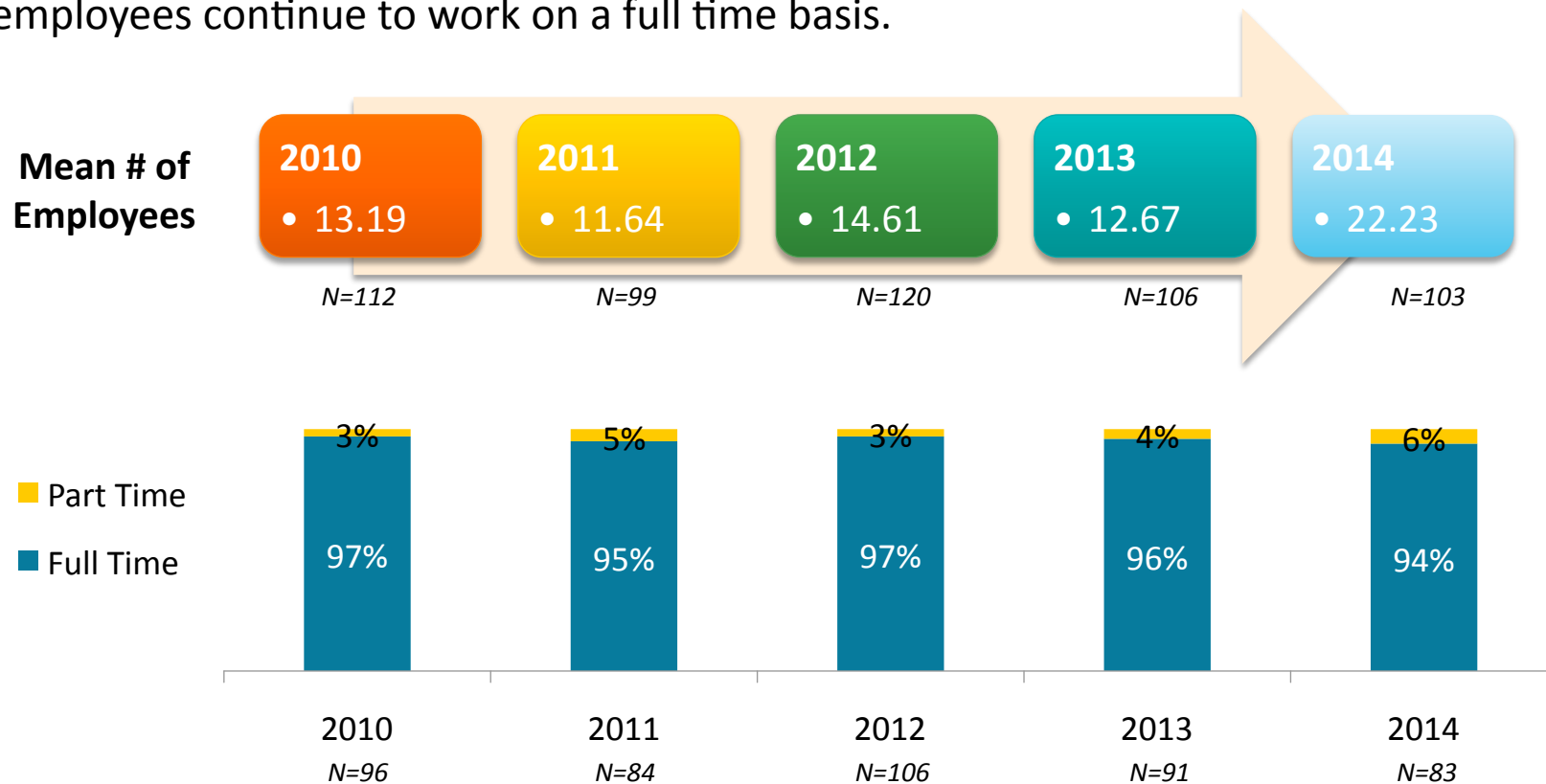


Employees



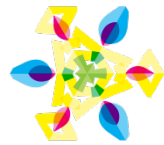
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The average number of employees on staff increased significantly by 10 in 2014. Most employees continue to work on a full time basis.



CD4. How many employees does your company currently have on staff?

CD5. Of the [PIPE IN RESPONSE FROM CD4] staff employees (not to be confused with freelance employees) who work at your company, how many are full time versus part time employees?



Employees



Companies with sales over \$50 million significantly increased staff hiring in 2014.

**Employees on Staff:
22.23**

N=103

**Full-time:
94%**

N=83

**Part-time:
6%**

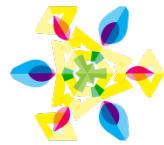
N=83

	< \$1M	\$1M-\$5M	\$5M-\$10M	\$10M-\$20M	\$20M-\$50M	\$50M+
<i>Base:</i>	24 [#]	34 [#]	16 [#]	3 [#]	16 [#]	10 [#]
Average Employees	2.85	15.11	16.47	8.00	15.19	102.87
<i>Base:</i>	12 [#]	26 [#]	16 [#]	3 [#]	16 [#]	10 [#]
Full Time	86%	89%	98%	100%	95%	96%
Part Time	14%	11%	2%	0%	5%	4%

CD4. How many employees does your company currently have on staff?

CD5. Of the [PIPE IN RESPONSE FROM CD4] staff employees (not to be confused with freelance employees) who work at your company, how many are full time versus part time employees?

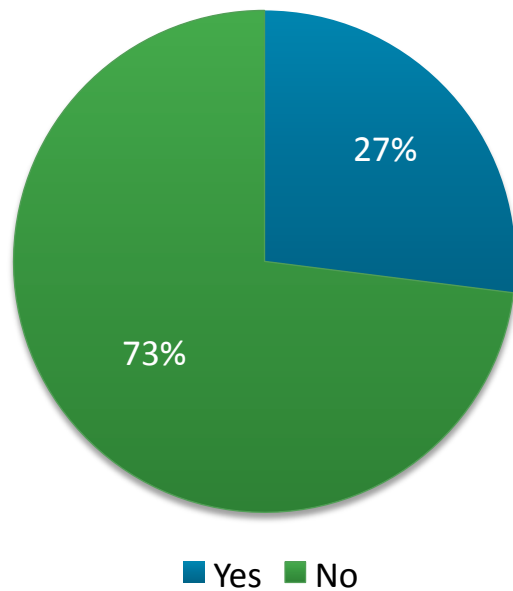
Caution: Low base size under N=50



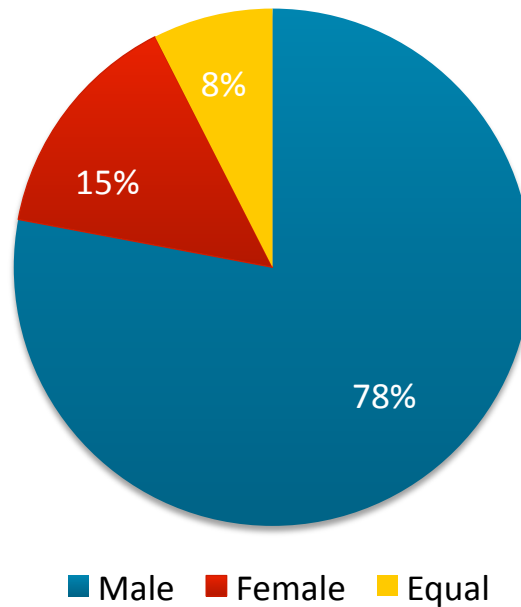
Diversity Initiatives



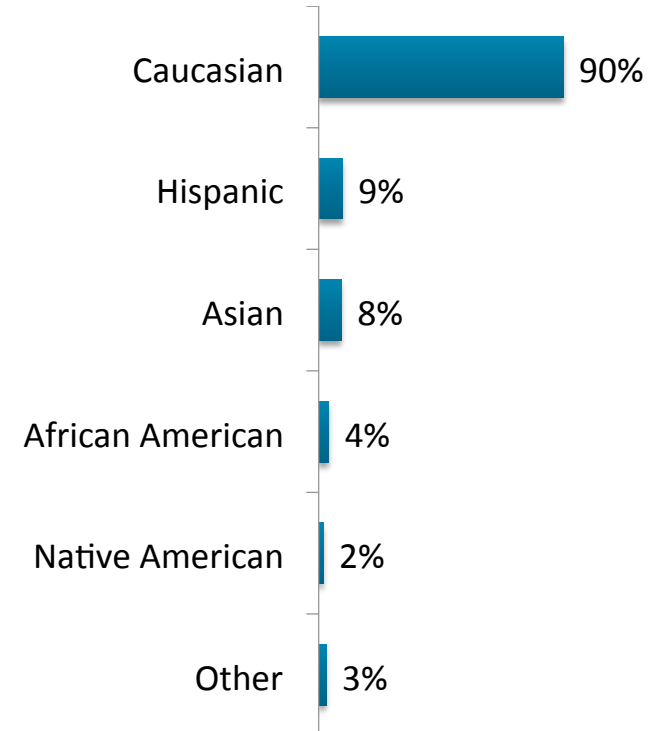
Has your company been engaged for work based on diversity initiatives?



Gender of the majority ownership



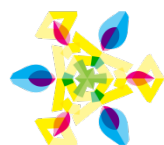
Ethnicity of the majority ownership



N=103

CD6. Has your company been engaged for work based on diversity initiatives?

CD7. Please indicate the gender and ethnicity of the majority ownership.



Diversity Initiatives



Twenty percent of member companies report being minority owned and participate in a wide array of government-sponsored programs on behalf of diversity initiatives.

Is your company certified as minority owned?

Yes

• 20%

No

• 80%

N=103

If so, please identify which programs your company currently has certification for:

	Base	21#
WOMEN-OWNED BUSINESS ENTERPRISE (WBE)		46%
MINORITY BUSINESS CONCERN (MBE)		34%
WOMEN-OWNED SMALL BUSINESS CONCERN (WBC)		24%
OTHER		15%

If your company is not certified, is it because:

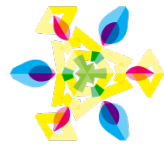
	Base	82
Do not qualify		85%
Have not applied, but plan to		8%
Have elected not to apply		6%
Are in the application process		0%

CD8. Is your company certified by appropriate government agencies as minority owned?

CD9. If your company is not certified, is it because:

CD10. Please identify which programs your company currently has certification for:

#Caution: Low base size under N=50



Office Location



Nearly three-fourths of member companies have offices in California.

Sales							
	Total	<\$1M	\$1M-\$5M	\$5M-\$10M	\$10M-\$20M	\$20M-\$50M	\$50M+
<i>Base</i>	103	24 [#]	34 [#]	16 [#]	3 [#]	16 [#]	10 [#]
California	73%	41%	70%	83%	100%	100%	87%
New York	38%	28%	21%	32%	33%	68%	75%
Florida	2%	4%	3%	0%	0%	0%	0%
Georgia	3%	0%	10%	0%	0%	0%	0%
Minnesota	2%	3%	4%	0%	0%	0%	0%
Illinois	5%	7%	5%	7%	0%	0%	13%
Texas	3%	7%	3%	5%	0%	0%	0%
London	11%	0%	9%	0%	0%	19%	42%
Other	13%	20%	22%	0%	0%	0%	13%

CD3. In which of the following locations do you have offices?

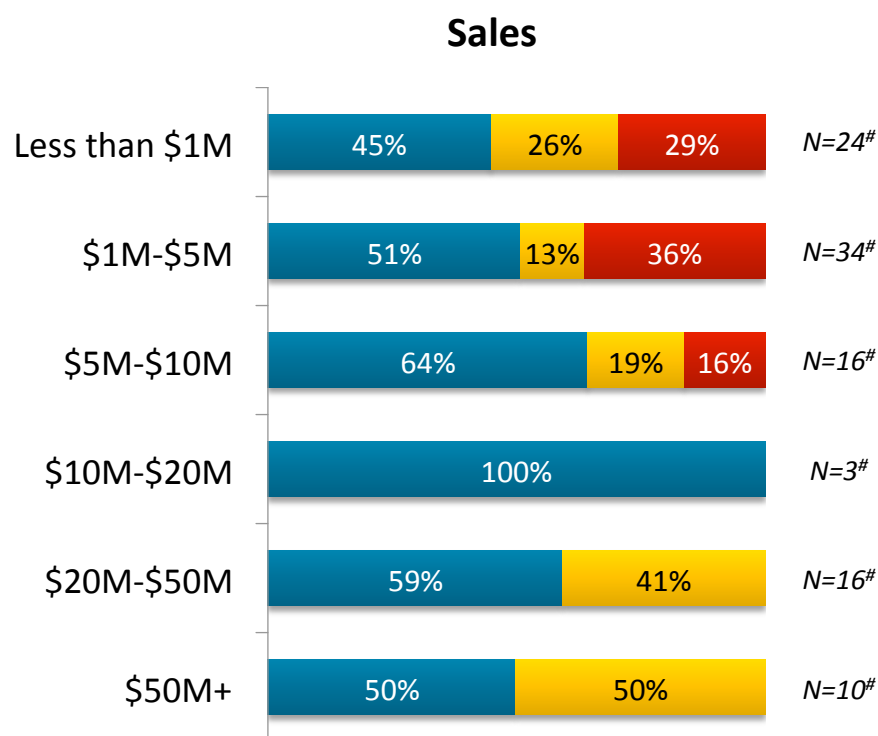
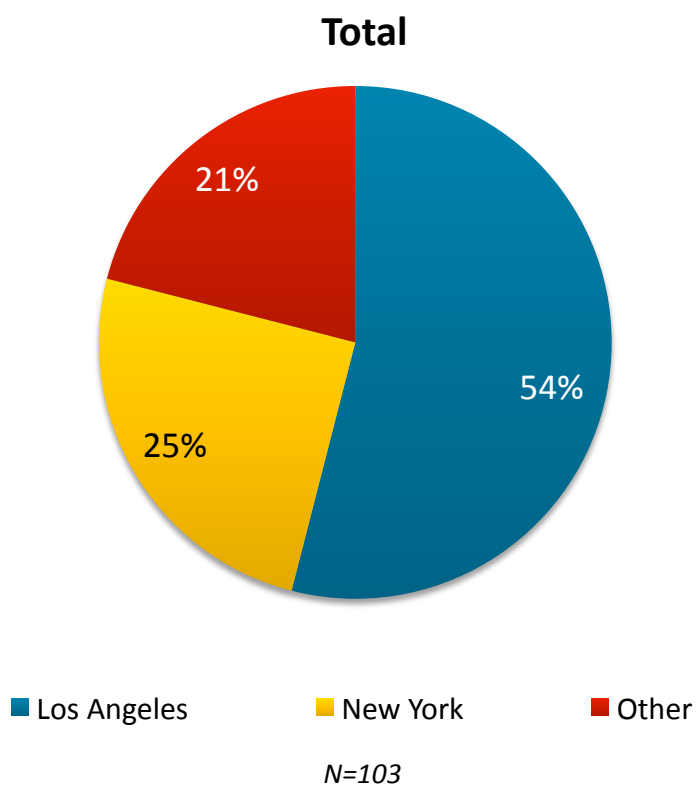
[#] Caution: Low base size under N=50



Headquarter Location



A majority of member companies are headquartered in Los Angeles.



CD1. In what city and country is your company headquartered?

[#]Caution: Low base size under N=50