

Approved by the Association Board on 17 November 2023

Regulations of collection of the royalties for use of the works and phonograms in the conduct of collective management of the property rights

1. These Regulations set the rules of the Association's work to collect the royalties for use of musical works with and without text (hereinafter referred to as "works") and phonograms published for commercial purposes, in the interests of the authors, performers, phonogram producers and other rightsholders (hereinafter referred to as "rightsholders"), whose property rights are managed by the Association.

2. Association makes agreements with the users and payers – in relation to the works and phonograms, the property rights to which were transferred to the Association's collective management, on the basis of the agreements with the rightsholders in accordance with Georgian legislation, as well as the mutual representation agreements made with the other organizations providing management of property rights on the collective basis.

The users shall independently bear responsibility for the property rights to the works and/or phonograms of the rightholders that are not covered by the agreements between these users and Association.

In cases, provided for by Georgian legislation, the obligation of payment of royalties for use of the works and/or phonograms, shall be borne by the persons directly using them, they are regarded as payers of the relevant royalties and provide payment thereof in accordance with the terms and conditions of the agreements made with the Association.

3. For the purposes of these Regulations, the user is the person directly providing or organizing (initiating / procuring) use of the works and/or phonograms, the property rights to which were transferred to the Association for collective management, in the following forms:

3.1 Public performance of the work – presentation of performance of the work through declamation, play, sing, dance or in any other form, directly (live performance) or by means of any equipment, on the site (sites), where public performance can be perceived without necessity of public broadcast and where there are or can be present the individuals not belonging to the family or circle close to the family;

3.2 Public performance of the phonogram – presentation of the phonogram by means of any equipment, as a result of which, the phonogram becomes available for audio perception, where there are or can be present the individuals not belonging to the family or circle close to the family;

3.3 Public transmission of the work – transmission of the work in a form of image and/or sound by air, cable or any other means (with the exclusion of dissemination of the copies of the work) so that the transmitted image and/or sound could be perceived by the individuals not belonging to the family or circle close to the family on the site(s) located from the transmission place on the distance, where the image and/or sound could not be perceived on the site(s) of receiving without such transmission, among them, transmission so that the objects of copyright or related rights, databases were available for any person at any time and from the place of his/her choice;

3.4 Public transmission of the phonogram – transmission of the phonogram's sound by air, cable or any other means (with the exclusion of dissemination of the phonogram copies) so that the transmitted sound could be perceived by the individuals not belonging to the family or circle close to the family on the site(s) located from the transmission place on the distance, where the sound could not be perceived on the site(s) of receiving without such transmission, among them, transmission so that the phonogram was available for any person at any time and from the place

of his/her choice; also, transmission of the phonogram to any person, at a time and from the place of his/her choice, to ensure its availability (in internet network) comprise the individual methods of phonogram use.

4. For the purposes of these Regulation, the payer is a person, having, in accordance with the law, the obligation to pay the royalties for the rightsholders benefit, without relevant direct use of the works and/or phonograms. In particular, the payers are the manufacturers and importers of the equipment and carriers intended for reproduction of the works and phonograms specified by the law for personal purposes (hereinafter – private copying).

5. Association makes with the users the following agreements:

5.1 With the users of the works according to sections 3.1 and 3.3, the license agreements on use of the works are made;

5.2 With the users of the phonograms according to sections 3.2 and 3.4, the agreements on payment of royalties for use of the phonograms are made;

5.3 With the users, simultaneously using, by similar methods, the works and phonograms, the complex agreements can be made, to cover, simultaneously, the terms and conditions of the license agreement and payment of royalties. In addition, in such complex (mixed) agreements the terms and conditions of payment of the royalties shall determine the amount of royalties for use of both, the works and phonograms.

5.4 With the payers specified in Section 4, the agreements on payment of the royalties are made.

6. Terms and conditions of the license agreements and agreements on payment of royalties shall be similar for all users and payers of the same category. Categories of the users are determined on the basis of similarity of the works and/or phonogram use methods/forms, as well as purposes of use and practical circumstances (types of activities, within the scopes of which the works and/or the phonograms are used). Categories of the payers are distinguished according to their activities, purposes and other characteristics, providing basis for obligation of payment of royalties. Similarity of the terms and conditions of the agreements with the users is achieved by the Association by making standard agreements, as well as through common tariffs (regulations about the royalties rates) for the certain categories of the users. Tariffs approved by the Association are published on the Association's official website and also sent to Sakpatenti, in accordance with the rules established by the legislation.

7. For the purpose of collection of royalties for private copying, the Association develops and approves the types of the equipment and material carriers, through which collects the royalties, establishes the tariffs and payment rules. The mentioned terms and conditions are delivered to the payers for approval at a time of making agreement on royalties and enter into force upon their acceptance. If the payers do not accept, the terms and conditions of payment of such royalties can be revised and approved through negotiations between Association and payers. If the Association and payers fail to achieve agreement through negotiations, the terms and conditions of payment of the royalties shall be established in a manner provided for by the law. Terms and conditions of payment of the royalties for private copying are published on Association's official website and also they are sent to Sakpatenti, for publication, in a manner, provided for by the law.

8. Association may not refuse to make agreement with the user without sufficient grounds. The following can be regarded as the sufficient grounds for refusal to making agreement:

8.1 Facts of violation of the terms and conditions of the agreement between user and Association existing earlier;

8.2 Existence of data about the cases of violation of the property rights to the compositions and phonograms followed by substantial negative outcomes for the rightsholders, whose interests are represented by the Association;

8.3 Existence of the data that the user has no sufficient funds to ensure payment of royalties in accordance with the terms and conditions of the proposed agreement.

9. For the purpose of attraction of the new users, by the decision of the Board chairman or General Director of the Association, in relation to the amounts of royalties for use of the works and/or phonograms, for the benefit of the rightsholders, whose interests are represented by the Association, in making agreements with the specific users, individual terms and conditions may be determined, including the amounts different from the established rates by no more than 50%, also the extent and conditions of the user's responsibility for fulfillment of the agreement. In addition, application of such individual conditions, for the specific user, should be limited to the time period no exceeding 1 (one) year from the date of entry such conditions into force.

10. Process of execution of the agreement with the user includes the following stages:

10.1 User's identification;

10.2 Agreement upon the terms and conditions for use of the works and/or phonograms;

10.3 Execution and signature of the agreement.

11. User's identification takes place, when he/she applies to the Association, independently demonstrates interest in making agreement or where the Association establishes the fact of use of the works and/or phonograms by any person, in absence of agreement between such person and Association. In case of establishing of such fact, the Association takes all necessary measures to identify the person responsible for such use and sends contract proposal to him/her.

12. Attributing of the user to certain category is provided on the basis of analysis of the list of actions planned or performed by the user, their interrelation with the specific forms and methods of use of the works and/or phonograms, identification of the objective characteristics of the relevant use (type and quantity of the used works and/or phonograms, size of audience, effect of use, intensity of use, among them, duration, periodicity etc.).

13. Agreement upon terms and conditions of use of compositions and/or phonograms with the user is provided according to attributing of users to the specific categories, with due regard of the established tariffs (regulations on the royalties rates). In contracting between the user and Association, the following shall be subject to agreement:

- Forms and methods of the works and/or phonograms usage, subject to the user's interest;
- Term of use of the works and/or phonograms;
- Rules of calculation and payment of the royalties;
- Rules and form of submission of data of usage of the works and/or phonograms.

If required, the other terms and conditions of use can be subject to agreement, upon request of any of the parties.

14. Specific forms and methods of use of the works and/or phonograms shall be specified in the agreement, based on the actions, in performance of which the user is interested, according to the terms and conditions of payment tariffs (regulations on the royalties rates). Forms and methods of use specified in the agreement shall correspond to the property rights subject to Association's management on the collective basis.

15. Term of use of the works by the user as a general rule shall correspond to the term of the agreement. Where the user is interested in use of the works only for limited period of time, the term of use is specified by the agreement, as specific dates or certain time period for use.

16. Rules of calculation of royalties for use of the works and/or phonograms are provided in the agreement, according to the tariff conditions (regulations on the royalties rates). Rules of payment of the royalties for use of the works and/or phonograms are provided in the agreement, by setting the terms (periodicity) of payment by the user to Association. In addition, the term of payment by the user shall be set taking into consideration transfer of funds from the user to the Association's account as promptly as possible, this term as a general rule shall not exceed one month, from the end of the period of use, for which the payment shall be made.

17. Rules of submission of the data of works and/or phonograms usage by the user are specified in the agreement, specifying the form and terms of submission.

Data about use of the compositions and/or phonograms may be presented in written, as a separate document or in electronic form.

Data about use of the works and/or phonograms shall include the following:

- Specific date of use (specific period);
- Form and/or method of use;
- Circumstances of use (e.g. name and venue of the event, name and location of the building, TV or radio program name etc.);
- Amount of the royalties paid (including data evidencing accuracy of conducted calculations);
- List of the used works and/or phonograms (if the form, method and circumstances of use allow identification of such list).

Data about use of the works and/or phonograms, in accordance with the established requirements, will be regarded as the proper user's report acceptable for distribution of the payment made by such user.

18. In the course of negotiations, the Association may offer to the user the specialized software at the Association's disposal intended for submission of data specified in Section 17, free of charge. Obligation of use of the software by the user, as well as terms and conditions of use thereof are determined by the agreement between Association and the user.

19. After agreement upon terms and conditions with the user, staff member of the Association prepares the agreement in two copies, with the signature, date and reference number.

Original copies of the executed agreement, signed and sealed are provided to the user (in case of user's personal request to the Association) or the Association sends to the user's address by mail, requesting to return the signed copy.

Association transfers the copies of the agreement signed by the user and attested by the responsible person to the person authorized to sign such agreements.

In the signed copies sent to the user by the Association, there are specified the terms of returning of the signed agreements to the Association. If the Association does not receive the signed agreement upon expiry of such term, the agreement shall not be deemed concluded.

According to the general rules, the Agreement shall be deemed concluded upon signature thereof by both parties. As a rule, the agreement includes specific date of commencement of the agreement. The agreement may also include the provision that the terms and conditions of the agreement shall be applicable to the relations between the parties that emerged before actual execution of the agreement,

Upon signature by both parties, one copy shall be provided to the user, in case of personal visit to the Association – immediately upon signature, or sent to his/her address by mail. And the other copy of the agreement shall be maintained by the Association.

20. In the course of performing of the executed agreement, the user has the obligation to pay the royalties for use of the compositions and/or phonograms according to the agreement and submit the data on usage of the works and/or phonograms to the Association (user's report).

Amount received by Association from the user, within the scopes of executed agreement is further handled, for the purpose of distribution of royalties, provided that the Association receives the user's report or Association will independently distribute received royalties, in accordance with the rules adopted by the Association.

Association receives for distribution the amounts paid by the users, with accompanying reports from the respective users. If required, Association will take additional measures for the purpose of ensuring submission of the reports by the users (such as requests, providing technical support to the users, to ensure maintenance of the records about usage of the works and/or phonograms).

Failure to fulfill the obligation of payment of the royalties, as well as submission of the reports, as provided by the executed agreement is the basis for taking of the responsibility measures against the user by the Association in accordance with the agreement and/or legislation.

Association takes necessary measures to prevent accumulation of significant indebtedness by the user, with respect of payment of royalties and submission of the reports: giving notifications and claims, measures to ensure the debts' repayment and fulfillment of the obligations.

21. Amendments and addendums can be made to the agreement between the Association and user, by making supplementary agreement by the parties, in agreed form.

Where the user expresses his/her interest to changing the form or method of use of the works and/or phonograms and thus moves to the new category, other than the previous one, according to the agreement made before, the user and Association shall make new agreement, in accordance with these Regulations.

22. Agreement made between the user and Association may be terminated on the following grounds:

22.1 Termination of the user's activities related to use of works and/or phonograms, provided that the user gives prior written notification (no less than 15 days before) on proposed termination of use of the works and/or phonograms, as well as provided that the parties fulfill all obligations under the agreement properly and completely;

22.2 Execution of the termination agreement by the parties;

22.3 Liquidation of one of the parties;

22.4 Association's notification to the user on termination of the agreement, in case of repeated violation of the obligations provided for by the agreement;

22.5 Within one-month term upon Association's notification to the user in cases of upcoming change of substantial terms of usage of works and/or phonograms (including change of applicable tariffs).

23. Association controls user's compliance with the terms and conditions of the agreement. In case of recurrent (two or more times) violation of the agreement terms and conditions by the user, Association may terminate such agreement unilaterally, by giving notification on termination to the user, with immediate effect.

24. If Association makes decision on change of the conditions of use of the works and/or phonograms, notification on change of conditions of use shall be given to the users, whose interests, within the scopes of the agreements, are affected by such changes, no later than one month before enactment of such changes. In addition, the users may be offered to make new agreements with new terms and conditions.