

PRIMARY

Sustainability Report

for the financial year
January 1, 2009 to December 31, 2009

Submitted for Public Review
by
Dan Hirt, President & CEO

January, 2009

About This Report: This Sustainability Report constitutes Primary Color’s first effort at publicly disclosing information regarding the gamut of initiatives we have in place – or contemplate – pursuant to our policy of actively promoting environmentally sound practices throughout our business. The purpose of this report is to provide information for our clients, our employees and our vendors regarding what we are doing to safeguard our environmental sustainability – now and in the future. The report also articulates our plans for future initiatives, as we consider sustainability to be a dynamic and ever-increasing process of education and implementation.

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Our Company:

- **Company Profile** – Primary Color Systems, Inc., 265 “A” Briggs Ave., Costa Mesa, CA, 92626. This facility houses our corporate headquarters, our large-format OOH manufacturing group, our Orange County prepress team, variable data digital printing operation, software solutions and R&D divisions, Giclee fine art reproduction center and a fulfillment/distribution hub.

Our El Segundo facility, located at 401 Coral Circle, El Segundo, CA 90245, houses our litho printing operation, our Los Angeles prepress team, our binding and finishing department and a fulfillment/distribution hub.

- **Company Organization – Departments and Groups:**

The company’s core operating units are as follows:

- Prepress/Premedia
 - Assembly for print manufacturing, both internally and globally
 - Assembly for ad insertions
 - Creative retouching
 - Scanning
 - Preflight
 - Asset conformation to corporate gold standards
 - Remote proofing and approval management
 - Digital asset management
- Output
 - 8/color 41” Heidelberg XL105
 - 8/color 40” Heidelberg CD102 interdeck UV
 - 6/color 40” Heidelberg CD102 with aqueous coating
 - VUTEk PV200 600 dpi UV printer with 80” output
 - VUTEk 5330 8/color 660 dpi rotary printer with 16’ output
 - Roland SolJet with 74” and 54” output
 - Epson Stylus with 44” output
 - Roland Giclee printer with 12/color output (5 blacks)
 - Durst-Lambda photographic output
 - Hewlett Packard Indigo 5000 variable data digital duplex press
- Finishing
 - Litho finishing includes cutting, folding, saddle stitching, scoring and packaging
 - Large Format finishing includes in-line folding and gluing, hemming, welding, die cutting and “x-y-z” routing.
- Solutions
 - Marketing Automation solutions include e-commerce portals, web-to-print portals, cross media campaign construction and execution and fulfillment / distribution systems.
 - Print-on-Demand systems
 - Traditional Fulfillment and Distribution

- Customer-Facing Technologies include remote proofing and approval management, digital asset management and color management systems
- Global Graphics Management offers corporate imaging groups the ability to assure brand- and asset-consistency on a worldwide platform

Our Sustainability Initiatives

Focal Points

- Aggressively promote the specification and usage of recycled and/or environmentally-managed products
 - As an FSC-certified company, Primary Color encourages and promotes the specification of environmentally-managed products
 - For large format out-of-home products, Primary Color encourages the specification and usage of recyclable vinyl, fabrics, textiles, hard board and inks
- Maximize recycling opportunities
 - 100% of our press waste is collected daily and recycled
 - All cardboard is recycled
 - Ink waste – classified as a hazardous material – is removed in accordance with EPA regulation
 - Vinyl waste is recycled
- Reduce VOC usage and consumption in print manufacturing
 - Although they cost more, Primary Color has transitioned its pressroom to run low- and no-VOC inks, washes and fountain solutions. In the past two years, the company’s VOC usage has been reduced by 60% while, during the same interval, our sheetfed business has grown by 25%. In addition, UV inks are, by definition, VOC-free.
- Reduce overall paper usage
 - State-of-the-art presses offer quicker make-readies, which equate to reduced tonnage requirements per printed job
- Reduce running waste
 - Advanced press technologies such as automated register systems and ink pre-sets, coupled with pre-press color management, increase the fidelity of printed imagery, thus requiring fewer run adjustments and overruns to account for spoilage
- Minimize emissions
 - Primary Color has instituted several emission reduction programs, including the following:
 - Installation of UV interdeck curing on one of its 8/color presses
 - Phase-out of gasoline powered delivery fleet in favor of hybrid vehicles

- I.T. Initiatives
 - Primary Color launched a computer and data consolidation program in 2006 – the result of which is a more efficient system. The core aspect of consolidation is virtualization, in which one computer takes the place of many, with clear energy consumption benefits.
 - In October of 2007, Primary Color implemented the HagenOA operating system, which now constitutes the company’s production and information backbone. This state-of-the-art system allows us to collect far more data than ever before, in real time. Data is sortable, and can be output as production tickets, invoices or reports. Paper output has been dramatically reduced, since all data is available online.
- Physical plant initiatives
 - White paper waste is collected and recycled
 - Plastic bottles and aluminum cans are collected and recycled
 - HVAC system is energy-efficient
 - Lighting system in office areas are motion-activated
 - Lighting in manufacturing areas are zoned, thus allowing lights to be turned off in unused areas without affecting active production areas
- Transportation Initiatives
 - In 2006, the company began the process of replacing elements of its delivery fleet with hybrid vehicles. By January of 2007, the company operated four such vehicles (Toyota Prius). The net environmental impact was approximately 350 fewer gallons of gasoline per vehicle, or 1,410 fleet gallons. CO2 emissions for the four vehicles were reduced by 68% during the calendar year as well.
 - The company’s aggressive adoption of remote proofing technology reduced our number of customer round trip drop-offs / pick ups by 5% during the calendar year. We anticipate a 100% increase to 10% in calendar year 2008.

Our Sustainability Management Systems

Primary Color has chartered an Environmental Initiative Committee, which meets monthly to review existing programs and to evaluate potential initiatives. Members of the committee include:

- Mike Hirt, Vice President of Manufacturing Services
- Ed Phillips, Print Division Manager
- Jay Sato, Chief Technology Officer
- John Wersbe, Account Executive
- John Russi, Production Manager

The Environmental Initiative Committee has established internal audit procedures for all recycling and environmental initiatives. Their first comprehensive report will be issued in June of 2008.

In addition, the company has enlisted several companies to assist in the process of instituting external audits. Those companies are:

- Waste Management, Inc. – cardboard products
- Enviroserv, Inc. – hazardous waste products
- Big Green Marble – vinyl products
- Southern California Edison – electricity usage reduction

Our Customers

Sustainability and Customer Needs

- Environmental responsibility has become a core responsibility for those who specify and purchase graphic arts products and services. Those whose responsibility entails corporate imaging, advertising and marketing have been aggressive in their desire to implement “green” initiatives. Primary Color has taken the initiative to provide such solutions, and to introduce new methods and technologies as they arise. It is now the rule, rather than the exception, for production specifications to include recycled materials and environmentally safe products and processes. We consider it our responsibility to our customers – and our commitment to the well-being of our planet – to pioneer all conceivable and practical methods of conservation and environmental responsibility.
- The implementation of remote proofing and approval management systems has had a dramatic impact on our ability to reduce, and measure, our carbon footprint with specific customers. In the past, the proofing cycle involved several rounds of “hard” proofs, which consist of paper, laminates and chemicals. Today, color-calibrated monitors at client sites assure the accurate viewing of proofs without the transmission of “hard” copies via courier or via sales visits. The net result is less material consumption, the elimination of chemicals from the process, and less gasoline consumed for proof transportation.

Our Employees

Leadership

- Since its inception in 1985, Primary Color has been a leader in providing cutting-edge solutions for its customers. Today, our customers and our employees expect us to continue this tradition of innovation, but to do so in an environmentally-sound manner. It has therefore become a guiding principle for our company to seek and implement initiatives that allow us to be conscientious and active environmental stewards.
- Our continuous improvement program (PC-CIP) was launched in 2004 to address manufacturing and production efficiencies that lead to a better-

controlled work environment. It was both logical and practical, therefore, to include environmental initiatives as part of PC-CIP. The same methodologies that have led us to address problems and offer remedies to production issues works very well with environmental concerns as well. Of course, we monitor our methodology on a regular basis, but it is fundamentally sound, and productive.

- In order to maintain the efficacy of our sustainability program, we have invested heavily in our employees' continuous training and education. It is they who carry out our policies, and it they who assume the individual responsibility of implementation within their sphere of influence. In order to assure the continuation of this process, we have designated our Human Resources coordinator as the focal point for continuous improvement. He or she must own the process of competency management and assure that each employee knows his or her role and responsibility.

Educating Our Public

Primary Color has a long history of educating its clients on several fronts: lunch 'n learn sessions, sponsorship of notable industry speakers and by communicating our policies, procedures and initiatives to our sales team who, in turn, disseminate information to our clients. We have also allocated space in our company newsletters for environmental concerns, and will continue to do so in the future. In Q2 of 2008, we hosted a series of lunch 'n learn sessions devoted to those green initiatives that encompass our various manufacturing and service offerings.