

PHONOGRAPHIC PERFORMANCE LIMITED

DISTRIBUTION RULES

This document sets out the rules applicable to the distribution of monies collected by PPL in respect of the licensing of the rights controlled by PPL in the United Kingdom.

CONTENTS

Rule One	Aims
Rule Two	List of Definitions
Rule Three	Qualification of Sound Recordings
Rule Four	Qualifying performances
Rule Five	The distribution scheme
Rule Six	Costs allocation
Rule Seven	Funds
Rule Eight	Profiles
Rule Nine	Reserve Funds
Rule Ten	Division of Net Distributable Revenue between Record Companies and Performers
Rule Eleven	Allocation of revenues between Record Companies
Rule Twelve	Allocation of revenues between Performers
Rule Thirteen	Payments to Record Companies
Rule Fourteen	Payments to Performers
Rule Fifteen	Adjustments
Rule Sixteen	Additional provisions
Schedule One	Sound Recording Qualification
Schedule Two	Performances
Schedule Three	Performer Qualification
Schedule Four	Record Company Allocation Rules
Schedule Five	Performer Allocation Rules

**RULE ONE
AIMS**

- 1.1 The aims of PPL's Distribution Rules are to ensure that:
- (1) the licence fees collected by PPL are distributed and paid to Record Companies and Performers fairly, efficiently, accurately, promptly and in a cost effective manner;
 - (2) the licence fees are allocated to Record Companies and Performers fairly in accordance with the usage of their Sound Recordings; and
 - (3) PPL's distributions are in accordance with PPL's Articles of Association, PPL's contractual duties to its Record Companies and PPL's statutory duties to pay equitable remuneration to Performers.

**RULE TWO
LIST OF DEFINITIONS**

- 2.1 The following definitions are used in these Rules (including any Schedules to the Rules):

The 1988 Act	The Copyright, Designs and Patents Act 1988 or any relevant statutory modification or re-enactment of that statute for the time being in force.
The Board	The board of directors of PPL.
Corporate Group	A collection of Record Companies who: <ol style="list-style-type: none">(1) are associated companies (whether incorporated in the United Kingdom or otherwise) within Section 416 of the Income and Corporation Taxes Act 1988 (as amended);(2) inform PPL that they wish to receive a collective payment from PPL; or(3) are classified as such by the Finance Committee as it shall determine to be reasonable in all the circumstances.
Dispute Resolution Procedures	PPL's procedures in force from time to time for the resolution of disputes relating to these Rules.
Distribution Committee	The committee duly appointed by the Board to administer certain aspects of the distribution of monies by PPL.
Exploitation Period	A period of time (such as a calendar year) in

	which a Sound Recording is used and in respect of which a distribution is (or will be) made by PPL.
Finance Committee	The committee duly appointed by the Board to administer various financial aspects of PPL's business.
Fund	A collection of revenues received by PPL (whether from a single licensee or from multiple licensees) and from which appropriate deductions have been made.
Net Distributable Revenue	The sum available for distribution to Record Companies and Performers in respect of any particular Exploitation Period.
Overpayment	A payment made by PPL (whether pursuant to these Rules or otherwise) that is in excess of the amount that should have been paid to the recipient.
Performer	A person contributing a performance (as specified in Schedule 2) to a sound recording.
Performer Board	The committee of the Board established pursuant to the articles of association of PPL with objects including the determination of policy for the distribution of income to Performers in respect of the exercise of the UK Rights.
Profile	Information regarding the usage of Sound Recordings.
Record Company	A person (whether an individual, company, partnership or otherwise) admitted to membership of PPL and whose name appears on the Register (or a person who at any material time has satisfied these conditions).
Record Company Society	A society responsible for the collective administration of Sound Recordings in a territory outside the United Kingdom that enters into an agreement with PPL, under which the society appoints PPL as its agent to administer the UK Rights (or part of them) in Sound Recordings controlled by that society.
Register	The register of members to be kept under Section 352 of the Companies Act 1985 (as amended by the Companies Act 1989 or Section

113 of the Companies Act 2006 and including any statutory modification or re-enactment thereof for the time being in force).

Reserve Fund	An amount of money deducted from revenues in accordance with Rule 9.1.
Sound Recording	A sound recording as defined under the 1988 Act.
UK Rights	All of the various rights in Sound Recordings under the 1988 Act (in respect of acts taking place in the United Kingdom, the Channel Islands, the Isle of Man and all additional territories to which the 1988 Act shall extend) that are administered by PPL on behalf of some or all of the Record Companies from time to time.
Working Day	Any day of the week (Monday to Friday inclusive) which is not a public holiday.

- 2.2 For the purposes of these Rules only, a Record Company Society shall be treated as a Record Company, save that allocations to individual Sound Recordings will be on the basis of the individual rightsholders represented by that Record Company Society.
- 2.3 Where an individual is both a Performer and a Record Company in respect of a Sound Recording, references in these Rules to that individual as a Record Company shall be limited to that individual's rights as a Record Company and references to that individual as a Performer shall be limited to that individual's rights as a Performer.

RULE THREE QUALIFICATION OF SOUND RECORDINGS

- 3.1 Allocations and payments (whether to Record Companies or to Performers) will only be made in respect of a Sound Recording where in accordance with Schedule 1:
- (1) that Sound Recording is deemed to qualify for copyright protection in respect of the UK Rights at the time that those rights were exercised; and
 - (2) PPL controls the UK Rights in that Sound Recording.
- 3.2 Allocations and payments shall only be made pursuant to Rule 3.1 in respect of a particular Sound Recording and a particular Record Company to the extent that the relevant part of the UK Rights in that Sound Recording is controlled by PPL on behalf of that Record Company.

RULE FOUR QUALIFYING PERFORMANCES

- 4.1 Where there is an exploitation of the UK Rights in a Sound Recording qualifying for allocations under Rule 3.1, a person will only be allocated and paid equitable remuneration in respect of their contribution to that particular Sound Recording where:
- (1) the right to equitable remuneration under Section 182D of the 1988 Act applies to that exploitation;
 - (2) the person's contribution to the Sound Recording was such that they qualify as a Performer in respect of that Sound Recording in accordance with the rules in Schedule 2; and
 - (3) the person's contribution to that Sound Recording was a qualifying performance in accordance with the rules in Schedule 3.
- 4.2 Where PPL is the agent of a Record Company in respect of the UK Rights in a Sound Recording, PPL will pay equitable remuneration to the relevant Performers (in accordance with these Rules) on behalf of that Record Company.

RULE FIVE THE DISTRIBUTION SCHEME

- 5.1 Distributions of Net Distributable Revenue shall be made in accordance with the following procedure:
- (1) PPL's revenues and costs for the relevant Exploitation Period are independently audited.
 - (2) The audited operating costs are allocated to revenue streams (and similar revenue streams may be combined for these purposes) and Funds are created from revenue streams or combinations of revenue streams to be used to pay the relevant Record Companies and Performers (see Rule 6 and Rule 7).
 - (3) Usage information is applied to particular Funds in order to calculate the monies allocated to particular Sound Recordings (see Rule 8).
 - (4) Reserve Funds will be deducted at PPL's discretion (see Rule 9).
 - (5) The resulting monies shall be allocated to Sound Recordings and then divided between Record Companies and Performers (see Rule 10, Rule 11 and Rule 12).
 - (6) The total amounts allocated to the accounts of individual Record Companies are distributed to those Record Companies or those entitled to receive payments on their behalf (see Rule 13).

- (7) The total amounts allocated to the accounts of individual Performers are distributed to those Performers or those entitled to receive payments on their behalf (see Rule 14).

RULE SIX COSTS ALLOCATION

- 6.1 Revenues received by PPL in respect of a particular Exploitation Period shall be divided into revenue streams for that Exploitation Period (and, for the avoidance of doubt, similar revenue streams may be combined for the allocation of costs).
- 6.2 The costs of collecting revenue attributable to a revenue stream shall be taken from that revenue stream, save where PPL determines that it would be reasonable in all the circumstances for such costs (or part of such costs) to be allocated between more than one revenue stream.
- 6.3 Corporate, administration and other costs shall be divided between the revenue streams in such proportions as are determined by PPL to be reasonable in all the circumstances.
- 6.4 The division of costs (including the costs of collecting revenues and the costs of distributing revenues) between Record Companies and Performers shall be:
- (1) calculated on an activity basis (see further Rule 6.6); and
 - (2) apportioned between Record Companies and Performers and across revenue streams accordingly as determined by PPL to be reasonable in all the circumstances.
- 6.5 In making any costs allocations under Rule 6.2, Rule 6.3 and 6.4, PPL shall exercise its discretion as to whether:
- (1) costs should be attributed to:
 - (a) the Exploitation Period in which the activity or event relating to those costs took place,
 - (b) any different Exploitation Period in which the liability to pay those costs was incurred or
 - (c) any different Exploitation Period in which those costs were paid by PPL; and/or

Example: Costs may be incurred in a particular Exploitation Period in recovering licence fees from a copyright user but the licence fees may be for a different Exploitation Period.

- (2) any costs should be apportioned between different Exploitation Periods (including Exploitation Periods in which the activity or event relating to those costs did not take place and in which PPL neither incurred the liability to pay those costs or satisfied that liability).

Example: Costs may be incurred and paid in negotiating a new licence or tariff, the benefits of which will apply for several Exploitation Periods (and not just the Exploitation Period in which the negotiations took place).

- 6.6 The calculation and division of costs on an activity basis in Rule 6.4 refers to such tasks being undertaken by assessing what costs relate to particular activities and then what proportion of such costs is attributable to each such activity (such assessments to be conducted by whatever means PPL shall determine to be reasonable in all the circumstances).
- 6.7 The costs allocations made by PPL pursuant to Rule 6.2, Rule 6.3 and Rule 6.4 shall be reviewed by an external auditor and confirmed by the Finance Committee in respect of each Exploitation Period.

RULE SEVEN FUNDS

- 7.1 Interest accrued by PPL on monies collected in respect of the exercise of the UK Rights shall be added to the revenue streams in such amounts and such proportions as PPL shall determine to be reasonable in all the circumstances.
- 7.2 Tax payable by PPL shall be allocated across revenue streams in such proportions as PPL shall determine to be reasonable in all the circumstances.
- 7.3 Payments by PPL in support of anti-piracy activities shall be determined by the Board and then allocated across revenue streams in such proportions as PPL shall determine to be reasonable in all the circumstances. Such payments shall only affect the amounts to be paid to Performers to the extent to which the funding of such contributions is approved by the Performer Board.
- 7.4 Any music industry contributions (other than those made pursuant to Rule 7.3) shall be determined by the Board and, where appropriate, the Performer Board, and then allocated across revenue streams in such proportions as PPL shall determine to be reasonable in all the circumstances.
- 7.5 Any further deductions from the revenue streams shall be made at the discretion of the Board (and, where appropriate, the Finance Committee or the Performer Board) and in such proportions as PPL shall determine to be reasonable in all the circumstances.
- 7.6 After making the deductions and adjustments in Rule 6 and Rule 7 in respect of a particular Exploitation Period, the remaining monies from each revenue stream (or from a combination of similar revenue streams) shall constitute a Fund. For the avoidance of doubt, Funds may be constituted from a different combination of revenue streams than the combinations used for the purposes of allocating costs or making any other deductions and adjustments.
- 7.7 In establishing such Funds as it shall determine to be reasonable in all the circumstances, PPL shall take into account where appropriate:

- (1) all relevant characteristics of the individual licensees paying licence fees or the particular licences or tariffs relating to that Fund which may include (without limitation) the size, business type and location of such licensees;
 - (2) the genre of music used by the licensee or licensees paying the licence fees from which the Fund is to be created;
 - (3) the number of persons to whom Sound Recordings are communicated by the licensee or licensees paying the licence fees from which the Fund is to be created
 - (4) the nature of the use of the Sound Recordings by the licensee or licensees paying the licence fees from which the Fund is to be created, including but not limited to whether performers have a right to receive equitable remuneration for such use; and
 - (5) the availability and quality of usage information (or comparable information) for that Fund (see further Rule 8.4).
- 7.8 The Funds established by PPL shall be confirmed by the Distribution Committee in respect of each Exploitation Period.
- 7.9 The total monies in the Funds for any Exploitation Period shall be the Net Distributable Revenue for that Exploitation Period.

RULE EIGHT PROFILES

- 8.1 The monies in each Fund are allocated to particular Sound Recordings in accordance with the Profile established for that Fund.
- 8.2 In establishing Funds and Profiles the aim is to ensure that the licence fees received by PPL are allocated to particular Sound Recordings in such proportions as fairly reflect the relevant exploitation of the UK Rights in those Sound Recordings.
- 8.3 PPL shall create Profiles on the basis of actual usage (save where such usage information is not available for whatever reason or where the cost of obtaining or processing full and actual information would be disproportionate whether to the revenue represented by such usage or otherwise) as it shall determine to be reasonable in all the circumstances.
- 8.4 Where there are no or incomplete usage returns corresponding to the licence fees received by PPL, or such returns are unreliable (in whole or in part) for whatever reason, or processing full and actual usage data is reasonably determined by PPL to be disproportionate, PPL may take into account the following factors in exercising its discretion in creating Profiles:
- (1) returns provided by similar licensees for similar exploitations of the rights controlled by PPL;

- (2) returns provided by licensees for a different exploitation of the rights controlled by PPL where such exploitation is linked to the exploitation of the rights giving rise to those licence fees;
- (3) returns provided by licensees who exploit Sound Recordings of a similar genre to the Sound Recordings likely to have been used by the licensee who paid those licence fees;
- (4) information provided to PPL evidencing which Sound Recordings were exploited;
- (5) the reliability of such returns and information; and
- (6) any other relevant information.

8.5 In considering whether a particular Sound Recording is referred to in a usage return (or other usage information) and therefore should be included in a Profile, PPL shall adopt such procedures as it shall determine to be reasonable in all the circumstances and where appropriate shall take into account factors such as:

- (1) the format of the usage report; and

Example: the provision of electronic usage reports allows for automated matching

- (2) the information provided in the usage report.

Example: the use of ISRC codes by a licensee is likely to be more reliable than simple track and artist listings.

8.6 For the avoidance of doubt, in creating Profiles (and applying Funds to such Profiles) PPL shall be entitled to take into account usage in an Exploitation Period other than the Exploitation Period in which either the liability to pay the corresponding licence fees arose or, if different, the corresponding licence fees were received by PPL.

8.7 In creating and applying Profiles, PPL shall be entitled to take account information relating to the number of persons to whom Sound Recordings were communicated as a result of any particular usage or category of usage of Sound Recordings.

8.8 PPL may exclude Sound Recordings from a Profile as it shall determine to be reasonable in the circumstances, including where such Sound Recordings have been produced for purposes other than sale and distribution to the general public.

Examples:

- (a) *Sound Recordings produced to accompany radio and television broadcasts (jingles, commissioned recordings, station idents)*

- (b) *Sound Recordings produced for use in the advertising of products or services*
 - (c) *Sound Recordings produced to accompany the exercise tracks used in fitness classes*
 - (d) *Karaoke sound recordings*
- 8.9 The monies in a Fund shall be allocated between the Sound Recordings in the relevant Profile in accordance with Rule 3 and on the following basis:
- (1) in direct proportion between the total amount of time that each particular Sound Recording was exploited and the total amount of time that Sound Recordings in that Profile were exploited; or
 - (2) in the absence of sufficient information to carry out the allocation in accordance with Rule 8.9(1), in direct proportion to the number of plays for each Sound Recording in that Profile.
- 8.10 In the absence of sufficient information to carry out an allocation in accordance with Rule 8.9(1) or Rule 8.9(2), PPL shall allocate the monies for a Fund as it shall determine to be reasonable in all the circumstances, such as by confirming estimates for the number of plays for each Sound Recording in a Profile and allocating monies between those Sound Recordings in direct proportion to those estimates.

RULE NINE RESERVE FUNDS

- 9.1 At any stage of the allocation and/or distribution of monies in respect of an Exploitation Period, sums may be set aside from the Net Distributable Revenue in such proportions determined to be reasonable by PPL.
- 9.2 Monies deducted pursuant to Rule 9.1 shall be transferred into Reserve Funds which shall accrue interest at such times and in such amounts as PPL shall determine to be reasonable in all the circumstances.
- 9.3 Monies held in a Reserve Fund created pursuant to Rule 9.1 shall be used for the specific purpose (or purposes) for which that fund is established and shall be paid out in accordance with that specific purpose (or purposes) at such times and in such amounts as PPL shall determine to be reasonable in all the circumstances.
- 9.4 For the avoidance of doubt, in the event that any monies held in a Reserve Fund consist (in whole or in part) of licence fees paid to PPL in respect of the use of a specific Sound Recording and PPL reasonably determines that the Sound Recording does not satisfy the requirements of Rule 3.1 then for the avoidance of doubt PPL is entitled to return the licence fees that relate to that Sound Recording to the licensee that made the payment at such time as PPL shall determine to be reasonable in all the circumstances.

- 9.5 For the avoidance of doubt, to the extent that there is any surplus left in a Reserve Fund, that surplus shall be added to the Net Distributable Revenue (whether for the current Exploitation Period or for any other Exploitation Period) as PPL shall determine to be reasonable in all the circumstances.

RULE TEN
DIVISION OF NET DISTRIBUTABLE REVENUE BETWEEN
RECORD COMPANIES AND PERFORMERS

- 10.1 Following the allocation of the monies in a Fund pursuant to Rule 8, the monies allocated to each Sound Recording in the relevant Profile shall be shared on a 50/50 basis between:

- (1) the relevant Record Company (or Record Companies); and
- (2) the Performers on that Sound Recording,

subject to adjustments in respect of any differing costs and deductions allocated to Record Companies and to Performers pursuant to Rule 6 and Rule 7.

- 10.2 Where monies in a Fund are attributable to the exercise of those UK Rights in respect of which Performers have no right to equitable remuneration, Rule 10.1 shall not apply and all such monies shall be allocated to the relevant Record Company (or Companies).

Example: revenue in respect of the rights under Section 17 of the 1988 Act shall be allocated to the Record Companies only.

- 10.3 Where a single payment is made to PPL in respect of the exercise of two or more of the UK Rights and Performers do not have a right to equitable remuneration in respect of all of those rights, PPL shall allocate that payment between the exercise of those different rights in such proportions as it shall determine to be reasonable in all the circumstances. In such circumstances Rule 10.1 shall not apply in respect of monies allocated to the exploitation of that part of the UK Rights in which Performers do not have a right of equitable remuneration.

Example: licence fees received in respect of both the dubbing (copying) and broadcasting of Sound Recordings shall be divided so that the dubbing revenues are allocated to Record Companies only and the broadcasting revenues can be allocated to Record Companies and Performers.

- 10.4 Where the Board and the Performer Board consider it to be reasonable in all the circumstances, an alternative allocation and distribution scheme shall be used for particular Funds (or parts of Funds) instead of the scheme in Rule 10.1.

- 10.5 Where one or more of the Performers on a Sound Recording does not have a right to receive equitable remuneration in respect of that Sound Recording, the provisional allocation of monies to that Performer (or those Performers) pursuant to Rule 10 and Rule 12 shall be allocated to the relevant Record Company (or

Companies) entitled under Rule 11.1 to revenues in respect of that Sound Recording.

**RULE ELEVEN
ALLOCATION OF REVENUES BETWEEN RECORD COMPANIES**

- 11.1 Revenues allocated to the relevant Record Company or Record Companies in respect of a particular Sound Recording pursuant to Rule 10 shall be allocated to that Record Company or between those Record Companies in accordance with Schedule 4.

**RULE TWELVE
ALLOCATION OF REVENUES BETWEEN PERFORMERS**

- 12.1 Revenues allocated to Performers in respect of a particular Sound Recording pursuant to Rule 10 shall be allocated between the relevant Performers on that Sound Recording in accordance with Schedule 5.
- 12.2 For the avoidance of doubt:
- (1) where a Performer is allocated revenue in respect of any particular Sound Recording and Exploitation Period but (in accordance with Schedule 3) does not qualify for equitable remuneration for that Exploitation Period, that revenue shall not be paid to that Performer but shall instead be allocated in accordance with Rule 10.5; and
 - (2) pending the receipt of full information as to the number, classification and entitlement of Performers for a particular Sound Recording:
 - (a) allocations of revenue in respect of a particular Sound Recording can be made to Performers on a provisional basis (in accordance with Schedule 5); and
 - (b) distributions can be made on that basis where PPL determines it to be reasonable in all the circumstances.
- 12.3 Where the Board and the Performer Board consider it to be reasonable in all the circumstances, then some (or all) of the monies allocated to some (or all of the) Performers on particular Sound Recordings shall not be allocated pursuant to Schedule 5 but in accordance with an alternative allocation scheme.

**RULE THIRTEEN
PAYMENTS TO RECORD COMPANIES**

- 13.1 Rules 13.1 to 13.16 inclusive set out the way in which PPL shall carry out its contractual duty to make payments to the Record Companies subject to any statutory limitation (as applied by PPL in accordance with any distribution closure policy).

13.2 The monies allocated to a Record Company shall be paid out to the Record Company or to a duly appointed person such as:

- (1) any party to whom the Record Company has transferred the contractual right to receive payments (subject to PPL receiving full notification of this transfer);
- (2) any third party in respect of whom the Record Company (or, where appropriate, the person to whom the contractual right to receive payments has been transferred under Rule 13.2(1)) has given specific and valid authority to PPL to pay part or all of those monies (which may include, without limitation any fee payable for membership of any trade association of which the Record Company is a member); or
- (3) any third parties to whom PPL is obliged to make payments of those monies by law or lawful court order.

Corporate Group payments

13.3 Payments to be made pursuant to these Rules can be made to a Corporate Group (or to a single member of that Corporate Group) rather than to the individual members of that Corporate Group at the request of that Corporate Group and the discretion of PPL.

Payments

13.4 Payments shall be made to Record Companies at such times as PPL shall determine to be reasonable in all the circumstances. For the avoidance of doubt, provisional payments may be made in respect of an Exploitation Period in accordance with these Rules. Such payments may be calculated on the basis of provisional information regarding the use of Sound Recordings, the ownership and control of the UK Rights in Sound Recordings and the identity, qualification and classification of Performers relating to that Exploitation Period.

Interest

13.5 Where interest has accrued on any revenues (whether added pursuant to Rule 7.1 or otherwise), such interest shall be added to any payments to Record Companies relating to those revenues and made pursuant to these Rules at such times and in such amounts as PPL shall determine to be reasonable in all the circumstances.

Taxation

13.6 Taxation and charges shall be applied to payments to Record Companies in accordance with PPL's legal obligations and Rule 7.2.

Deductions

13.7 Where an Overpayment has been made in respect of a Record Company,

- (1) PPL may deduct all or part of that Overpayment from any payment that is due in respect of that Record Company;

- (2) if that Record Company is in a Corporate Group, PPL may deduct all or part of that Overpayment from any payments due in respect of any Record Company in that Corporate Group;
- (3) if that Record Company has since transferred the repertoire in respect of which the Overpayment was made, PPL may also deduct all or part of that Overpayment from any payment that is due in respect of any Record Company who has acquired control of all or part of that repertoire; and
- (4) if that Overpayment has been included in a payment made by PPL to any organisation acting on behalf of one or more Record Companies, PPL can deduct all or part of that Overpayment from any payments to that organisation,

provided that there is no double recovery of any part of an Overpayment (whether under this Rule 13.7, Rule 13.11 or otherwise).

- 13.8 Any deduction made pursuant to Rule 13.7(3) shall be limited to the payments that are due in respect of the Record Company and repertoire that was the subject of the Overpayment.
- 13.9 For the avoidance of doubt, PPL may recover parts of an Overpayment from more than one person under these Rules according to any one criterion or any combination of criteria set out in Rule 13.7 (and in such order of persons as PPL determines to be reasonable in all the circumstances) provided that the total sum recovered shall be no more than the Overpayment (plus any interest due under Rule 13.11 below).

Repayment

- 13.10 Where an Overpayment has been made in respect of a Record Company and such Overpayment has not been recouped in full by PPL pursuant to Rule 13.7, that Record Company (or the person entitled to receive payment on their behalf) shall repay to PPL that sum (or the unrecouped part of that sum) within 10 Working Days of the receipt of a written request from PPL. For the avoidance of doubt, PPL's rights under this Rule 13.10 shall not be dependent upon PPL having first exercised its rights under Rule 13.7.

Interest on Deductions and Repayments

- 13.11 Where a deduction is made from the distribution in respect of a Record Company pursuant to Rule 13.7, or a repayment has to be made to PPL in accordance with Rule 13.10, interest may be added to that deduction or repayment in such amounts as PPL shall determine to be reasonable in all the circumstances.

Waiver

- 13.12 PPL's ability to recover an Overpayment is not waived by the payment of any further monies in respect of that Record Company (or by the attempted or partial recouping of that Overpayment, whether from that Record Company or from any other party) after the making of the Overpayment.

Holding of monies

13.13 Subject to any statutory limitation, the monies in the account of a Record Company may be held as PPL determines to be reasonable in all the circumstances. For example, PPL may refrain from making distributions:

- (1) pending the amount of those monies reaching an appropriate level for a payment to be made;
- (2) pending the resolution of any disputes concerning distributions in respect of that Record Company and/or distributions to any Record Companies in the same Corporate Group as that Record Company;
- (3) pending the receipt by PPL of sufficient data relating to that Record Company's Sound Recordings according to PPL's data policy as adopted and amended from time to time;
- (4) pending the investigation and resolution of any other concerns that PPL might have concerning the Record Company and/or the monies in that Record Company's account (including, without limitation, disputes as to the ownership or control over rights in a Sound Recording); or
- (5) pursuant to any court order or other legal duty.

Confirmation of repertoire

13.14 Each Record Company shall notify any changes (additions or deletions) of repertoire (and all relevant Performer data) to PPL as soon as possible (and in accordance with Rule 13.13 PPL has the right to suspend any distributions to a Record Company until its confirmation has been received).

Notification and return of Overpayments

13.15 Each Record Company (or the person entitled to receive payments on behalf of that Record Company pursuant to Rule 13.2) must inform PPL in writing within 10 Working Days of receiving from PPL monies that are not due to them or of becoming aware that the monies are not due to them (whichever date is later) and return those monies at the same time.

Charity Records

13.16 In respect of a Sound Recording made for or attributable to charitable purposes, PPL shall pay to the relevant person under Rule 13.2 the sum allocated to the relevant Record Company (or Companies) unless PPL receives a written direction to the contrary from that person.

RULE FOURTEEN PAYMENTS TO PERFORMERS

14.1 Rules 14.1 to 14.16 inclusive set out the way in which PPL shall make payments in accordance with the statutory duty on PPL and/or the Record Companies under Section 182D of the 1988 Act subject to any statutory limitation (as applied by PPL in accordance with any distribution closure policy).

14.2 The monies allocated to a Performer shall be paid out to the Performer or to a duly appointed person such as:

- (1) Any collecting society to whom the Performer has assigned his or her right to equitable remuneration;
- (2) The Performer's validly appointed agent;
- (3) A person holding a valid power of attorney in respect of that Performer and those monies;
- (4) A person who has obtained a grant of representation in respect of a deceased Performer;
- (5) any third party in respect of whom the Performer (or, where appropriate, the Performer's representative) has given specific and valid authority to PPL to pay part or all of those monies (which may include, without limitation, any fee payable for membership of any trade association of which the Performer is a member); or
- (6) any third parties to whom PPL is obliged to make payments of those monies by law or lawful court order.

Payments

14.3 Payments shall be made to Performers at such times as PPL shall determine to be reasonable in all the circumstances. For the avoidance of doubt, provisional payments may be made in respect of an Exploitation Period in accordance with these Rules. Such payments may be calculated on the basis of provisional information regarding the use of Sound Recordings, the ownership and control of the UK Rights in Sound Recordings and the identity, qualification and classification of Performers relating to that Exploitation Period.

Interest

14.4 Where interest has accrued on any revenues (whether added pursuant to Rule 7.1 or otherwise), such interest shall be added to any payments to Performers relating to such revenues and made pursuant to these Rules at such times and in such amounts as PPL shall determine to be reasonable in all the circumstances.

Taxation

14.5 Taxation and charges shall be applied to payments to Performers in accordance with PPL's legal obligations and Rule 7.2.

Deductions

14.6 Where an Overpayment has been made to a Performer (or to a person who is entitled to receive a payment on behalf of a Performer),

- (1) PPL can deduct all or part of that Overpayment from any other payment that is due in respect of that Performer; and
- (2) if that Overpayment has been included in a payment made by PPL to any person or organisation acting on behalf of one or more Performers, PPL

can deduct all or part of that Overpayment from any following payments to that organisation,

provided that there is no double recovery of any part of an Overpayment (whether under this Rule 14.6 or otherwise).

- 14.7 For the avoidance of doubt, PPL may recover parts of an Overpayment from more than one person under these Rules according to any one criterion or any combination of criteria set out in Rule 14.6 (and in such order of persons as PPL determines to be reasonable in all the circumstances) provided that the total sum recovered shall be no more than the Overpayment (plus any interest due under Rule 14.9 below).

Repayment

- 14.8 Where an Overpayment has been made to a Performer and such Overpayment has not been recouped in full by PPL pursuant to Rule 14.6, PPL reserves the right to request that Performer (or the person entitled to receive payment on their behalf) to repay to PPL that sum (or the unrecouped part of that sum) within 10 Working Days of the receipt of a written request from PPL. For the avoidance of doubt, PPL's rights under this Rule 14.8 shall not be dependent upon PPL having first exercised its rights under Rule 14.6.

Interest on Deductions and Repayments

- 14.9 Where a deduction is made from the distribution due to a Performer pursuant to Rule 14.6, or a repayment has to be made to PPL in accordance with Rule 14.8, interest can be added to that deduction or repayment in such amounts as PPL shall determine to be reasonable in all the circumstances.

Waiver

- 14.10 PPL's ability to recover an Overpayment is not waived by the payment of any further monies in respect of that Performer (or by the attempted or partial recoupment of that Overpayment, whether from that Performer or from any other party) after the making of the Overpayment.

Holding of monies

- 14.11 Subject to any statutory limitation, the monies in the account of a Performer may be held as PPL determines to be reasonable in all the circumstances. For example, PPL may refrain from making distributions:

- (1) pending registration of the Performer (by the Performer or a person duly authorised to act on their behalf);
- (2) pending the amount of those monies reaching an appropriate level for a payment to be made;
- (3) pending the resolution of any disputes concerning distributions to that Performer and/or distributions to any Performer whose performances feature on the same sound recording as the first Performer;

- (4) pending the investigation and resolution of any other concerns that PPL might have concerning the Performer and/or the monies in that Performer's account; or
- (5) pursuant to any court order or other legal duty.

Notification and return of Overpayments

- 14.12 Performers (or the relevant persons under Rule 14.2) must inform PPL in writing within 10 Working Days of receiving from PPL monies that are not due to them, or of becoming aware that the monies are not due to them (whichever date is later) and return those monies at the same time.

Ensembles

- 14.13 Where some or all Performers on a Sound Recording are members of what PPL reasonably believes to be an ensemble (or choir) and where PPL also reasonably believes either that:

- (1) the ensemble (or choir) has an amateur or volunteer status and:
 - (i) it is not cost efficient to identify all the Performers in that ensemble (or choir) individually, and
 - (ii) the amount allocated to each such Performer in respect of any Exploitation Period does not exceed the threshold for payment of equitable remuneration (as determined by the Performer Board to be reasonable in all the circumstances); or
- (2) the Performers in the ensemble (or choir) have appointed a representative to receive their payments of equitable remuneration on behalf of the members of that ensemble (or choir),

then subject to Rule 14.14 and Rule 14.15 PPL may allocate and distribute the aggregate of such Performers' equitable remuneration to the person or entity responsible for the administration of the ensemble (or choir).

- 14.14 An allocation and distribution pursuant to Rule 14.13 shall only take place where:

- (1) that ensemble (or choir) qualifies for equitable remuneration in accordance with Schedule 3; and
- (2) the appointed representative or (as the case may be) the person responsible for the administration of the ensemble (or choir) enters into an agreement with PPL (in a form determined by PPL to be reasonable in all the circumstances).

- 14.15 In the event that a single payment is made or arranged with any ensemble (or choir) pursuant to Rule 14.13, but an individual Performer in that ensemble requires individual payment, PPL shall make such payment to that Performer (subject to the provisions of these Rules) and such payment shall not automatically suspend the arrangements for the single payment in respect of the other Performers comprising that ensemble (or choir).

Charity Records

- 14.16 In respect of a Sound Recording made for or attributable to charitable purposes, PPL shall pay to the relevant person under Rule 14.2 the sum allocated to a Performer entitled to equitable remuneration for that Sound Recording in accordance with Schedules 3 and 5 unless PPL receives a written direction to the contrary from that person.

RULE FIFTEEN ADJUSTMENTS

General Adjustments

- 15.1 Adjustments to the amounts allocated to Sound Recordings, to Record Companies or to Performers may be made where PPL determines it to be reasonable in all the circumstances, such as where PPL wants to take account of:

- (1) additional revenues being available for distribution (or additional or revised information being available in respect of the usage of Sound Recordings);
- (2) additional or revised information concerning the ownership of the relevant rights in a Sound Recording; or
- (3) additional or revised information concerning the entitlement of Performers to equitable remuneration in respect of a Sound Recording.

- 15.2 Any adjustment pursuant to Rule 15.1 may increase or reduce the revenues allocated to a particular Sound Recording as well as the allocations of such revenues between:

- (1) Record Companies;
- (2) Record Companies and Performers; and/or
- (3) Performers.

Extraordinary adjustments

- 15.3 Where PPL decides that it is reasonable in all the circumstances the distribution of a revenue stream shall be revised or redone.

- 15.4 Any extraordinary adjustment under Rule 15.3 may alter the revenues allocated to a particular Sound Recording and may alter the allocations of that part of the Fund between:

- (1) Record Companies;
- (2) Record Companies and Performers; and/or
- (3) Performers.

RULE SIXTEEN ADDITIONAL PROVISIONS

Commencement

- 16.1 These Rules apply to the distribution of monies in respect of the Exploitation Period starting on 1 January 2012 and (subject to any revision or replacement of these Rules) any subsequent Exploitation Periods. These Rules may apply to the distribution of monies in respect of Exploitation Periods starting prior to 1 January 2012 as PPL determines to be reasonable in all the circumstances.

Applicable Law

- 16.2 These Rules shall be construed and interpreted in accordance with the laws of England and Wales, the courts of which shall be the sole and exclusive courts of competent jurisdiction in all matters concerning the same.

Rules

- 16.3 References to Rules are to the rules set out in this document.

Headings

- 16.4 The headings in these Rules are for information only and do not form part of these Rules.

Examples

- 16.5 The use of examples in these Rules is for information only and these examples do not form part of these Rules.

Amendments

- 16.6 Subject to Rule 16.7, any amendment to these Rules must be approved by a majority of the Board to be effective.
- 16.7 The provisions of Rules 1 to 16 take precedence over the provisions of any Schedules to the Rules and any amendment to any Schedule to these Rules must be approved by PPL (and, in respect of Schedule 5, the Performer Board).
- 16.8 For the avoidance of doubt, where there is any conflict between these Rules and any other PPL documentation (such as the PPL website), these Rules shall prevail in the absence of express wording (explicitly referring to this Rule 16.8) to the contrary.