State of California

BOARD OF EQUALIZATION

SALES AND USE TAX REGULATIONS

Regulation 1532. TELEPRODUCTION OR OTHER POSTPRODUCTION SERVICE EQUIPMENT.

Reference: Section 6378, Revenue and Taxation Code.

(a) PARTIAL EXEMPTION FOR PROPERTY PURCHASED FOR USE IN TELEPRODUCTION OR OTHER POSTPRODUCTION SERVICES. Commencing on January 1, 1999, section 6378 of the Revenue and Taxation Code provides a partial exemption from sales and use tax for certain properties described in this regulation.

For the period commencing on January 1, 1999, and ending on December 31, 2000, the partial exemption applies to the taxes imposed by sections 6051, 6051.3, 6201, and 6201.3 of the Revenue and Taxation Code (5%), but does not apply to the taxes imposed pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

For the period commencing on January 1, 2001, and ending on December 31, 2001, the partial exemption applies to the taxes imposed by sections 6051 and 6201 of the Revenue and Taxation Code (4.75%), but does not apply to the taxes imposed pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

For the period commencing on January 1, 2002, and ending on June 30, 2004, the partial exemption applies to the taxes imposed by sections 6051, 6051.3, 6201, and 6201.3 of the Revenue and Taxation Code (5%), but does not apply to the taxes imposed pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

For the period commencing on July 1, 2004, the partial exemption applies to the taxes imposed by sections 6051, 6051.3, 6051.5, 6201, 6201.3, and 6201.5 of the Revenue and Taxation Code (5.25%), but does not apply to the taxes imposed or administered pursuant to sections 6051.2 and 6201.2 of the Revenue and Taxation Code, the Bradley-Burns Uniform Local Sales and Use Tax Law, the Transactions and Use Tax Law, or section 35 of article XIII of the California Constitution.

Subject to the limitations set forth above, this partial exemption applies to sales or use taxes imposed on the gross receipts from the sale of, and the storage, use, or other consumption in this state of, any of the following items:

(1) Tangible personal property as defined in subdivision (c)(5) purchased for use by a qualified person to be used primarily in teleproduction or other postproduction services.

(2) Tangible personal property as defined in subdivision (c)(5) purchased for use by a qualified person to be used primarily to maintain, repair, measure, or test any property described in subdivision (a)(1).

(b) PROPERTY USED PRIMARILY IN ADMINISTRATION, GENERAL MANAGEMENT, OR MARKETING. Notwithstanding any other provision of this regulation, this partial exemption shall not apply to any tangible personal property that is used primarily in administration, general management, or marketing. For purposes of this subdivision, tangible personal property is used primarily in administration, general management, or marketing when it is used 50 percent or more of the time in one or more of those activities for the one year period following the date of purchase of the property.

(c) DEFINITIONS. For purposes of this regulation:

(1) “Primarily” means tangible personal property as defined in subdivision (c)(5) of this regulation used 50 percent or more of the time in an activity described in subdivision (a) for the one-year period following the date of purchase of the property. Tangible personal property shall not be considered used in such activities for any period of time that the property is located outside the state, regardless of how the property is used while outside the state.

(2) "Qualified person" means any person whose line of business is primarily engaged in teleproduction or other postproduction activities, including postproduction audio services for film, television, and video productions, described in Code 512191 of the North American Industry Classification System (NAICS) Manual published by the United States Office of Management and Budget, 1997 edition, and as further defined in (c)(4) of this regulation. The term "qualified person" does not include persons whose line of business is primarily engaged in portrait studios providing still, video, or digital portrait photography services (NAICS Code 541921, incorporated herein by reference), or commercial photography services (NAICS Code 541922, incorporated herein by reference). For the purposes of this subdivision:

(A) "Primarily engaged" means 50 percent or more of gross revenues, including intra-company charges, are derived from teleproduction or other postproduction activities for the financial year of the purchaser preceding the purchase of the property. In cases where the purchaser was not primarily engaged in "teleproduction or other postproduction services" for the financial year preceding the purchase of the property, the one year period following the date of purchase of the property will be used. In the case of a nonprofit teleproduction or other postproduction establishment, "primarily engaged" means 50 percent or more of the funds allocated to the establishment are attributable to teleproduction or other postproduction services.

(B) For purposes of classifying a line of business, the economic unit shall be the "establishment" and the classification of the line or lines of business will be based on the establishment's primary activity based upon gross revenues.

(C) "Establishment" is defined as the smallest operating unit for which records provide information on the revenues and cost of operations incurred to perform the teleproduction or postproduction services.

1. The services may be provided to other divisions within the same entity or to related parties with or without direct compensation.

2. Establishments may include, but are not limited to, departments, divisions, subdivisions and product lines.

(3) "Sale" includes the producing, fabricating or processing of tangible personal property for a consideration for consumers who furnish either directly or indirectly the materials used in the producing, fabricating or processing. When performed outside this state or when the customer issues a resale certificate, a "purchase" includes the producing, fabricating or processing of tangible personal property for a consideration for consumers who furnish either directly or indirectly the materials used in the producing, fabricating or processing. If such producing, fabricating or processing is performed on property described in subdivision (a)(1) or (a)(2) of this regulation for a qualified person and the other requirements for the partial exemption in this regulation are met, the partial exemption applies to the gross receipts or sales price for such producing, fabricating, or processing.

(4) "Teleproduction or other postproduction services" means services for film, video, or digital multimedia formats (audio or visual) that include editing, film and video transfers, transcoding, dubbing, subtitling, credits, close captioning, audio production, special effects (visual or sound), graphics, or animation. For the purposes of this regulation, "teleproduction or other postproduction services" includes postproduction services and does not include production services or activities. "Teleproduction or other postproduction services" include the duplicating of film for postproduction purposes. However, the duplication of film to make release prints does not qualify as a "teleproduction or other postproduction service."

The term "teleproduction or other postproduction services" also includes, but is not limited to:

(A) Services performed to transform, manipulate, assemble, and duplicate visual moving images and synchronous sound previously captured on film, video, or digital formats (audio or visual) or as data during principal photography.

(B) Services to create digital images, models, miniatures or sounds that may be, but are not required to be combined with live action images. Teleproduction or other postproduction services does not include the recording of music except music recorded with synchronous visual images.

(C) Film processing; film to tape transfers; tape to tape transfers; DVD or digital audiovisual multimedia format authoring and encoding; color correction; digitizing; on-line and off-line editing; negative cutting; assembling;

animation, creating 2d images, creating 3d images (CGI), visual effects; compositing; digital video image manipulation; dirt fixes; motion control visual effects capture; scanning and recording to or from film, video or data; transform; standards or format conversion; transcoding; duplication (except as provided); titles; subtitling; credits; closed captioning; creating graphics; audio scoring; automated dialogue replacement; foley; audio mixing; audio editing; audio laybacks; audio laydowns; audio special effects; management of visual or audio assets and related files stored as data; film, video or audio (dialogue, music and effects) restoration and preservation; archiving, format transfer utilizing compression standards; film cleaning; quality control processes performed in conjunction with any other postproduction process; and creation of data files related to a service defined above.

Definitions of the terms used in this subdivision are provided in Appendix C.

(D) The providing of postproduction facilities, such as personnel and scoring stages or equipment where the provider is deemed to be providing a qualified teleproduction or other postproduction service, is not a lease of tangible personal property.

The providing of special configured equipment to be used in (A) through (D) above with 24 hour a day, 7-day a week available on site technical support where the provider is deemed to be providing a qualified teleproduction or other postproduction service, is not a lease of tangible personal property.

(5) “Tangible personal property” includes, but is not limited to, all of the following:

(A) Machinery and equipment, including component parts. Machinery and equipment includes, but is not limited to, duplication equipment used for postproduction purposes and any property used to provide teleproduction or other postproduction services that is mounted or installed in a vehicle.

(B) All equipment or devices used or required to operate, control, regulate, or maintain the machinery, including, without limitation, audio and visual monitoring equipment, scopes, computers, data processing equipment, electronic data storage equipment, including both internal and external devices, consoles which are custom built, which have open compartments in which tangible personal property described in subdivisions (a)(1) and (a)(2) is placed and which are not suitable for use for other purposes, equipment racks and computer software, including both operating programs and application programs. This also includes all repair and replacement parts with a useful life of one or more years whether purchased separately or in conjunction with a complete machine and regardless of whether the machine or component parts are assembled by the taxpayer or another party. Repair and replacement parts that are treated as a depreciable asset for financial purposes will be treated as having a useful life of more than one year for the purposes of this regulation, even when such items are expensed for income tax purposes under the special provisions of Internal Revenue Code Section 179.

(C) Materials (as defined in Regulation 1521), only when purchased by a qualified person as tangible personal property and not pursuant to a construction contract, unless the construction contractor is the retailer of materials under Regulation 1521(b)(2)(A)(2); fixtures; or other tangible personal property used to operate, control, regulate, or maintain the property described in subdivisions (a)(1) and (a)(2) which may subsequently be incorporated into real property, including but not limited to items such as air conditioning units dedicated to cooling equipment, electrical UPS (uninterrupted power source) units, sub-flooring, specialized lighting, sound insulation, hydraulics, cabling, routers, patch bays, hubs, robotic storage and retrieval equipment, switchers, satellite and/or other telecommunications equipment used to facilitate the distribution or movement of elements (in either video or data form) between all the various parties collaborating in the completion of a film or video project as part of the postproduction process.

(6) “Tangible personal property” does not include any of the following:

(A) Furniture, inventory, meals, vehicles (including those in or on which qualifying property is mounted or installed,) or equipment used to store products. The term “furniture” includes, but is not limited to, tables, chairs, desks or consoles other than those described in subdivision (c)(5)(B).

(B) Real property.

(d) TAXES AS TO WHICH THE PARTIAL EXEMPTION DOES NOT APPLY. This partial exemption does not apply to any tax levied by a county, city, or district pursuant to, or in accordance with, either the Bradley-Burns Uniform

Local Sales and Use Tax Law (Rev. & Tax. Code §§ 7200 et seq.) or the Transactions and Use Tax Law (Rev. & Tax Code §§ 7251 et seq.).

This partial exemption also does not apply to any tax levied pursuant to section 6051.2 and 6201.2 of the Revenue and Taxation Code, or pursuant to section 35 of article XIII of the California Constitution.

(e) SECTION 6378 EXEMPTION CERTIFICATE.

(1) Qualified persons who purchase or lease tangible personal property from an in-state seller, or an out-of-state seller obligated to collect use tax, must provide the seller with a section 6378 exemption certificate in order for the seller to claim the partial exemption. If the seller takes a complete section 6378 exemption certificate timely and in good faith, the certificate relieves the seller from the liability for the sales tax subject to exemption under this regulation or the duty of collecting the use tax subject to exemption under this regulation. A certificate will be considered timely if it is taken any time before the seller bills the purchaser for the property, any time within the seller's normal billing or payment cycle, or any time at or prior to delivery of the property to the purchaser.

A section 6378 exemption certificate which is not taken timely will not relieve the seller of the liability for tax excluded by the partial exemption unless the seller presents satisfactory evidence to the Board that the specific property was sold to a qualified person and primarily used in a qualifying manner.

The exemption certificate form set forth in Appendix A may be used as an exemption certificate.

(2) BLANKET CERTIFICATES. In lieu of requiring an exemption certificate for each transaction, a qualified person may issue a blanket exemption certificate. The blanket exemption certificate form set forth in Appendix B may be used as an exemption certificate. Qualified persons claiming the partial exemption through a blanket exemption certificate must make a clear reference to the blanket exemption certificate in documents such as their written purchase orders, sales agreements, leases, or contracts. Qualified persons claiming the partial exemption must also include in the document referencing the blanket exemption certificate a description of the property.

(3) FORM OF CERTIFICATE. Any document, such as a letter or purchase order, timely provided by the purchaser to the seller will be regarded as an exemption certificate with respect to the sale of the property described in the document if it contains all of the following essential elements:

(A) The signature of the purchaser or an agent or employee of the purchaser.

(B) The name and address of the purchaser

(C) The seller's permit number held by the purchaser, or a notation to the effect that the purchaser is not required to hold a permit.

(D) A statement that the property acquired is to be used primarily in teleproduction or other postproduction services or to be used primarily to maintain, repair, measure, or test any such property.

(E) A statement that the purchaser is a qualified person primarily engaged in teleproduction or other postproduction services as described in Regulation 1532.

(F) Description of property purchased, including sales price or rentals payable.

(G) Date executed.

(4) RETENTION AND AVAILABILITY OF CERTIFICATES. A seller must retain each exemption certificate, including a blanket exemption certificate, received from a qualified person for a period of not less than four years from the date on which the seller claims a partial exemption based on the exemption certificate. If a qualified person issues a blanket exemption certificate, the seller must also retain all documents, such as purchase orders, sales agreements, lease agreements, or contracts referencing the blanket exemption certificate and all invoices containing the sales price of the property that the qualified person claims is partially exempt by reference to the blanket exemption certificate. Such documents shall be retained for a period of not less than four years from the date on which the seller claims a partial exemption based on the reference to the blanket exemption certificate.

While the Board will not normally require the filing of the section 6378 exemption certificate with a sales and use tax return, when necessary for the efficient administration of the Sales and Use Tax Law, the Board may, on 30 days' written notice, require a seller to commence filing with its sales and use tax returns copies of all certificates. The

Board may also require that, within 45 days of the Board's request, sellers furnish to the Board any and all exemption certificates, or copies thereof, accepted for the purpose of supporting the partial exemption.

(5) If a purchaser who issues a section 6378 exemption certificate pursuant to subdivision (e)(1), (2), or (3) subsequently does not meet the requirements of a qualified person as set forth in subdivision (c)(2) or does not use the property in a manner or for the purpose which entitles the purchaser to the partial exemption, or if a purchaser issues a Section 6378 exemption certificate pursuant to subdivision (e)(1), (2), or (3) for property that does not qualify for the partial exemption, the purchaser shall be liable for payment of the sales tax excluded by the partial exemption, with applicable interest, to the same extent as if the purchaser were a seller making a retail sale of the property at the time of conversion. The sales price of the property to the purchaser shall be deemed to be the gross receipts from that retail sale.

(f) USE TAX. With respect to tangible personal property the use of which is subject to use tax, any purchaser claiming the partial exemption pursuant to section 6378 of the Revenue and Taxation Code must file a sales and use tax return or consumer use tax return for the period in which the property is first stored, used, or consumed in California unless the seller holds a valid California seller's permit or a certificate of registration – use tax and collects the use tax. The purchaser will not be relieved of his or her liability to pay any applicable use tax that is excluded from the partial exemption as provided in subdivision (d) of this regulation until such tax is remitted either to a vendor who issues a receipt which meets the requirements of Regulation 1686 or directly to the Board.

(g) CONVERSION OF PROPERTY TO A USE NOT QUALIFYING FOR THE PARTIAL EXEMPTION. Property that, within one year from the date of purchase, is removed from California, converted from an exempt use under this regulation to some other use not qualifying for the partial exemption, or used in a manner not qualifying for the partial exemption under this regulation, such as a lease to a non-qualified person, is used in a non-qualifying manner. If, as a result of the total non-qualifying use, the property is not primarily used, as defined in subdivision (c)(1), in a qualifying activity, the partial exemption shall not apply. In determining the non-qualifying use, two or more non-qualifying uses that occur at the same time shall be counted as one. For example, a lease to a non-qualified person of property that is removed from California shall be considered as one non-qualifying use for the period it was removed from California and leased to a non-qualified person.

The property shall not, however, be regarded as converted to a use not qualifying for the partial exemption if the qualified person sells or leases the property to a qualified person for qualified use in California.

For purposes of this subdivision, tangible personal property shall not be regarded as being converted to a non-qualifying use if such property is used for teleproduction or other postproduction services in this state for more than one half of the one year period from the date of purchase of the property.

(h) PURCHASER'S LIABILITY FOR THE PAYMENT OF SALES TAX. If a purchaser submits a section 6378 exemption certificate to the seller, and then within one year of the date of purchase of the property converts that property as described in subdivision (g) from an exempt use pursuant to this regulation to some other use not qualifying for the partial exemption, the purchaser shall be liable for payment of sales tax excluded by the partial exemption, with applicable interest, to the same extent as if the purchaser were a seller making a retail sale of the property at the time the property was so removed, converted, or used; and the sales price of the property to the purchaser shall be deemed to be the gross receipts from that retail sale. In the case of a non-qualifying lease, the payment of sales tax by a purchaser when included on the return for the period covering the date of conversion shall be deemed to be a timely election to pay tax based on the purchase price.

(i) LEASES.

(1) LEASES - IN GENERAL. Leases of tangible personal property which are classified as "continuing sales" and "continuing purchases" of tangible personal property, in accordance with Regulation 1660, "Leases of Tangible Personal Property - In General," may qualify for the partial exemption subject to all the limitations and conditions set forth in this regulation. This partial exemption may apply to rental receipts paid by a qualified person with respect to a lease of tangible personal property to the qualified person, which tangible personal property is used as set forth in subdivisions (a)(1) and (a)(2) of this regulation, notwithstanding the fact that the lease was entered into prior to the operative date of this regulation. For purposes of this subdivision, a non-qualified person may purchase property for resale and subsequently lease the property to a qualified person subject to the partial exemption.

A lessee is a qualified person if the lessee is "primarily engaged" in teleproduction or other postproduction activities and meets the requirements of a qualified person set forth in subdivision (c)(2).

(2) LEASES OF TAX-PAID PROPERTY. The partial exemption does not apply to the sale of property to, or the storage, use, or other consumption of property by, a person who is not a qualified person even if that person subsequently leases the property to a qualified person.

(3) LEASE OF PROPERTY BY A QUALIFIED PERSON. If a qualified person has acquired property subject to the partial exemption provided by this regulation, the subsequent lease of that property will not be subject to tax measured by rental receipts. A lease of property to a qualified person for use in a qualified manner constitutes a qualifying use of the property by the lessor. If, however, the property is used in a manner not qualifying for the exemption, such as being leased to a non-qualified person in the aggregate for more than one half of the one year period following the date of purchase by the qualified person, such property is not considered to be primarily used in "teleproduction or other postproduction services." Therefore, the lessor will be liable for tax in accordance with subdivision (e)(5).

For example, if a qualified person purchases property under the partial exemption, and then leases the property to a non-qualified person, the lease receipts will not be subject to tax as the purchaser has elected to pay tax on their cost. However, if the qualified person who purchases the property leases the property to a non-qualified person for more than one half of the one year period following the date of purchase, the lessor is not using the property in a qualifying manner and is responsible for the tax excluded by the partial exemption based upon the purchase price of the property.

(4) LEASES–RECHARACTERIZATION. With respect to transactions which the parties denominate as a "lease," but which are recharacterized for sales and use tax purposes either as sales at their inception, pursuant to Regulation 1641, "Credit Sales and Repossessions," subdivision (b), or as sales under a security agreement, Regulation 1660, "Leases of Tangible Personal Property - In General," subdivision (a)(2), the transactions may qualify for the partial exemption, in accordance with this regulation.

(5) LEASES–ACQUISITION SALE AND LEASEBACK. A qualified person will be regarded as having paid sales tax reimbursement or use tax with respect to that person's purchase of property, within the meaning of those words as they are used in ~~S~~section 6010.65 of the Revenue and Taxation Code, if the qualified person has paid all applicable taxes with respect to the acquisition of the property, notwithstanding the fact that the sale and purchase of the property may have been subject to the partial exemption from tax provided by this regulation.

(j) RECORDS. Adequate and complete records must be maintained by the purchaser to support that the property purchased was used primarily in the performance of teleproduction or other postproduction services for a period of no less than one year prior to conversion of the property to a non-qualifying use or use by a non qualifying party.

(k) OPERATIVE DATE. This regulation is operative as of January 1, 1999. The partial exemption under section 6378 of the Revenue and Taxation Code only applies to qualifying tangible personal property that is sold or first stored, used, or consumed in California on or after the operative date.

Regulation 1532 *(Continued)*

History: Adopted October 6, 1999, effective January 8, 2000.

Amended December 14, 2000, effective February 13, 2001. Subdivision (a) and Appendices (A) and (B) –incorporated new tax rate of 4.75% effective January 1, 2001, in first paragraphs.

Amended October 29, 2001, effective May 17, 2002. Subdivision (a), second unnumbered paragraph – phrase "and ending on December 31, 2001" added. New third unnumbered paragraph added. Appendices (A) and (B) – incorporated new tax rate of 5.0% effective January 1, 2002, in first paragraphs.

Amended August 24, 2004, effective November 12, 2004. Subdivision (a)-in 3rd un-numbered paragraph added phrase "and ending on June 30, 2004," Added new fourth un-numbered paragraph to reflect the increase of the state portion of the sales and use tax to 5.25% on July 1, 2004. Appendices A and B - incorporated new tax rate of 5.25% effective July 1, 2004 in first paragraph. Deleted the word "their" and replaced with "his or her" to the sentence under the purchaser's information box.

Section 6378 Exemption Certificate

Please Note*:* This is a partial exemption from sales and use tax at the rate of 5.25% effective July 1, 2004, 5% from January 1, 2002 to June 30, 2004, 4.75% from January 1, 2001 to December 31, 2001, and 5% from January 1, 1999 to December 31, 2000. You are not relieved from your obligations for the local and district taxes on this transaction. This partial exemption also does not apply to any tax levied pursuant to section 6051.2 and 6201.2 of the Revenue and Taxation Code, or pursuant to section 35 of article XIII of the California Constitution. The exemption is specific to these transactions only and may not be construed to exempt other transactions. This exemption also applies to lease payments made on or after January 1, 1999, notwithstanding the fact that the lease agreement was entered into prior to January 1, 1999. This certificate may *not* be used to purchase certain property such as, furniture, inventory, meals, vehicles, equipment used to store products or real property.

Seller's Name
Seller's Address (Street, City, State, Zip Code)

PURCHASE ORDER NUMBER	DATE OF PURCHASE ORDER	DESCRIPTION OF PROPERTY PURCHASED OR LEASED*	SALES PRICE/ RENTALS PAYABLE

I hereby certify that I am a qualified person primarily engaged in teleproduction or other postproduction services as described in Regulation 1532 and that the property listed above will be used primarily in teleproduction or other postproduction services or to maintain, repair, measure or test any such property. I understand that if such property is used outside the State of California or leased to a non-qualified person in the aggregate for more than one half of the one year period following the date of purchase or lease, or if such property is converted for use in a manner not qualifying for the exemption, that I am required by the Revenue and Taxation Code to report and pay the state sales/use tax measured by the sales price of the property to/by me.

PRINT NAME	TITLE	COMPANY NAME
SIGNATURE	DATE	PERMIT NUMBER (if applicable)*
ADDRESS	CITY	STATE, ZIP

Seller must retain a copy of this exemption certificate to support a deduction taken on his or her return.

* A seller's permit is required to be held by any person engaged in the business of selling tangible personal property in California. Certain lessors must also hold a seller's permit. If you are not required to hold a seller's permit because you make no sales or leases of tangible personal property in California, please enter "Not Applicable".

APPENDIX A

Section 6378 Blanket Exemption Certificate

Please Note*:* This is a partial exemption from sales and use tax at the rate of 5.25% effective July 1, 2004, 5% from January 1, 2002 to June 30, 2004, 4.75% from January 1, 2001 to December 31, 2001, and 5% from January 1, 1999 to December 31, 2000. You are not relieved from your obligations for the local and district taxes on this transaction. This partial exemption also does not apply to any tax levied pursuant to section 6051.2 and 6201.2 of the Revenue and Taxation Code, or pursuant to section 35 of article XIII of the California Constitution. This exemption also applies to lease payments made on or after January 1, 1999, notwithstanding the fact that the lease agreement was entered into prior to January 1, 1999. This certificate may ***not*** be used to purchase certain property such as furniture, inventory, meals, vehicles, equipment used to store products or real property.

SELLER'S NAME
SELLER'S ADDRESS (Street, City, State, Zip Code)

I hereby certify that I am a qualified person primarily engaged in teleproduction or other postproduction services as described in Regulation 1532 and that the property purchased or leased will be used primarily in teleproduction or other postproduction services or to maintain, repair, measure or test any such property. I understand that if such property is used outside the State of California or leased to a non qualified person in the aggregate for more than one half of the one year period following the date of purchase or lease, or if such property is converted for use in a manner not qualifying for the exemption, that I am required by the Revenue and Taxation Code to report and pay the state sales/use tax measured by the sales price of the property to/by me.

PRINT NAME	TITLE	COMPANY NAME
SIGNATURE	DATE	PERMIT NUMBER (if applicable)*
ADDRESS	CITY	STATE, ZIP

Seller must retain a copy of this exemption certificate to support a deduction taken on his or her return.

* A seller's permit is required to be held by any person engaged in the business of selling tangible personal property in California. Certain lessors must also hold a seller's permit. If you are not required to hold a seller's permit because you make no sales or leases of tangible personal property in California, please enter "Not Applicable."

APPENDIX B

Technical Definitions

DVD (Digital Video Disk) - is a medium for recording compressed audio, visual images and other related data.

Digitizing – Process of converting video containing audio, visual images and other related data into digital format.

Assembly – Combining audio, visual images and other related data into proper sequence and recording to a new edited master videotape pursuant to instructions provided by editor.

Creating 2D Images – Process of enhancing original elements captured through principal photography by creating or manipulating two dimensional images.

Creating 3D Images (CGI) – process of creating three-dimensional images that will ultimately be recorded on film, video or other multimedia format.

Dirt Fixes – Process to electronically "clean up" or "remove" undesirable elements such as dirt and film scratches from visual images.

Digital Video Image Manipulation – This process includes: compositing multiple layers of visual images, changing aspect ratio or scale, flip, defocus, rotate, resize, reposition, crop, color correction, apply special effects such as warping the image, create transitional effects between scenes or shots.

Motion Control Visual Effects Capture – Recording flat art such as pictures and logos and applying movement to the visual image such as pan, scan, zoom. Motion Control Capture could also create tracking points through recording movement of a live subject that will be applied to a computer generated image.

Transcoding – Converting video and audio formats.

Duplication – Process of making film or videotape copies excluding film processing to produce release prints as defined in Regulation 1529 or duplication of video tapes intended for non-broadcast consumer sale or rental.

Automated Dialogue Replacement (ADR) – Recording new dialogue or re-recording dialogue where the production sound is unusable or obscured.

Foley – Process of adding to or replacing sound elements that enhance ambient sounds such as footsteps, doors closing, breathing, rustling of clothes, keys jangling in pockets and punches.

Audio Laybacks – Recording the completed audio back to a videotape or film master.

Audio Laydowns – Recording sound from an audio source or video element to another audio element.

Quality Control (QC) – Process by which a film print or videotape is evaluated to make sure it meets technical requirements.

Archiving – Processes involved in preparing and storing film, videotape or other multimedia elements for future use.

Format Transfer Utilizing Compression Standards – To transfer video or audio format utilizing a compression standard to allow for more efficient file size management or file format changes.

Management of Visual or Audio Assets and Related Files Stored as Data – Process of creating database with specified reference points to allow for timely search and retrieval of elements by multiple users through central file servers.

Creation of Data Files Related to a Teleproduction or other Postproduction Service – Data files contain information that is related to the visual and audio information stored on film, video or other multimedia format such as timecode, keycode/flex files, edit decision lists.

APPENDIX C