

## GENERAL REGULATIONS OF ROYALTIES' DISTRIBUTION AND PAYMENT

General Regulations of Royalties' Distribution and Payment (hereinafter referred to as the Regulations) set the rules for payment of the distributed royalties that were collected for use of the compositions and objects of the copyright and related rights to the rightsholders:

- In case of public performance or public transmission of the musical compositions (with and without lyrics) (hereinafter referred to as Musical Compositions);
- In case of public performance or public transmission of the phonograms published for commercial purposes (hereinafter referred to as the Phonograms);
- In case of public performance of the compositions in the plays and other theatrical-spectacular shows, as well as cultural mass events;
- In case of public performance of audiovisual works, their public transmission and other uses thereof;
- In case of reproduction of the audiovisual works, compositions recorded in the phonograms, phonograms, videograms.

### 1. General regulations of the royalties' distribution

1.1 For use of the compositions and/or objects of the related rights, Association receives the royalties on the basis of the agreements made between the Association and relevant user or payer on use of the compositions and/or related rights. For the royalties paid on the basis of the agreements, the users shall submit the data of use of the compositions and/or related rights, according to which the Association distributes received royalties for the benefit of the rightsholders whose compositions and/or objects of related rights were used, in proportion with the scopes of use of relevant composition and/or object of the related rights.

1.2 Distribution of the royalties is provided in each calendar month, in relation to the amounts of royalties that were received by the Association in previous calendar month (distribution period), unless other period is provided by these Regulations for certain categories of collected royalties.

1.3 In the course of distribution, the royalties are paid for use of the compositions or objects of the related rights, also, for the rightsholders of the relevant objects, in relation to which the Association has the authority of collective management of the property rights, at a time of the end of distribution period.

1.4 Calculation and distribution of the royalties is provided by means of automated IT systems that is linked with the Association's database.

1.5 Key method for distribution of the user's payments in lieu of use of the compositions and/or objects of related rights is calculation of the amount payable to the rightsholder of certain composition and/or object of the related rights, in proportion with the quantitative data received from the user and/or quantitative data of the use of the composition and/or object of the related rights.

1.6 Distribution of the royalties by the users and periods of use, accompanying the user's report on the used compositions and/or objects of related rights (hereinafter referred to as the Processed Report) shall be provided based on the following algorithm:

1.6.1 Object identification: In the unprocessed report the specific composition or object of the related right is identified, by the title and other identification data (specifying performers, authors etc.), through comparison with the data of the compositions and objects of related rights in the Association's database. If there are no data of the composition and/or object of the related rights that is stated in the unprocessed report, identification data of such composition or object of the related rights (title, performers and authors etc., if any) shall be included into the Association's database, with the sign "object of the external repertoire". All compositions and/or objects of the related rights in the user's report that coincide with those in the Association's database shall be regarded as identifiable objects;

1.6.2 Quantitative data of use of the compositions or objects of the related rights specified in the user's report shall be brought to the common measurement unit (measurement unit, number of performances or

other), total of the quantitative data of use of all compositions and/or objects of related rights specified in the user's report shall be determined;

1.6.3 Measurement unit of the royalties subject to distribution shall be calculated as total amount of royalties subject to distribution and number of uses of all compositions and/or objects of the related rights included into the user's report;

1.6.4 Amount of the royalties per each specific composition or object of the related rights is calculated as the product of measurement unit of the royalties subject to distribution and quantitative data of use of the compositions or objects of the related rights. For the external repertoire objects included into unprocessed report no further calculations are performed – amount of the royalties is calculated separately for each of such objects.

1.6.5 For the identified objects from the unprocessed report amount of the royalties for certain rightsholder of the composition or object of related rights is calculated, as the product of the royalties determined in accordance with Section 1.6.4 on number of uses of the composition or object of the related rights.

1.7 As a result of realization of the algorithm specified in Section 1.6 the list is formed:

1.7.1 Identified objects with the quantitative data of their use, rightsholders which received their share in the royalties, their respective shares in the royalties and calculated amounts of the royalties for each rightsholder;

1.7.2 External repertoire objects, with the quantitative data of their use and amounts of the royalties calculated for such objects, as well as other available identification data for each such object (performers, authors etc.).

1.8 Lists formed in certain periods of distribution specified in Section 1.7.1, for all processed reports, in entirety, provide basis for payment of the royalties for the benefit of the specific rightsholders, upon expiry of this period of distribution.

1.9 Lists formed in certain period of distribution specified in Section 1.7.2, for all processed reports, in entirety, form the data, on the basis of which the Association performs actions for identification of the objects of external repertoire objects, for payment of the relevant amounts of royalties to the relevant rightsholders. Rules of performing the mentioned actions shall be regulated by Part 2 of these Regulations.

1.10 Distribution of the royalties, for each distribution period ends with formation of the consolidated report of distribution that includes the following data:

1.10.1 Data of the rightsholders, for whose benefit the royalties were paid on the basis of distribution results

1.10.2 Data of each composition or related rights object of the relevant rightsholders, for use of which the royalties were paid;

1.10.3 Data of the total quantitative data for each composition or object of the related rights, based on which the royalties were paid as a result of distribution;

1.10.4 Total amount of the royalties paid to the specific rightsholders as a result of distribution;

1.10.5 Amount of the deductions for payment of the fees for collective management of the property rights of the rightsholders;

1.10.6 Data of the external repertoire objects and their relevant royalties.

1.11 For further payment of the royalties to the specific rightsholders, their recording and reporting, effectiveness of the activities of property rights' management, data of the consolidated distribution report can be grouped by the categories of objects (compositions or related rights), types of use (public performance, public transmission etc.), categories of the rightsholders (authors, performers etc.), criteria of certain rightsholders, certain rightsholders' membership in the organizations for collective management and other criteria.

## **2. Identification of the objects of external repertoire**

2.1 Association provides permanent recording of the data of external repertoire objects identified as a result of distribution results and accumulation of the royalties for such objects.

2.2 At a time of including information about new compositions and/or objects of the related rights and their rightsholders (registration), data are compared with the ones of the external repertoire objects and in case of coincidence of the identification data, the amounts of the royalties accrued earlier for the relevant objects

shall be regarded as the royalties payable to the relevant rightsholders of the newly registered objects. Association shall pay the royalties to the identified rightsholders as soon as possible, according to the periodicity established for payment of the royalties to the rightsholders.

2.3 After end of each calendar year, within six months term, Association identifies general list of the external repertoire objects, rightsholders of which were not identified, including the following data (if Association has them).

2.3.1 Title and category of the object (type of the composition / phonogram etc.);

2.3.2 Name of the performer, author, publisher and/or other person that can have legal relations with the object;

2.3.3 Sphere of use / category, within which the object was used;

2.3.4 Other information that can be useful for the objects' identification and finding out its rightsholders.

2.4 List specified in Section 2.3 of these Regulations will be posted on the Association's official website, also, if required, it will be sent to the foreign organizations for collective management of the property rights, to the addresses of the other persons and organizations that, supposedly, could help identification of the objects and their rightsholders.

2.5 In addition to the actions specified in Section 2.4 of these Regulations, Association works to find information about the objects of the external repertoire and their rightsholders, relying on internet and other available sources, strengthens and develops collaboration with the persons and organizations that can assist in obtaining of the required information.

2.6 In the event of identification of the rightsholder of the external repertoire object, Association will take necessary measures to contact with him/her or his/her authorized representative (publisher, rights' management organization etc.), to make required contractual relationships and pay the royalties.

2.7 Objects of the external repertoire, the rightsholders of which were identified and for which, there are necessary grounds and conditions for payment of the royalties, shall be property registered in the database and shall be withdrawn from the list specified in Section 2.3.

2.8 Amounts of the royalties attributed to the objects of external repertoire that were not properly identified, for three years, from the end of calendar year, when the relevant amounts were accrued, based on the distribution results, create amount of undistributed royalties. Amount of the undistributed royalties shall be accumulated on the separate account of the Association. Amounts of undistributed royalties are disposed according to the legislation, as per the procedure established by the Association.

### **3. Characteristics of the royalties' distribution with respect of certain categories of the compositions and phonograms**

3.1 Distribution of the royalties paid for use of the compositions created in co-authorship or phonograms containing performance by several artists, shall be provided between several rightsholder, equally. In addition, in case of the musical compositions with lyrics (songs), the royalties shall be distributed in two equal parts, between the rightsholders of the music and of lyrics and further (in the event of co-authorship of the music or text) – equally between the rightsholders of the relevant parts. In case of audiovisual works, there are recognized equal distribution of the royalties payable to the various categories of the authors of audiovisual works: producing director, scriptwriter, author of dialogues, authors of the musical compositions with and without lyrics, specially created for the audiovisual work. Within the scopes of one category of the authors of audiovisual work (if more than one person participated in creation of the relevant part of audiovisual work), parts of the royalties shall be also deemed equal.

3.2 Co-authors, similar to the co-performers shall be entitled to submit to the Association the joint application to set the different procedure for distribution of royalties between them and application of such procedure shall commence after entering relevant data into the Association's database.

3.3 Distribution of the royalties for use of the derivative musical composition (arrangement, re-working or translation of the original text etc.) shall be provided according to the agreement between the rightsholders of the derivative musical composition.

3.4 Where for distribution of the royalties received for use of the composition or phonogram, there are no complete registration data for such object, while it is established that the Association is authorized to

represent interests of at least one/several rightsholder, full amount received for use of such object can be distributed to one / several rightsholder/s represented by the Association, in proportion with the shares of payment attributed to these rightsholders.

#### **4. Rules of royalties distribution for the phonograms' use**

4.1 50% of the royalties collected for use of the phonograms shall be initially distributed between the rightsholders entitled to them: performers and phonogram producers. Further distribution of the mentioned royalties shall be provided between the specific rightsholders, within each of the mentioned categories, in proportion with actual use of the specific phonogram, according to the algorithm provided for in Part 1 and with due regard of the rules established by Part 2.

#### **5. Rules of distribution of the royalties for performance of the compositions within the plays and other theatrical shows and also mass cultural events.**

5.1 Royalties received for public performance of the compositions within the plays and other theatrical shows, as well as cultural mass events (hereinafter referred to as the Shows) shall be distributed separately, for each show, according to the amount of royalties that shall be determined by the Association's agreements with the relevant rightsholders.

5.2 Before distribution, correspondence of the royalties received for the specific show from the user to the total rate of the royalties, for such shows that belongs to all rightsholders, according to the agreements made with the Association. If the received amount is not sufficient for payment to all rightsholders, the issue of proportional distribution between the rightsholders shall be decided, regarding existing amount of the royalties, or for reserving of the received amount for further distribution, after receiving of the amount from the user that will cover the existing indebtedness.

#### **6. Characteristics of distribution of royalties for reproduction of the audiovisual works, compositions recorded in the phonograms, phonograms, videograms for personal purposes**

6.1 Royalties for reproduction of the audiovisual works, compositions recorded in the phonograms, phonograms, videograms for personal purposes shall be subject to distribution within six months, after end of the calendar year, when the royalties were received by the Association.

6.2 Royalties specified in Section 6.1 if these Regulations shall be distributed between all rightsholders to whom the Association paid all other types of royalties, with the exclusion of the royalties that are subject to this Part of the Regulations, for the calendar year before distribution.

6.3 Amount of the royalties payable to the specific rightsholder shall be calculated from the total amount of the royalties subject to distribution, in proportion to the total amount of the royalties paid by the Association for the benefit of such rightsholder in the previous calendar year.

6.4 Distributed royalties shall be paid by the Association within no more than nine months from the end of the calendar year when such royalties were paid to the Association.

#### **7. Rules of royalties' distribution in case of absence of the data of use of the compositions and/or objects of the related rights**

7.1 Amount of the royalties received from the user, without providing data on use of the compositions and/or objects of the related rights by them shall be subject to distribution based on the statistical data of use of the compositions or objects of the related rights, within three months from the date of receiving of such amount, unless otherwise provided by the Association and such user.

7.2 Statistical data of use of the compositions and/or objects of the related rights, are formed by the Association by consolidation of the royalties' distribution data based on the users' reports on use of the compositions and/or objects of the related rights for the previous calendar quarter by categories of the objects (compositions, performances and phonograms) and spheres of use of the compositions and objects of the related rights (public performance, transmission by air and cable, other public transmission). Statistical data of use of the compositions and/or objects of related rights can include data of monitoring of

use of compositions and/or objects of related rights provided by the third parties in the spheres, where the Association provides management of property rights on the collective basis.

7.3 Statistical data of use of the compositions and/or objects of the related rights, employed for distribution of the royalties shall be consolidated by the categories of objects, forms and methods of their use and, also, quantitative data of their use, to ensure possibility of extrapolation, for distribution of the relevant quantities of the royalties received from the users without reports.

7.4 For the purpose of distribution of the specific amount of the royalties paid by the user without the user's report, there is used the part of statistical data of use of the compositions and/or objects of related rights that includes the data of use of the compositions and/or objects of the related rights for the most recent period available to the Association, by forms and ways of use, based on which the royalties shall be distributed.

7.5 Calculation of the specific rightsholder is provided by the algorithm provided for in Part 1. It is generally applicable to the paid royalties for the period of distribution and criterion of entirety of the pre-grouped use forms/methods by compositions and/or objects of the related rights.

## **8. Payment of the distributed royalties**

8.1 Association shall pay the royalties to the rightsholders based on the results of distribution, from the amounts of money transferred for the benefit of the specific rightsholders, during the calendar month following the month of distribution of royalties and registration of the results thereof, unless other periodicity of payment is provided by these Regulations or agreement made by the Association.

8.2 Payment of the royalties for the benefit of the rightsholders whose property rights are managed by the Association on the basis of the agreements made with the other organizations for collective management of the property rights, shall be provided in accordance with the terms and conditions of such agreements.

8.3 According to the agreements made with the rightsholders or the organizations for collective management of property rights' representing them, Association deducts the amounts required for payment of the expenses for collective management of the property rights of the rightsholders. It also deducts the amounts subject to transfer to the special funds established by the Association.

8.4 Payment of the royalties to the rightsholders shall be provided by the Association through cashless payment to their bank account, in accordance with the terms and conditions of the agreement on management of the property rights.

8.5 In accordance with the legislation, if required, Association performs the function of tax agent and deducts necessary taxes from the amounts subject to transfer to the rightsholders and further transfer of such amounts to the budget.

8.6 Association can establish minimal limits of the royalties that, because of their small quantities are not subject to payment. Such small amounts of the royalties are recorded and accumulated by the Association for the benefit of the specific rightsholders and paid in a normal manner to such rightsholders after they exceed established minimal limits.

8.7 Together with payment of royalties to the rightsholders, the Association, by means of the automated IT system, provides to them the following information:

8.7.1 Amount transferred to the rightsholder on the basis of distribution, by property rights' categories and types of use of the compositions and/or objects of the related rights;

8.7.2 Time period of use of the composition and/or object of the related rights for which the royalties are paid to the rightsholders;

8.7.3 Amount deducted by the Association for payment of the expenses of management of the property rights on the collective basis;

8.7.4 Amounts deducted by the Association to be transferred to the special funds established by the Association;

8.7.5 Amount of the royalties payable to the rightsholder;

8.7.6 Amount of the royalties transferred for the rightsholder's benefit but is not subject to transfer, specifying reason of non-payment.

8.8 With payment of the royalties to the other organizations for collective management of the property rights, for the benefit of the rightsholders represented by such organization, but no less than once per year, the Association shall provide the following information:

8.8.1 Amounts of the royalties intended for the rightsholders, whose interests are represented by the organization, by categories of the property rights and types of compositions and/or objects of the property rights;

8.8.2 Time period of use of the compositions and/or objects of the property rights for which the royalties are paid to the rightsholders;

8.8.3 Amount of transfers deducted by the Association for the purpose of payment of the collective management expenses.

8.8.4 Amount deducted by the Association to be transferred to the special funds established by the Association.

8.8.5 Data about the licenses issued to the users according to which the royalties were collected, as well as about the users whose license requests were denied;

8.8.6 Data about the decisions made by the Association's management bodies on the issues related to management of the property rights.