



On behalf of the Free Speech Coalition, trade association of the adult entertainment industry, we present our Year 2006 State of the Industry report, designed to provide accurate information about the nation's multi-billion dollar adult entertainment industry.

We offer this document to provide lawmakers and the public with a better understanding of adult entertainment and its place in our society. We hope this report will be used as an educational tool and will provide insight into an industry heavily regulated, but seriously misunderstood, by government.

Michelle L. Freridge, Executive Director
Free Speech Coalition
P.O. Box 10480
Canoga Park, CA 91309
866-372-9373

CONTENTS:

- I. Industry Statistics -- The United States
- II. Industry Statistics -- Benefits to California
- III. Definitions: Adult Entertainment, Pornography, Obscenity
- IV. A Basic Right: The Private Enjoyment of Adult Entertainment
- V. The Mainstreaming of Adult Entertainment
- VI. The Current Wave of Attacks on Adult Entertainment
- VII. The Adult Entertainment Industry and HIV
- VIII. Free Speech Coalition and Public Policy

I. INDUSTRY STATISTICS - THE UNITED STATES

An analysis published in January 2006 by the industry trade publication Adult Video News estimated that the U.S. adult entertainment industry generated revenues of approximately \$12.6 billion in 2005, reflecting continued rapid growth in an industry already widely recognized as a significant contributor to the economy.

Since major segments of the adult industry are located there, the State of California is especially benefited economically.

DVD And Video

AVN reports that U.S. adult video rentals and sales (which have now shifted overwhelmingly to DVDs from videocassette) continue to grow each year, from \$3.95 billion in 2001 to \$4.28 billion in 2005, representing, at 34% of total U.S. adult entertainment revenues, the largest adult market segment. 957 million adult videos and DVDs were rented in 2005.

The Video Software Dealers Association (VSDA) estimated in 2004 that of the 60,000 retail outlets in the United States that stocked home video, 25,000 outlets carried adult titles. These retailers include such major chains as Virgin Megastores, The Warehouse, Tower Video, Palmer Video, Movies Unlimited, West Coast Video, Movie Gallery and many others. In addition, hundreds of small boutiques, large mail order companies and Internet websites sell adult DVDs and tapes directly to consumers.

A widely reported development in recent years, with the advent of new competition in the form of mail-rental companies (such as Netflix) is that non-chain video stores are increasingly dependent on the rental of adult titles for economic survival. In the United States in 2002, adult video and DVD rentals and sales in retail outlets accounted for 29.1% of the gross income in stores that carried both mainstream and adult products.

The Internet

The adult Internet is the fastest expanding segment of the U.S. adult entertainment market, having grown from a \$1 billion dollar industry in 2002 to a \$2.5 billion industry today, according to Internet Filter Review. Nielsen Net Ratings says the numbers of unique visits to adult sites grew from an average of about 23 million per month in 2001 to an average 44 million unique visits in 2005. Charts showing the demographics of Internet users (developed by Hitwise and published in the 2006 AVN report) show that adults of all ages and all levels of income are consumers of the adult Internet.

Websense, Inc., a provider of employee filtering software, says that the number of adult entertainment Websites in their URL database was more than 17 times greater in 2004 than it was just four years earlier, surging from approximately 88,000 in 2000 to nearly 1.6 million sites in 2004.

Exotic Dance Clubs

AVN estimates exotic dance clubs contributed \$2 billion to the national economy in 2005. Economic benefits from the revenues generated by the clubs accrue to communities in all parts of the nation. According to the Association of Club Executives (ACE), a national trade association for the exotic dance industry, there are 3,829 adult cabarets nationwide, employing over 500,000 people. Statistics compiled by ACE show that a single gentlemen's club in a major metropolitan area averages between \$10-20 million per year in gross revenues. A small club in a rural area (Less than 5000 square feet) can generate over a million dollars, while cities in secondary markets such as Cleveland or Pittsburgh have clubs that gross approximately \$2 million per year.

Novelties

Adult novelties are big business in America, generating approximately 1.5 billion dollars in revenue in 2005, according to the AVN report. Millions of novelty items are sold in stores, through mail order and at home parties every year. According to the 2005 Durex Global Sex Survey, 43% of Americans own vibrators used for sexual enhancement.

Adult Magazines

Adult magazines generated approximately \$1 billion dollars in revenues in 2005, according to the AVN report. The adult magazine industry employs thousands of people all over the country, from models and photographers and layout artists to press workers and liquor-store clerks.

Fantasy Phone Sex

Fantasy phone sex generates between \$750 million and \$1 billion in revenues each year with as much as 50 percent being retained by U.S. long distance carriers, according to a report by Citizens for Responsibility and Ethics in Washington (CREW).

Satellite and Cable

Satellite and cable operators, according to a 2004 Kagan Research report, earn just under \$800 million a year from adult movie subscriptions and pay-per-view orders, roughly 40% of pay-TV on-demand revenue. All of the leading cable and satellite TV providers - including Dish Network, DirecTV, Comcast and Adelphia offer adult content (Adelphia offers soft-core programming only).

Hotel Adult Movie Rentals

AVN reports that hotel room "Video On Demand" revenues totaled \$500 million in 2005. In 2004, an estimated 40 percent of the nation's hotels offered adult movie options, according to the CREW report. Adult movies account for about 90 percent of pay-per-view revenue, said the CREW report. Based on 2004 estimates provided by the hotel industry, at least half of all guests at hotels such as Marriott and Holiday Inn paid to view adult movies.

Mobile Adult Content

A 2005 study by computer science professors Maryam Kamvar and Shumeet Baluja, (associated with Google) found that more than 20 percent of all mobile phone queries and 5 percent of personal digital assistant queries were searches for adult entertainment. The researchers speculate that, despite relatively large costs and small screens, mobile phone devices offer an advantage of enhanced privacy for adult entertainment consumers. Although currently the primary market for mobile adult content is overseas, Juniper Research, a group that provides analytical research reports to the telecommunications industry, predicts that North American mobile adult revenues will pass the \$400 million mark by the end of the decade.

II. INDUSTRY STATISTICS – CALIFORNIA

Benefits to California – Video and DVD Rentals and Sale

During 2005 in the United States, adult and mainstream video stores reported a total of 957 million rentals of adult tapes and DVDs, almost all of which were produced in California.

According to an AVN survey in 2003, approximately 2800 retail stores carried adult videos and DVDs for sale and/or rental in California. The average store stocked over 850 different adult tapes and DVDs for rental or sale, with an average of 75 different new titles added weekly. Most stores had a near-complete turnover in adult stock every 12 weeks.

Although there are no current statistics on California rentals, AVN reported in 2003 that nearly 130 million rentals took place here in the state. If each of those rentals were for one day only, at a typical \$3 rental fee, a minimum of \$31 million in sales taxes would have been generated for the State of California.

Adult products are often the primary profit center for non-chain video stores. Adult videos carry higher rental fees, rent for longer periods, and are more likely to convert to sales. Without adult product, many of California's retailers that carry adult videos would be forced out of business, costing the state thousands of jobs.

Benefits to California – The Exotic Dance Industry

In California's exotic dance industry, there are an estimated 7500 full-time dancers with another 5000 working part-time. These entertainers represent a broad range of (mostly) women, including students, professional women and single mothers as well as exotic dance professionals. What they all have in common is that they enjoy the financial independence of self-employment in the adult entertainment industry, and many find exotic dance to be the perfect outlet for their erotic artistic expression.

There are over 175 exotic dance clubs in California, creating over 20,000 jobs in the state and bringing in an estimated \$500,000 to local governments in tax revenue.

In the exotic dance industry, many entertainers earn 5-6 times the state's official minimum wage or even more as headliners. Generally, dancers choose their own working environment and work schedules and enjoy a level of financial independence not found by women in other fields, in some cases opening a business or obtaining higher education degrees with their earnings.

Benefits to California – The Internet

California leads the country in hosting adult websites. These are sources of high-paying, technically sophisticated jobs. Entrepreneurs are attracted to these businesses because of the low capital investment required for start-up. The adult website industry helps keep creative, talented people in California, and attracts

additional technicians and entrepreneurs from around the world. Each website also provides employment for models, dancers, photographers, graphic artists and many others.

Benefits to California - Manufacturing

As noted in the *Los Angeles Times* (April 19, 2006), San Fernando Valley-based adult entertainment companies have historically been leaders in entertainment technology and marketing. This is evidenced most recently in the decision by innovative adult companies to make movies available by download in a format which allows them to be burned onto DVDs so that they are playable on home DVD players. The rest of Hollywood has resisted this practice but will no doubt be watching the venture with interest.

The adult video business is made up of producers, manufacturers (who duplicate and distribute their own as well as other producers' product), wholesale distributors, retailers (including Internet sites) and mail order companies. In a 2003 survey, Adult Video News identified 175 adult manufacturers in California, providing employment for almost 5000 California residents. 60 wholesale distributors and mail order outfits in California employ another 1000 workers.

These figures do not include the numerous producers and publishers of adult magazines and novelties, which are economically significant industries in their own right, and many of which are located in California.

Several hundred performers employed in the adult movie industry reside in California, as do thousands of technicians, directors, editors, producers, makeup artists, art directors, designers, photographers, line producers, lighting technicians, cinematographers, artists, computer experts, camera operators, caterers, drivers, janitors, builders, Foley artists, musicians, etc. Each of these employees pays state income taxes.

Many of the technicians and artists who work in the "mainstream" entertainment industry have previously worked behind the scenes in the adult movie business, demonstrating that the adult industry provides a training ground for people wanting to work in Hollywood. Many continue to work in both mainstream and adult productions.

III. DEFINITIONS: ADULT ENTERTAINMENT, PORNOGRAPHY, OBSCENITY

In this paper we have used the term "adult entertainment" rather than "pornography," although, of course, many forms of adult entertainment are referred to as pornography in the common usage. However, the word is frequently misused by those who try to equate "pornography," a word with no legal meaning, with

“obscenity,” a term which has a legal meaning with specific attributes detailed by the United States Supreme Court in *Miller v. California* (1973).

Obscenity is material deemed by a jury to be outside of the protection of the First Amendment, criminalized by California and most other states as well as in federal law. Pornography, on the other hand, unless it is determined to be obscene in the courts, is *fully protected* by the First Amendment. In fact, Webster's dictionary defines pornography as "writings, pictures, etc. intended primarily to arouse sexual desire." By this definition, much of society's poetry, music and other art forms could be described as "pornographic." Henry Miller's *Tropic of Cancer*, James Joyce's *Ulysses* and the film *Carnal Knowledge* and dozens of other literary works, museum exhibits and artworks, as well as adult entertainment products have been accused of being “obscene.” Almost all of them have been vindicated in court and restored to the marketplace.

While community standards play a significant role in determining what is legally obscene, the fact is that because one community is offended by a book, film, or website does not render the communication illegal. Only a small percentage of commercial adult entertainment has ever been charged as being obscene; and of those, few have been convicted. Moreover, titles condemned as obscene in one jurisdiction might be deemed to be perfectly acceptable in most other parts of the country.

Another problem with the word “pornography” is that our society is greatly (and rightly) concerned with the problem of materials involving sexual abuse of children, often called “child pornography.” Those who wish to portray adult entertainment as evil or illegal intentionally conflate the words “child pornography” and “pornography” as they try to influence legislation or public policy, thus making it appear that the two are one and the same.

Nothing could be further from the truth. Adult videotapes sold in general release and adult video stores include only consenting adults. Careful records are kept documenting the ages of all participants. Likewise, in the exotic dance portion of the industry, all dancers are required to be of legal age and are recognized as consenting adults based on documents that must be presented to the club by the dancers themselves.

The word “pornography” is also frequently misused by those who seek to portray adult entertainment as violent, involving exploitation, rape and coercion of various kinds. While it is true that a small sub-genre of adult product includes *fantasy* portrayals of non-consensual sexuality, materials made and distributed by the professional adult entertainment industry in the United States do not contain any *actual* rape, coerced sex, sex with animals, violence, incest or child pornography. Furthermore, easily 90% of the material produced and distributed over the past 15 years portrays fully consensual acts (oral sex, anal sex, group sex, etc.). Most of the remaining 10% is classified as specialty material (i.e., foot fetish, tickling fetish, bondage, spanking, etc.) which

generally does not contain explicit sex, but which still involves, and is consumed exclusively by, consenting adults.

IV. A BASIC RIGHT: THE PRIVATE ENJOYMENT OF ADULT ENTERTAINMENT

Looking back as far as the first publication of Playboy in 1953 and the topless craze in San Francisco in the early Sixties, one can see a natural evolution in which the adult entertainment industry has both benefited, and benefited from, the general liberalizing of attitudes about sexuality in this country.

Over the last twenty years, technological advances have accelerated the liberalizing trend. First videocassettes, and later the Internet, have made it possible for individuals and couples to enjoy adult entertainment in private. VCRs have allowed adult entertainment in the privacy of bedrooms. Advancing Internet technology makes it possible, through filters and monitoring software, to shield children from adult materials and to protect adults from exposure to content they might consider offensive.

In fact, families are taking advantage of filtering technology at a substantial and growing rate. A 2005 survey by the Pew Internet and American Life Project shows that 54% of Internet-connected families now use some sort of filter or monitoring software, up from 41% of Internet-connected families who used filters in 2000. The filters tend to be used by parents who themselves are frequent users of the Internet and who have middle-school-age children. Parents who have older children and who are less tech-savvy are less likely to use filters. Clearly the future is promising for those who want to shield children and non-consenting adults from sexually-explicit materials, while at the same time allowing freedom for the private, adult enjoyment of erotic materials.

V. THE MAINSTREAMING OF ADULT ENTERTAINMENT

Adult entertainment has become widely accepted by Americans across the nation, especially in recent years. Adult stars appear in mainstream films and on talk shows. There are best-selling books by adult entertainment personalities. Films celebrate industry heroes like Larry Flynt.

All this infuriates some social conservatives, who understand that the stakes are high. To put the issue starkly, if adult entertainment is in fact widely accepted by mainstream populations, then efforts to censor it are clearly misguided and unfair to both consumers and producers.

Furthermore, if adult entertainment is widely accepted by mainstream populations, then the use of criminal obscenity law to regulate it is unconstitutional. In order to decide materials are obscene, according to a

criterion set down by the Supreme Court in *Miller v California* in 1973, an average person must consider those materials to be patently offensive by contemporary community standards. The more people there are who enjoy adult entertainment, the harder it becomes to make the argument that adult entertainment is patently offensive to the average person. Social conservatives contend that adult entertainment and obscenity are virtually synonymous. They are not -- for the simple reason that the average person does not find the vast majority of adult entertainment offensive. Quite the contrary. If "average person" is defined by a statistical median, then the average person is more likely to enjoy adult entertainment than be offended by it.

This is true even in the so-called "red states," as the following examples document. Utah County, Utah, is one of the most conservative communities in the nation, judging from voting records in presidential elections. In a mid-1990s court case, Randy Spencer, a court-appointed attorney, defended a Utah County video store whose owner had been charged with 15 counts of obscenity for renting adult tapes. The prosecutors claimed the store was violating the community standards of suburban Provo.

Spencer subpoenaed records that showed the following: Utah County cable subscribers had ordered at least 20,000 explicit movies in the previous two years; a local video store was deriving 20 percent of its rental sales from adult movies, even though adult movies only made up 2 percent of the store's inventory; a nearby adult store was racking up an average \$111,000 dollars per year selling sex toys and other adult fare; and the Provo Marriott, literally across the street from the courthouse, had sold 3,448 adult pay-per-view movie rentals in 1998 alone. Spencer won the case.

Another example: In 2001, when prosecutors in ultra-conservative Hamilton County, Ohio, filed obscenity charges against two local video stores for selling adult videos, The Cincinnati Enquirer launched an investigation of community standards.

Wrote the Enquirer:

"In 2000, more than 21,000 Hamilton County residents purchased 26,000 explicit videos from one of the nation's largest mail-order companies (Adam & Eve). A company spokeswoman described those sales as typical for a community of this size.... In January of 2001, 182,000 Greater Cincinnati residents -- an estimated 70,000 from Hamilton County -- visited an adult Web site at least once. Nielsen-NetRatings found that 21.8 percent of all residents in Hamilton County who went online visited an adult site. The national average per month was 21.4 percent. In 2001 Hamilton County residents bought adult movies on pay-per-view TV at about the same rate as viewers did in other mid-sized TV markets. The numbers suggest county residents are quiet contributors to the adult industry's rapid growth. And with every purchase, they change Hamilton County's long-held notion of a community standard."

The video store owner who fought the obscenity charges brought by Hamilton County in a court trial was acquitted.

As these examples show, adult entertainment is popular even in conservative regions of the country. Of course, those who enjoy adult materials often do not announce themselves. Such matters remain, for many, private and personal. In addition, adult entertainment fans living in conservative regions risk being denounced and vilified if they were to reveal their true tastes. Nonetheless, thanks in major part to the Internet and to the anonymity and privacy that the Internet allows, there has been an enormous increase in the sheer numbers of Americans enjoying adult entertainment -- all over the nation.

And in larger urban areas, erotic fantasy -- portrayed by adults, for adults -- no longer carries the weight of shame or fear it once did for many people. At the same time that millions are partaking of adult entertainment in private, many others openly celebrate the genre. At AVN's Adult Entertainment Expo, which is held every year concurrently with the Consumer Electronics Show in Las Vegas, attendance is extraordinary. Over 33,000 visitors attended the 2006, four-day convention. Over 22,000 attended the Los Angeles' Erotica L.A. convention in June, 2004.

VI. THE CURRENT WAVE OF ATTACKS ON ADULT ENTERTAINMENT

In theory, as adult entertainment becomes more popular, more personal and more private, public policy should adjust accordingly with less regulation. After all, since there is no peer-reviewed scientific evidence demonstrating that viewing sexually-explicit material is harmful, what business is it of government what form of entertainment adults choose in private? Even the U.S. Supreme Court, in *Lawrence v. Texas*, has recognized that, "Liberty presumes an autonomy of self that includes freedom of thought, belief, expression, and certain intimate conduct."

Alas, the current trend is in the opposite direction. Social conservatives, enjoying a window of opportunity for their agendas in Washington, would roll back sexual "freedom of thought, belief, expression, and certain intimate conduct" entirely, if they could. Adult entertainment is predictably first on the list for their reactionary agenda. In 2005, the adult entertainment industry, despite the popularity of adult products as documented in this report, was targeted for numerous law enforcement, administrative and legislative initiatives at both state and federal levels.

For example, in 2005, following the stated intention of U.S Attorney General Alberto Gonzales to crack down on "obscenity" -- which is to say, adult entertainment, as seen by social conservatives -- the Department

of Justice “revised” its interpretation of 18 U.S.C. § 2257, a Federal Record-keeping and Labeling law in place since 1995, but never enforced. The DOJ announced that it intended to begin enforcing the law under the new rules.

Supposedly, § 2257 protects children by insuring that proper age identification records are kept. If that were the actual purpose of the law, the adult industry would support it. However, as written, and especially given the nature of the DOJ “revisions,” the law is patently irrational and unfair. For example, a Webmaster who bought photos from a third-party and had never actually had any contact with a model, under the DOJ revised version of § 2257, could receive a draconian mandatory prison sentence (based on child pornography penalties) for posting a photo without all the elaborate § 2257 record-keeping requirements on file — in other words for minor clerical errors -- even if the model involved was 65 years old!

Needless to say, the adult entertainment industry is not rolling over in the face of such flagrant attacks on the First Amendment. In June of 2005, Free Speech Coalition, on behalf of its 3500 members, filed a lawsuit in federal court against enforcement of 18 U.S.C. § 2257. The court subsequently enjoined enforcement of the most egregious parts of the “revised” law against FSC members, pending trial or other legal actions.

2005 also saw several high-profile obscenity prosecutions, and not against only the edgier, fringe forms of adult entertainment that might theoretically test the limits of community standards. The DOJ also targeted standard, middle-of-the-road adult entertainment. The problem with using criminal obscenity prosecutions to attack the adult entertainment industry is that this approach threatens a few individuals with disproportionately severe punishment -- penalties for obscenity convictions have been ratcheted up over the years until they are now on a par with terrorism or armed robbery -- for doing nothing more than providing entertainment for millions of fully consenting, appreciative adults -- entertainment that is enjoyed in private.

An escalating attack against freedom of expression is also taking place at state and local levels. Adult entertainment foes use local ordinances in an effort to block exotic dance clubs and adult stores. Zoning laws often require adult stores to locate in outlying industrial zones. In spite of this, local patrons of the clubs and stores remain plentiful and the adult businesses prosper. Most dance clubs and adult retail stores no longer fit the run-down, sleazy stereotype of yesteryear, but are upscale and thriving, with lots of customers. What is the justification for laws that discriminate against clubs and adult stores that serve millions of fully consenting, appreciative adults, behind closed doors?

VII. THE ADULT ENTERTAINMENT INDUSTRY AND HIV

Despite the fact that on-set practices as well as testing programs within the adult video industry delayed the advent of HIV in performer ranks for over 15 years, in early 1998 five performers tested positive for the disease. The impact of this proved to be a wake-up call, as performers and companies faced the immediate need for a no-nonsense, state of the art HIV testing program.

Today the adult video industry has just such a program, thanks to the Adult Industry Medical (AIM) Healthcare Foundation. Founded by Sharon Mitchell, Ph.D., AIM is in its 7th year of service to the industry (and the general public) and works cooperatively with the Los Angeles County Health Department.

In conjunction with the Los Angeles Department of Health Services, AIM has created a set of guidelines for the adult entertainment industry based on both county concerns and the wisdom of industry insiders. Every 30 days, each performer voluntarily tests for HIV by means of the best test available, the PCR-DNA test. Compliance with the testing regimen is nearly universal among performers. The artists inspect certified copies of each other's HIV tests before performances. There are also monthly tests for chlamydia, gonorrhea and syphilis.

In addition AIM guidelines call for using condoms whenever and wherever possible, monthly certified counseling as well as notification and treatment protocols if a performer were to be tested HIV positive. Routine Hepatitis and STD testing for a wide range of diseases is also recommended and routinely provided, as well as treatment when required. AIM has over 14 local testing sites in southern California and 40 nationwide. All staff are counselors certified by the Office of AIDS Policy and Program and by the County Department of Health Services.

In the spring of 2004, four adult performers contracted HIV, a tragic fact that resulted in great consternation within the industry and a media firestorm without. Some called for increased regulation. However, the AIM system, designed to quickly identify and avoid any spread of the virus, worked well to contain the spread of HIV during the emergency. As soon as the infection was discovered, the agency declared a moratorium on all productions until potentially infected persons could be found, quarantined and tested.

As a result of the measures taken under the AIM protection system, the outbreak was contained to those initial four cases. In addition, it is now standard within the industry to quarantine all new performers, and all performers returning from working abroad. Moreover, AIM has worked with adult video producers to create a database of sex scenes which is updated each day, so that performers can be notified of potential health risks within hours, and if necessary, quarantined to protect their health.

The industry-wide response to the 2004 HIV outbreak points to the maturity of the adult entertainment industry and the strong sense of responsibility most members of the industry feel toward talent and the health risks performers may face in doing their work. Because of industry support, AIM, in cooperation with FSC, was able to halt the spread of infection within the industry and protect the interests of the general public who might come into contact with infected performers.

VIII. FSC AND PUBLIC POLICY

As the trade association for the adult industry, Free Speech Coalition seeks to influence public policy through education, lobbying and -- as a last resort -- litigation.

Education

Free Speech Coalition works to correct misinformation and stereotypes about adult entertainment, providing testimony in the legislative process and being available for interviews in the media. FSC issues press releases, organizes public events, and provides written information such as that contained in this report. FSC maintains a library of information, research data, briefs on new and pending legislation and documents concerning historical legal findings and precedents.

Lobbying

Historically, adult entertainment has been regulated with at first non-existent and later insufficient dialogue between regulators and the industry being regulated. Until recent years, there was no recognized voice for the industry as a whole, other than an occasional lawyer representing an affected business. That pattern has changed dramatically. Free Speech Coalition currently employs lobbyists in Sacramento and in Washington, D.C. FSC also coordinates lobbying efforts with local FSC chapters and with Association of Club Executives (ACE) chapters throughout the country.

FSC also conducts an annual training program to educate members from all sectors of the industry in the political process. With support and supervision by FSC's Legislative Affairs Director Kat Sunlove, small groups of adult industry citizen lobbyists meet with California State legislators and staff to discuss issues related

to adult entertainment. The process has proven beneficial on both sides. The industry lobbyists gain a better understanding of the political process; and legislators and staff gain a better understanding of the adult industry.

Litigation

FSC enters into litigation when the issues involved are likely to set precedent or have an effect on the entire adult entertainment industry. For example, the U.S. Supreme Court decision in *Ashcroft v. Free Speech Coalition* (2002) overturned federal law that would have criminalized adult actors portraying underage characters in erotic scenes, both in adult entertainment and in mainstream materials.

Currently, as mentioned earlier in this report, FSC has mounted a challenge to irrational and unfair provisions in 18 U.S.C. § 2257, the Federal Record-keeping and Labeling law. In addition, in 2005 FSC filed a lawsuit against Utah's anti-spam "child protection registry," a law which purports to protect minors from receiving harmful email messages, but which fails to do what it promises, creates a state solution to a national and international problem, is constitutionally flawed in numerous respects and puts an unfair burden on responsible bulk e-mailers.

Thank you for your time in considering our positions. If you have any comments or questions, please feel free to contact Executive Director Michelle L. Freridge at the offices of the Free Speech Coalition, (866) 372-9373.

NOTES ON SOURCES FOR STATISTICS

The information used in this report was derived from numerous sources. The 2005 data compiled by AVN is the most reliable source and is referenced often. AVN has access to information that mainstream news sources do not. However, it should be noted that the majority of adult entertainment companies are privately held, making exact numbers difficult to verify even for AVN.

In addition to the AVN report, information came from Paul Kagan & Associates, Juniper Research, Hitwise, Internet Filter Review, W2 Forum, CBS News and the New York Times. Video Software Dealers Association (VSDA), the trade association for the entire home video industry, provided certain relevant information. Additional data came from a special survey of mail order and Internet content providers and from AVN Online. Information in the exotic dance sections of this report is based on statistics collected by the Association of Club Executives (ACE).

*Other information was drawn from a study reported at Arstechnica.com by computer science professors Maryam Kamvar and Shumeet Baluja; a 2005 Durex Global Sex Survey; a 2005 survey by the Pew Internet and American Life Project; and a 2004 report by Citizens for Responsibility and Ethics in Washington (CREW) (The CREW report, in turn, drew heavily from *Obscene Profits: The Entrepreneurs of Pornography in the Cyber Age* by Frederick S. Lane). Other sources include Yahoo! Internet Life, "Sex and the Internet - A Special Report," May 2001; A National Research Council Report; an MSNBC survey; a Forrester research report; a 2002 US National Academies' report on Youth, Pornography & the Internet; a U.S. News and World Report story; a 2003 study by Palisade Systems; and a report by Websense, Inc., a provider of employee filtering software.*