

SCHEDULE 4

RECORD COMPANY ALLOCATION RULES

- A This document sets out PPL's policy, known as the Record Company Allocation Rules, regarding how monies allocated to a Sound Recording in respect of the exercise of the UK Rights in that Sound Recording shall be allocated amongst the Record Companies who are entitled to remuneration in respect of that Sound Recording.
- B For the avoidance of doubt, monies allocated to a Record Company may be paid to a third party (such as a party to whom the right to receive remuneration has been transferred or an administrator appointed to control the financial affairs of the Record Company). Furthermore, due to the need to ensure that payments are made promptly and the fact that all the relevant information may not be available to PPL, it may be necessary to revise the allocations and to make adjustments to distributions to take account of any relevant changes.

BACKGROUND

- C These Record Company Allocation Rules are a Schedule to (and are to be read in conjunction with) PPL's main Distribution Rules and they assume that:
- (a) after the creation of Funds (and the application of Profiles to those Funds) pursuant to the Distribution Rules, licensing revenues (arising from the exploitation of the UK Rights) have been allocated to each appropriate Track;
 - (b) in accordance with the Distribution Rules appropriate adjustments (such as the deduction of PPL's administrative costs or the creation of Reserve Funds) have been applied to those licensing revenues; and
 - (c) where the performers on a Sound Recording do not qualify for equitable remuneration under Section 182D of the 1988 Act in accordance with the Distribution Rules, their notional allocation of the Performer Track Allocation is to be paid to the relevant Record Company (or Companies) in accordance with the Distribution Rules.

OPERATIONAL CONTEXT

- D PPL holds information on millions of Tracks on the PPL Repertoire Database. This data was obtained from the Mechanical Copyright Protection Society ("MCPS") up until 31 December 2002 and thereafter from Record Companies directly. The data in respect of each Track obtained from both the MCPS and Record Companies includes performer line-up information.

1. **Aims**

- 1.1 The aims of these Record Company Allocation Rules are to ensure that:
- (a) Record Company Track Allocation due to Record Companies is allocated fairly and distributed efficiently, accurately, promptly and in a cost effective manner; and
 - (b) PPL's allocations are in accordance with PPL's Articles of Association, PPL's contractual duties to Record Companies and PPL's statutory duties to Performers.

2. **Definitions**

2.1 Definitions used in the Distribution Rules shall apply to this Schedule unless stated otherwise.

2.2 The following definitions are used in this Schedule:

Account	The balance (whether positive or negative) of monies provisionally due to a Record Company from PPL at any one time (and which, for the avoidance of doubt, is not held in a separate bank account for that Record Company).
Distribution Rules	PPL's main Distribution Rules.
Line-Up Complete	The status of a Track in respect of which PPL reasonably believes that it has complete information as to the numbers and classification of the Performers for that Track.
Non-Qualifying Performer	A Performer who in accordance with the Distribution Rules is not entitled to equitable remuneration in respect of a particular exploitation of the UK Rights in a Sound Recording.
PPL Repertoire Database	PPL's Track database with details of Sound Recordings controlled by PPL and of the Record Company (or Companies) who either assigned to PPL, or appointed PPL as its (or their) agent in respect of, the UK Rights in those Sound Recordings (or, as the case may be, of Record Company Societies and the rightsholders represented by them who have appointed PPL as

their agent in respect of the UK Rights in those Sound Recordings).

Performer Track Allocation Revenues allocated both to Qualifying Performers and Non-Qualifying Performers on a particular Track pursuant to Rule 8 and Rule 10 of the Distribution Rules. For the avoidance of doubt, it shall be deemed that PPL's administrative costs and reserve funds have already been deducted from such revenues in accordance with the Distribution Rules.

Qualifying Performer A Performer who in accordance with the Distribution Rules is entitled to equitable remuneration in respect of a particular exploitation of the UK Rights in a Sound Recording.

Record Company Track Allocation Revenues allocated to the Record Company (or Companies) on a particular Track pursuant to Rule 8 and Rule 10 of the Distribution Rules. For the avoidance of doubt, it shall be deemed that PPL's administrative costs and reserve funds have already been deducted from such revenues in accordance with the Distribution Rules.

Track A Sound Recording (which qualifies for copyright protection in accordance with Schedule 1).

- 2.3 References to a "Clause" are to a clause in this Schedule unless indicated otherwise.
- 2.4 The use of examples in this Schedule is for information only and these examples do not form part of this Schedule.
- 2.5 The headings in this Schedule are for information only and do not form part of this Schedule.

ALLOCATION OF RECORD COMPANY TRACK ALLOCATION

3. Record Companies

- 3.1 Subject to the provisions of this Schedule, the Record Company Track Allocation for a particular Track and a particular Exploitation Period shall be allocated to the Record Company (or those Record Companies) who is (or are) registered as the rightsholder(s) on the PPL Repertoire Database (subject to revisions under Clause 8) in respect of that Track and that Exploitation Period.
- 3.2 For the avoidance of doubt, if different Record Companies are entitled to revenue in respect of different aspects of the UK Rights in a particular Track and in a

particular Exploitation Period, then subject to the Distribution Rules each of those Record Companies will be entitled to revenue only in respect of those aspects of the UK Rights in that Track which they have assigned to PPL or in respect of which they have appointed PPL as their agent.

- 3.3 Clause 3.1 shall not apply to the extent that the relevant Record Company informs PPL in writing otherwise or PPL determines that it is reasonable in all the circumstances to allocate those monies (in whole or in part) to another Record Company.
- 3.4 For the avoidance of doubt, where the relevant rightsholder in respect of a particular Track is a member of a Record Company Society, that rightsholder shall be allocated monies for that Track in accordance with Clause 3.1 (whether or not that rightsholder is itself a Record Company).

4. Samples

- 4.1 For the purposes of this Schedule:

A “Sampled Recording” is a Sound Recording which has been published and subsequently a part (or all) of it has been incorporated into a separate Sound Recording.

A “Subsequent Sound Recording” is a Sound Recording which incorporates a Sampled Recording.

An “Additional Sound Recording” is that part of a Subsequent Sound Recording additional to the Sampled Recording.

- 4.2 The Record Company Track Allocation for a Subsequent Sound Recording shall be allocated to the Record Company (or Record Companies) responsible for the Additional Sound Recording in accordance with Clause 3.1. Unless PPL is properly informed in writing otherwise, it shall be for that Record Company (or Record Companies) to pay the owners of the UK Rights in any Sampled Recordings featured on that Subsequent Sound Recording.
- 4.3 For the avoidance of doubt, where PPL is informed that the use of a Sampled Sound Recording in a Subsequent Sound Recording was not licensed by the Record Company responsible for the Sampled Sound Recording, PPL may suspend payments to (or in respect of) the Record Company responsible for the Additional Sound Recording pursuant to Rule 13.

5. Transfer of repertoire

- 5.1 Where there is a transfer of repertoire by one Record Company to another Record Company during an Exploitation Period, those Record Companies must agree between themselves as to:

- (1) Which Record Company is to be paid by PPL for exploitations of the UK Rights in the period from the start of the Exploitation Period to the date of the transfer; and
- (2) Which Record Company is to be paid by PPL for exploitations of the UK Rights in any previous Exploitation Periods in respect of which the transferring Record Company controlled that repertoire,

but in the absence of such agreement (or the adequate notification of such agreement to PPL), PPL shall be entitled to pay the second Record Company as it determines to be reasonable in all the circumstances.

- 5.2 In adjusting allocations to take account of a transfer of repertoire (whether such adjustment is in accordance with instructions from the relevant Record Companies or on the basis of PPL's discretion), PPL shall be entitled to treat the transfer as taking place on a date other than the actual date of the transfer where PPL determines this to be reasonable in all the circumstances.

Example: where the transfer of repertoire takes place on 27 November, PPL may decide to treat the transfer as taking place on 1 December on the basis that a substantial proportion of usage reporting to PPL takes place on a monthly basis.

ALLOCATION OF PERFORMER TRACK ALLOCATION

6. Allocation of Performer Track Allocation apportioned to Non-Qualifying Performers

- 6.1 Where a Performer is allocated a share of the Performer Track Allocation for a particular Track in a particular Exploitation Period but is not a Qualifying Performer pursuant to the Distribution Rules for some or all of that Exploitation Period, that share (or the relevant proportion of it) shall be allocated to the relevant Record Company (or between the relevant Record Companies) in accordance with Clause 3.1.

7. Provisional Allocation of Performer Track Allocation

- 7.1 Pending a Track being Line-Up Complete, the allocation of equitable remuneration to any identified Non-Qualifying Performer for that Track (and hence the share of the Performer Track Allocation to be allocated to the Record Company (or Companies) in accordance with Clause 6.1) shall provisionally be calculated pursuant to Schedule 5 to the Distribution Rules.

REVISIONS

8. Revisions of Record Company Track Allocation and Performer Track Allocation

8.1 Where at any time (whether before or after a distribution) PPL determines that it is reasonable in all the circumstances (such as where there is the provision of further information to PPL, the conclusion of PPL research, a successful claim by a Performer, the receipt by PPL of a valid declaration form, and/or the resolution of a performer dispute), PPL may revise:

- (a) The Record Company Track Allocation in respect of a particular Track and Exploitation Period;
- (b) the allocations of Performer Track Allocation in respect of a particular Track and Exploitation Period;
- (c) the status of a Performer as a Qualifying Performer or Non-Qualifying Performer in accordance with the Distribution Rules; and/or
- (d) the classification of a Performer for the purposes of the allocation of any Performer Track Allocation (see further Schedule 5).

8.2 Where Clause 8.1 applies PPL shall revise the allocation of the Performer Track Allocation (whether generally, for specific Exploitation Periods or for part of such an Exploitation Period) and where appropriate shall revise the allocation of a share of that Performer Track Allocation to the relevant Record Company (or Record Companies) in accordance with Clause 3.1 and Clause 6.1.

8.3 Where the allocation of Performer Track Allocation is made pursuant to this Clause 8 then any further allocations of Performer Track Allocation in respect of that Track shall be made on the basis of the revised allocation (subject to any further revisions).

9. Initial Distribution

9.1 In accordance with the Distribution Rules PPL may pay the Record Company (or Companies) entitled to remuneration for a Track a share of the Record Company Track Allocation in respect of that Track pursuant to Clause 3 and Clause 6 or, as appropriate, on the provisional allocations in Clause 3 and Clause 7.

ADJUSTMENTS TO THE ACCOUNTS OF RECORD COMPANIES

10. Adjustments

10.1 For the avoidance of doubt, where a distribution of Record Company Track Allocation or Performer Track Allocation has taken place, it may be necessary to make adjustments to the Account(s) of the Record Company (or Companies) in

respect of that Track pending future distributions in accordance with the Distribution Rules where:

- (a) the allocation of the Record Company Track Allocation or the Performer Track Allocation is revised and the Record Company (or Companies) has (or have) been allocated either too much or too little of either the Record Company Track Allocation and/or the Performer Track Allocation in respect of one or more Exploitation Periods;
- (b) a Performer (or any person entitled to be paid on their behalf) has been paid a share of the Performer Track Allocation in respect of a Track and a particular Exploitation Period (or part of an Exploitation Period) when that Performer was not a Qualifying Performer in respect of that Track and that Exploitation Period (or part of that Exploitation Period); and/or
- (c) the wrong amount of Record Company Track Allocation or Performer Track Allocation was paid to (or in respect of) a Record Company or Performer for any other reason.

10.2 Where a situation as specified in Clause 10.1 arises, PPL may:

- (a) when making distributions in respect of a Record Company and that Track (whether or not in respect of the Exploitation Period relating to the erroneous allocation), deduct any Overpayment from the amount to be paid in respect of that Record Company; and/or
- (b) when making distributions in respect of that Record Company and other Tracks, deduct any Overpayment from the amount to be paid in respect of that Record Company; and/or
- (c) make any other deductions (whether from payments to that Record Company or to third parties) as permitted under the Distribution Rules.

10.3 Any adjustments made pursuant to Clause 10.2 (whether in the form of additional payments or deductions from further distributions) shall be limited in time in accordance with the Distribution Rules.

10.4 Any exercise of Clause 10.2 by PPL shall not preclude PPL from exercising any other remedies in order to recover monies paid out to (or in respect of) Record Companies in error.

10.5 For the avoidance of doubt, an adjustment to the allocation of Record Company Track Allocation in respect of one Exploitation Period does not mean that all relevant Record Companies should receive the same allocations in respect of any future Exploitation Period.

10.6 PPL shall be under no obligation to notify all or any of the Record Companies entitled to payment from PPL for the exploitation of the UK Rights in a Track of any amendments, adjustments and/or recalculations under this Clause 10.

GENERAL

11. General

- 11.1 In the event of a conflict between this Schedule and the Distribution Rules, the Distribution Rules shall prevail.
- 11.2 This Schedule may be amended from time to time by PPL, such amendment to be effective from the date specified by PPL.