

PHONOGRAPHIC PERFORMANCE LIMITED.

Members Licence Fees Payment- Basis & Methodology for Financial Year 2019-20 And Onwards

The contents of this document are confidential and privileged.

1. Introduction:

PPL's revenue is earned from non-exclusive licences granted and issued to licensees in public performance and radio broadcasting.

The collected amount is distributed to member music labels, after recouping costs and out-goings. For this purpose, PPL is entitled to defer recoupment of some of the costs to next year, if the benefit of such costs would continue to accrue in next year also.

2. Commencement

These Rules apply to the distribution of monies in respect of the revenues collected starting 1st April 2019 and ending 31st March 2020 and any subsequent financial years.

3. Distribution of revenue from Radio Broadcasting:

General: From the radio broadcasting revenue all administrative, operating costs, expenses and out-goings (both direct and allocated of common over-heads), legal & litigation expenses are to be deducted first.

The net income (post deduction of all the expenses as mentioned above) is distributed as follows:

3.1 All India Radio (AIR) - On the basis of member-wise summary report provided by AIR, usually provided *bi-annually*. AIR, usually, does not provide track-wise details.

3.2 Radio Broadcasting – Pvt. FM - On the basis of track-wise usage log reports or needle hours usage report, periodically provided by the Licensees / Broadcasters.

4. Distribution of revenue from Public Performance:

4.1 From the revenue collected (net of TDS suffered, commission and collection charges) all administrative, operating costs, expenses and out-goings (both direct and allocated of common over-heads), legal & litigation expenses are deducted. The amount so arrived shall be termed as 'Income available for distribution'

4.2 Logged Income Distribution: From 'Income available from distribution' all Logged Income shall be distributed on an actual revenue basis. The term 'logged income' here means public performance revenue collected for which the licensees have provided the log/details/playlist of the music/tracks being played. The term logged income includes revenue from storage/reproduction income generated from the play out of these tracks from background music service providers. This shall also be distributed in the ratio of the logs/details/playlist of the music/tracks being used.

4.3 The amount so arrived post deducting Logged Income from Income available for distributions and also deducting any other contractual payments is termed as 'Net Distributable Income'.

4.4 Basis for distribution of Net Distributable Income:

a. Extrapolation of logged income

In addition to logged income, as mentioned above, for which actual usage/logs are available, an additional amount will be distributed basis extrapolation of such logged income. This extrapolation shall be used for distributing income generated by licensees within similar tariff categories. The total of logged and extrapolation of logged income shall be 10% of total revenue from public performance or actual logged income whichever is higher. PPL shall take into account the distribution so determined shall be reasonable in all circumstances.

b. Market Research Sampling exercise:

To further increase the accuracy of member payments, PPL will conduct a statistically viable sampling exercise in certain region/state/ cities. Such sampling exercise shall be conducted by an independent market research agency with reasonable expertise in research domain. The region/state/ cities so selected for this market research sampling, shall be a representative sample of the total public performance revenue in the financial year 2019-20. The results of such research will be used to distribute licensee fee collected from the region / state / cities where the research was carried out.

An amount of maximum 20% of the 'Net Distributable Income' shall be paid basis this market research sampling exercise.

4.5 The amount left unallocated out of the 'Net Distributable Income' post deducting the:

- Extrapolation of logged income as mentioned in clause 3 (a)
- Market research sampling exercise as mentioned in clause 3 (b)

shall be distributed basis Individual members' share, computed basis the following formula:

- a. 60% weightage to usage-based song stream counts through Airtel-Wynk, Gaana, and Saavn for FY 2019-20.
Members shall authorize the above mentioned digital platforms to share the song stream counts information with PPL and also work towards ensuring the data is submitted to PPL by the platforms within the timeline specified by PPL.
- b. 20% weightage to private FM radio broadcast plays for FY 2019-20. (excluding All India Radio and community radio broadcasters). Such weightage shall be computed on needle-hours reported and not on amounts.
- c. 15% weightage to the net physical domestic sales turnover of audio products pertaining to FY 2019-20.
- d. 5% weightage to the You Tube views reported in the Indian territory, for FY 2019-20.
Members shall authorize You Tube (Google) to share the view count information with PPL and also work towards ensuring the data is submitted to PPL by You Tube (Google) within the timeline specified by PPL.
- e. Members will share a certificate from a Chartered Accountant as declaration for physical turnover and additionally for radio needle hours if they have not assigned the radio

broadcasting rights to PPL. The specimen format of the CA certificate will be as communicated by PPL to its members in due course.

4.6 In case any of the data is not forthcoming from the sources/platforms etc. the Board is authorized to decide any alternative methodology for collection of data.

4.7 In case of declarations that are apparently exaggerated or out-of-alignment with known market conditions or not apparently authentic, etc., PPL is entitled to further audit the records and call for supporting documents for validation. Royalties for such members will be put on hold till the supporting documents provided are cleared and approved by PPL appointed auditors. Further, if the supporting documents are not valid or in case no supporting documents as called for are submitted within the stipulated time period, the submission of relevant data of such members will be considered as “Nil” and the royalty/license fee shall be computed accordingly.

Note: The afore-said turnover for the purpose of net physical domestic sales as mentioned in clause 3 (iii) (b) (c) is of audio products in physical formats (i.e. audio cassettes, audio CDs, MP3 CDs and audio DVDs), net of sales returns or provision for sales returns and channel discounts.; excludes export sales; and excludes home video (full movie VCDs, DVDs). In the event that it is not explicitly declared that the sales figure provided is of Audio products only, it will be assumed that 25% is of video products and the same shall not be eligible for being considered for payment of licence fees. Only trade i.e. bazaar retail sales are eligible. Sales figures of devotional albums to be excluded, in view of exemption in Copyright Act for licensing of religious places/functions. Premium sales, OEM sales, Corporate sales, “CD club” sales, direct marketing sales, and such or similar sales are not eligible. Only third party sales are taken in account; inter-company sales are excluded.

4.8 In case of data received from multiple sources, for the computation of individual members share, as mentioned above PPL reserves the right to select the most appropriate source on a reasonable basis.

5. Eligibility for receiving the licence fee payments:

5.1 A new member is eligible for share in Public Performance revenue from the effective date of joining mentioned in his agreement.

5.2 A member who resigns within the year, royalty will be calculated on pro-rata basis up to the last month of being an active member.

6. Periodicity of payment:

| Revenue stream | Periodicity | Basis of computation |
|-----------------------|--------------------|---|
| Radio | Quarterly | Basis processing of logs and revenue receipts. |
| Public Performance | Quarterly | <ul style="list-style-type: none"> i. Basis processing of logs and revenue receipts. ii. Basis market research sampling reports iii. Interim payment to members whose estimated license fees are below Rs. 60 lakhs per annum. <p>The previous year license fees distributed to member shall be used for computing the estimate.</p> |

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|--------------------|---------|---|
| Public Performance | Monthly | <p>In the event the estimated license fee payable to a member exceeds Rs.60 lakhs p.a., the Company shall endeavor to process 'on account' monthly license fee payouts.</p> <p>The previous year license fees distributed to member shall be used for computing the estimate.</p> |
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The final payout of public performance license fees after finalization of PPL audited accounts shall be paid out latest by January 31st of the subsequent financial year subject to timely receipt of all documents/data from members/platforms/agencies and validation thereof.

7. Deductions:

From the licence fees received from the licencees (net of TDS suffered, commission and collection charges), all administrative expenses, legal expenses, anti-piracy/advocacy charges, member welfare scheme contributions are deducted. As far as practicable, such deduction may be identified separately for each stream (i.e. public performance and radio broadcasting). In the event expenses were not fully recouped from the payment of the relevant year, such un-recouped expense may be carried over and recovered from the payment of licence fees consideration for the subsequent year. In the event of temporary inability to distribute a part of the revenue or part of the collected amounts due to Court order, or litigation or government intervention or orders by authorised government agencies/institution, the same may be withheld and kept aside, till the litigation or intervention or order is resolved.

- 8.** PPL may apply its 'Other Income', mainly, bank interest earned out of temporary surplus of funds to subsidize the costs in expense recoument in both radio and public performance distribution. The Board is empowered to decide the ratio and/or amount of apportionment of Other Income to radio and public performance distribution basis a reasonable methodology.
- 9.** Where an overpayment has been made in respect of a member, PPL may deduct all or part of that overpayment from any subsequent payment that is due in respect of that member.
- 10.** In case of any other license fee income received where usage data is partial/incomplete/not available the Board may approve of a reasonable methodology for distribution.

11. Computation methodologies in special cases:

11.1 In case of fixed value or lump-sum value licences or settlements, the licence fees per track is to be computed on quarterly or monthly rests (or, alternately, the entire contract term, at the option of PPL), by dividing the lump-sum or fixed value or settlement amount for the quarter (or the contract term, as the case may be) by the total actual reported usage for that quarter (or the contract term, as the case may be) of all PPL members.

- 11.2** In the event of a lump-sum or fixed-value licence fee across multiple locations or services (eg multiple stations of a radio broadcaster), same can be allocated to individual location or service on reasonable basis, utilizing available data and market information.
- 11.3** In cases where the Licencee fails to provide the periodic usage log report or a report is found to be erroneous or incomplete or inconsistent or unreliable and is not rectified expeditiously by the Licencee or there are practical difficulties in precisely identifying the song to a member, PPL is at liberty to apply a suitable surrogate method, for that amount, on a case-to-case basis. Such basis of such schemes may include, but not restricted to, the number of songs owned /registered by the member, or licence fees earnings of member in that stream or in aggregate, or logs given by a similar licensee, etc.
- 11.4** In case of monies received not identifying a specific track or a specific label, or excess receipts, such amounts may be utilized /applied, for members benefit, towards recoupment or absorption of PPL costs in any stream, including public performance stream, while computing net distributable amount.

12. Counter-claims and disputes on title:

In the event of counter-claims or ownership / controllership disputes on a song or album or catalogue, whether involving judicial proceedings or not, the licence fees on the same is liable to be kept suspended or withheld, till the satisfactory resolution of the dispute upon production and examination of necessary documentary evidence of ownership of copyright. The decisions of PPL in such cases will be at its sole and exclusive discretion and binding on the members and claimants concerned. The member shall produce such documentary proofs, including agreements with film producers, artists, etc., as may be required by PPL or its lawyers from time to time. PPL may choose to take legal advice/opinion on the counter-claim; in which case, the counter-claimant shall be required to deposit in advance the full legal cost with PPL, failing which the counter-claim is liable not to be processed. PPL also may issue suitable “public notice” in newspapers, in the event of counter-claims. No interest is payable on suspended license fees. Members affirm that they shall not raise any claim or dispute on PPL, in respect of alleged, direct or indirect loss or loss of gains / profit attributable to the disputed titles.

13. Temporary suspension or withholding of payment:

- 13.1** PPL may temporarily suspend payments from a member’s account if he, at any time, withdraws or terminates or restricts or derogates exclusive assignment/transfer of his repertoire or in parallel exploits the same through third-parties, in a manner inconsistent with the agreement signed by him with PPL. No interest is payable on suspended licence fees.

13.2 Licence fees payments may be temporarily withheld, at discretion of PPL, till the Member executes any pending documentation or evidence related to membership or assigned works. No interest is payable on suspended licence fees.

13.3 In the event of any funds of the Company being un-available on account of any legal action or Court order, including for example provisional attachment of funds, or bank account freeze or attachment of funds by an authority or Court, PPL is entitled and empowered to delay and/or with-hold the distribution of licence fee to members to such extent, on a pro-rata basis to each member, out of his eligible licence fee as calculated. The basis, time-frame, formula, methodology and decisions adopted by the Board in this regard shall be final and binding on all members. Amounts so with-held or delayed can be released only upon release of the funds by the authority or Court concerned.

14. Verifications:

14.1 While reasonable efforts, within available resources and within the time constraints, are made to validate or scrutinize the usage logs reports from licencees, PPL does not assume responsibility for errors at the source i.e. in the usage log reports submitted by the licencees, including errors, mis-spellings, etc. in identification and description of the song, album, label, code number, etc. Attempt will be made to resolve un-identified and mis-matched reported usages by applying best-fit criteria, but with no guarantee. It is the responsibility of member to declare and register the full metadata of his repertoire, on timely basis with PPL.

14.2 Licence fees received against mis-matched songs, that could not be satisfactorily resolved, may be directly applied to recoup administrative and legal expenses or, alternately, paid on a reasonable surrogate basis.

15. Adjustments:

PPL may adjust or deduct from any future payments to a member any past over-payments that have been made to that member. Over-payments might have occurred where a member supplied incorrect information or has incorrectly registered his songs or due to sale of audio catalogue, or due to clerical oversight/error, or dispute/counter-claim, etc. PPL may offset or reduce the licence fees payable to a member to the extent of dues or claims from the same member to PPL, in his capacity as a licensee or user or in any other manner whatsoever.

16. Mode of payment:

Licence fees payments are made by account payee cheques or by RTGS/NEFT, where RTGS/NEFT details have been furnished by member to PPL. In the event any taxes or levies

are applicable on licence fees distributed to member, same shall be borne by (or charged to) the member. Payouts shall be in favour of the Member's name only, payment assignment or endorsement requests may not be taken into account.

- 17.** In the event of any variation, if any, between the basis and methodology as per this document and the methodology specifically agreed in the agreement with an individual member, the latter shall prevail.

18. TDS procedures:

Licence fees payment will not be made to a member till he furnishes his income-tax PAN number and copy of PAN certificate. Certificates for tax deducted at Source (TDS) will be issued to the member quarterly. Any discrepancy, to be notified within 15 days of the receipt of the said certificate. If any member has obtained concessional/lower TDS certificate from the income tax department, the same will be applied on the next licence fees payment due after the receipt of the said certificate. The certificate will be applied for the period and amount for which it is issued, and only until the closure of books/audit of accounts of PPL. Thereafter, for any payment of licence fees for the prior period, normal TDS rate will prevail.

19. Tax procedures:

GST or other tax payment will be made to a member on his furnishing valid tax invoice as prescribed by the tax authorities, within the statutorily prescribed time-limits and as per the statutory prescribed format. Invoices not statutorily compliant cannot be processed for payment of tax.

- 20.** It is the sole responsibility of assignors/members to register their new songs, with full and correct particulars, duly supported by album inlays or covers, on a timely basis with PPL. Any omission or delay in this regard is at the consequence of the member.
- 21.** In case of repeated return (three attempts to reach the member) of the royalty payouts to members, an advertisement shall be made in the local newspaper in the state where the member is based, post thirty days from the publishing of the local newspaper advertisement, the unpaid amount shall be moved to a separate account earmarked for this purpose and after three years thereon the said unpaid amount shall be moved to Members Welfare Scheme.