

GENERAL RULES AND POLICIES OF DISPOSAL OF THE UNDISTRIBUTED ROYALTIES

NNLP Collective Management Organization – Intellectual Property Owners Association (hereinafter referred to as the Association) provides collection of the royalties and their distribution to the rightsholders. Though, due to various reasons, such as incomplete data, unidentified rightsholders and/or other objective reasons, part of the royalties can remain undistributed.

This document sets out and regulates general rules and policies of distribution of the undistributed royalties (hereinafter referred to as the Policies).

1. Status of undistributed royalties

1.1 Undistributed royalties are the collected royalties for use of the compositions, for which the holder of the object of copyright and/or related rights cannot be identified and, due to the objective circumstances, it is technically impossible to receive and/or process the information about use of the composition. In addition, Association has spent all reasonable resources for identification, among them, performed monitoring and all possible investigation actions.

1.2 The royalties can be assigned the status of undistributed royalties for the following reasons:

- Lack of identification data;
- Pending dispute related to the ownership of the property rights on the objects of the copyright and/or related right; Association shall not distribute the royalties before dispute resolution;
- Providing inaccurate or incomplete data on use of the copyright and/or related rights by the user to the Association;
- Refusal of the rightsholder/his/her representative or collective management organization to make agreement with the Association to receive the royalties distributed in their favor;
- Irrespective of identification of the rightsholder or object of copyright and/or related rights, irrespective of seeking of the relevant rightsholder and/or collective management organization, impossibility to contact them;
- Other objective conditions and/or those, provided for by the law.

1.3 Royalties that were not distributed for 3 (three) years from the date of end of the financial year of collection thereof shall be assigned the status of undistributed royalties. The term shall be counted from the end of the financial year when the royalties were collected.

1.4 Association shall ensure distribution of the collected royalties no later than within 9 months from the end of the financial year when the royalties were collected and if the rightsholder cannot be identified, the collected amounts shall be deposited to the separate account.

2. Key principles of distribution of the undistributed royalties

2.1 Association distributes the incomes from the rights' management between the rightsholders, except the exclusive cases provided for by Georgian legislation.

2.2 In using the undistributed royalties, the Association follows the principles of transparency, justice and equality.

2.3 Association shall provide information about undistributed royalties to its members.

2.4 Association shall ensure fair and proportional distribution of the royalties, thus contributing to protection of the rightsholders' rights and fair compensation for their art.

3. Informing of the general meeting and use of the undistributed royalties

3.1 Annually, at general meeting, the chairman of the Association shall present to the members the following information:

- Amount of the undistributed royalties, their origin and status;
- All information related to disposal, transfer and use of the undistributed royalties.

3.2 In accordance with these Policies, general meeting of the Association makes decision on selection of the form of disposal of the undistributed royalties in each specific case, regarding the Association's specific goals and needs. In this process, the rights and lawful interests of the rightsholders shall be protected.

3.3 Association makes decision on use of the undistributed royalties without prejudice to the rightsholders' right to claim these amounts.

3.4 Association shall ensure all required and reasonable measures for identification and finding of the rightsholders, including, but not limited to, no later than within 3 (three) months from the date of expiry of 9 (nine) months from the end of the financial year, Association makes available at its website information about the compositions and/or the object of copyrights and/or related rights, one or more rightsholder of which was not identified.

3.5 If possible, the information posted on the Association's website should include the following data:

- Name (title) of the composition and/or other object protected by this Law;
- Name of the rightsholder;
- Name of the relevant publisher or producer;
- Category of the users, in particular, the categories where the said composition and/or other objects protected by the Law;
- Any other information that can help identification or finding of the rightsholder.

3.6 Association shall be entitled to dispose the royalties that were not distributed/requested for 3 (three) years. This term shall be counted from the end of the financial year, in which these royalties were collected. The above mentioned royalties can be added to the amount of the royalties subject to distribution to the rightsholders or used for the benefit of the rightsholders.

3.7 Association, on the basis of the decision made by the general meeting of members, shall be entitled to transfer the amounts of undistributed royalties to the funds established by the Association for the specific purposes (hereinafter referred to as the Fund). Information on transfers to the funds shall be transparent and published annually on the Association's website.

4. Publication of the report on undistributed royalties and transparency

4.1 Association shall ensure transparency of information about undistributed royalties.

4.2 Association, at least once per year, shall make available information for the relevant period about the rights under its management on the basis of the mutual representation agreements, to the organizations for collective management of the rights and the categories of rights. Such information shall include:

- Accurate information about distribution of the royalties, also, information about royalties paid by rights and type of use of the rights and any undistributed incomes by the periods of collection.

4.3 Association shall publish annual transparency reports to include information about collection of the royalties, their distribution and undistributed amounts, in particular:

- If the Association has not distributed and paid the royalties for last 2 years – information about the reasons of delay;
- Information about total undistributed royalties and in case of use of these amounts – explanations about the purposes of use of these amounts;

5. Revision and adjustment of the Policies

5.1 Association shall periodically revise the Regulations and Policies of Disposal of Undistributed Royalties, to ensure compliance with the principles of fairness and proportionality. On the basis of the above, Association is entitled to make relevant changes to this document.