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- Collecting Society  
Granted Association with Legal Capacity

## DISTRIBUTION SCHEMES

(version dated 19/06/2023)

The Distribution Scheme is available in German and in English. In case of inconsistencies between the German and the English version, the German version shall prevail.

### A Distribution Scheme for the division Articles 70/71 UrhG

#### a) General Principles

##### Article 1

1. The Distribution Scheme is aligned to the provisions on the law regulating the administration of copyrights and related rights by collecting societies (Collecting Societies Act – VGG) and the Statutes.
2. The distribution of revenue occurs here only for the purposes stated in Art. 26 VGG.

##### Article 2 Administration costs, flat-rate costs

1. In order to cover the administration costs, the settlement divisions are charged a flat-rate cost that is determined by the board of directors.
2. The flat-rate costs retained to cover the administrative costs must be adequate. When determining the amount of the flat-rate costs by the board of directors, it must be ensured that the administration of VG Musikedition can meet its legal and other obligations.
3. Unused flat-rate costs are distributed to the respective beneficiaries at the latest after three years.

##### Article 3 Culture fund

10 % of the revenue of the division Arts 70/71 UrhG is allocated to the culture fund. The allocation is made in the course of the distribution of revenues to the beneficiaries.

##### Article 4 Reserves, interest earnings, fees

1. The board of directors decides upon the extent of reserves for claims to recourse. The date at which unused reserves are disbursed is likewise determined by the board of directors.
2. The board of directors decides on the use of admission and membership fees as well as other amounts unable to be distributed– including the unused reserves – unless the Distribution Scheme or the law envisages a different regulation.
3. Interest earnings, conventional fines and default charges are used to cover the costs.

## **Article 5 Investment of revenue from royalties**

1. Revenue is invested according to Art. 25 VGG in the exclusive and best interest of the beneficial owners.
2.
  - a) With regard to the general investment policy on revenue it must be taken into account that the amounts to be invested are assets held in trust which the beneficial owners are entitled to. Thus, the security of the investment has precedence over achieving a return on investments (Art. 17 Para. 1 no. 8 VGG).
  - b) When investing income, it must be ensured that the distribution deadlines (Art. 28 VGG) can be met.
3. Details are regulated by an investment guideline; their compatibility with legal requirements must be assessed and determined by an auditor or auditing firm.

## **Article 6 Royalty beneficiaries on the basis of membership**

1. Those with a claim to participate in the distribution of revenue are royalty beneficiaries who, as members, were demonstrably involved in the works and/or editions, for whose use VG Musikedition received remuneration during the delimitation period.
2. Royalty beneficiaries in terms of paragraph 1 are the owners of rights pursuant to Articles 70/71 UrhG.
3. The shares of the royalty beneficiaries are calculated on the basis of the number, type and duration of the works and the number of their performances and/or other uses.

## **Article 7 Royalty beneficiaries on the basis of mandates acc. to Art. 2 Para. 1 Sentence 3 of the Statutes**

1. VG Musikedition issues a settlement to every royalty beneficiary who is neither a regular member nor an affiliated member, but who has rather issued a mandate in the sense of Article 2. Para. 1 Sent. 3 of the Statutes, for the remuneration that VG Musikedition has received demonstrably solely through the use of the rights of collection transferred to it by one or a group of these beneficiaries.
2. If such rights are subject to a flat-rate exploitation or co-exploitation and flat-rate revenue is received, the money is distributed in consideration of the identifiable scope and frequency of presentation, reproduction, distribution and other means of exploitation, and in observance of recognisable royalty circumstances which allow conclusions to be drawn about the scope of use relevant to copyright.
3. VG Musikedition receives reasonable commission for the costs and expenses it incurs and reasonable remuneration for its activities.

## **Article 8 Distribution according to divisions**

1. Revenue related to works is distributed to the beneficiaries in accordance with the individual net settlement. If several protected works/editions are performed during an event, the revenue is distributed proportionately on the basis of how long each of the works last, whereby the calculation rounds up the shares of the played works/editions into full 10-minute blocks.
2. Revenue from flat-rate agreements is settled on the basis of the point values as stipulated in Section b) Execution Regulations, Article 5 Settlement Key.
3.
  - a) If flat-rate agreements exist with churches, the revenue is first distributed for the works or editions that have been demonstrably performed in the context of these agreements. If the distribution sum has then still not been used up, the disbursement of the distribution sum takes account of each registered work edition from which performance material is available in a manner customary to the trade and which can be performed in the context of the flat-rate agreements with churches.
  - b) If flat-rate agreements exist with choral societies, the revenue is first distributed for the works or editions that have been demonstrably performed in the context of these agreements. If the distribution sum has then still not been used up, the disbursement of the distribution sum takes account of each registered work edition from which performance material is available in a manner customary to the trade and which can be performed in the context of the flat-rate agreements with choral societies.
  - c) If flat-rate agreements exist with broadcasting companies and other concert organisers, the revenue is first distributed for the editions or works that have been demonstrably broadcast or performed in the context of these agreements. If the distribution sum has then still not been used up, the disbursement of the distribution sum takes account of each registered work edition from

which performance material is available in a manner customary to the trade and which can be performed in the context of the existing flat-rate agreements.

d) When settling performances under flat-rate agreements, the distribution sum per work or edition is reduced to a maximum of € 10.00 (less lump sum costs and allocations to Cultural Foundations), if the total number of visitors is less than 20 and entrance is not charged for the performance.

4. All registered works and editions are taken into account in the distribution of library royalties under the flat-rate agreement, with the exception of works and editions submitted as manuscripts as well as – for registration of work from 1/1/2019 – works and editions without ISMN (International Standard Music Number).
5. In the distribution of royalties from the flat-rate agreement for private recording rights (ZPÜ), the only works and editions considered are those that can be expected to be reproduced by recording from broadcasts onto audio carriers or visual-audio carriers or from transmissions on one audio carrier or visual-audio carrier onto another. This is particularly the case if an audio carrier or visual-audio carrier of a work or an edition is available, or if such has been broadcast during the settlement period.
6. The distribution of revenue from the division ZVV occurs in the context of the allocation via the distribution of revenue from library royalties.
7. Revenue received from reciprocal accords with foreign collecting societies is distributed in accordance with the individual net settlement. If this is not possible, the board of directors decides upon the distribution and allocation, thereby taking account of all the information available on copyright usage.

In this context, it must be ensured that the remuneration goes to those beneficiaries who come closest in practical terms to the divisions from which the remuneration was generated. If it is not possible to track down such owners of rights, the remuneration is paid and distributed in accordance with Para. 4 of this Article.

#### **Article 9 Non-distributable revenue**

1. Revenue from rights and claims is deemed non-distributable if the beneficial owner cannot be determined or found within three years after the end of the financial year in which the revenue was received, and VG Musikedition has taken all necessary measures required by Art. 29 VGG.
2. After the deadline in Para. 1 has expired, the non-distributable revenue from flat-rate royalties is added to the revenue and distributed in the context of this distribution. Non-distributable revenue from net individual settlements is used after the deadline in Para. 1 to cover the costs.

#### **Article 10 Payment**

1. Royalties are calculated and paid out once per annum at a date determined by the board of directors. With the settlement, the beneficiaries receive a detailed settlement statement. Beneficiaries can request settlement statements for distributions over the last 10 years upon remittance of an administrative fee according to the fee table for additional chargeable service which is published on the homepage of VG Musikedition.
2.
  - a) Revenue from legal royalty claims under Art. 70 UrhG is due to the editor respectively to the author. If the editor resp. the author effectively transferred his/her royalty claims to the publisher or the editor resp. the author agrees vis-à-vis VG Musikedition that the publisher should share in the revenue from legal royalty claims, disbursement occurs at a ratio of 50 / 50 irrespective of who contributed the rights.
  - b) If royalty claims under Art. 70 UrhG were contributed to VG Musikedition by the publisher and the editor resp. the author is not a member of VG Musikedition, the editor's share resp. the author's share can be distributed to the publisher on the understanding that this is transferred to the editor resp. the author in full. The publisher indemnifies VG Musikedition in this regard from all claims from the editor respectively the author.
  - c) All other revenue (rights of use and royalty claims from Art. 71 UrhG) according to Art. 7 is paid half to the publisher and half to the editor(s) resp. the author(s) in the case of published works. The publisher informs VG Musikedition with the registration of the work/edition, that he is entitled to collect the publisher's share vis-à-vis the editors resp. the authors. If the editor resp. the author is not a member of VG Musikedition, the editor's share resp. the author's share is distributed to the publisher on the understanding that this is transferred to the editor resp. the author in full. The publisher indemnifies VG Musikedition in this regard from all claims from the editor respectively the author.
3. The distribution occurs irrespective of who granted the rights to VG Musikedition.

4. If there are several royalty beneficiaries in the same chamber, the remuneration is distributed evenly amongst these.
5. The decision to pay out (transfer) amounts of less than € 10.00 is the responsibility of the management. Should amounts of less than € 10.00 not be paid out in the context of the respective distribution, then the payment (transfer) will be made when the minimum amount has been reached by future settlements.
6. If claims of several parties are under dispute, VG Musikedition is obliged and entitled to refuse payment until the disputing parties issue a joint declaration or until a binding verdict on the entitlement is presented to the parties. VG Musikedition can set a deadline of six months for the assertion of the claims (through legal action or pursuant to the law of association, in accordance with Art. 15 of the Statutes. If proof of the assertion is not provided within this deadline, payments will be made in line with existing registrations.

#### **Article 11 Subsequent distribution / distribution of extraordinary revenue**

Payments received for years for which remuneration has already been disbursed are basically assigned to the year(s) for which the payments were made. They are paid to the respective beneficiaries by means of subsequent disbursement. Management, with the approval of the board of directors, can waive subsequent calculation and subsequent disbursement if the associated costs would be financially untenable. In such cases, the subsequent payments are made together with the next disbursement due for the division concerned.

#### **Article 12 Subsequent correction to distribution**

1. If a disbursement is erroneous or invalid in full or in part, the erroneous or invalid distribution must be reversed as a matter of principle. Erroneous disbursements made to a beneficiary that cannot be collected back can be offset against future disbursements to this beneficiary or, if possible, can be taken from the reserves formed for the year(s) of disbursement concerned. For the rest, the details of reverse transactions shall be regulated by management, with the approval of the board of directors, on a case-by-case basis.
2. Approval from the board of directors can be waived for a reverse transaction in the following cases:
  - If remuneration was distributed three or more years before the date on which the distribution was found to be erroneous;
  - If the associated costs would be financially untenable;
  - If correction of the distribution error would entail financial expenditure disproportionate to the amount of the erroneously distributed revenue;
  - If correction of the distribution error would result in a difference of less than € 10.00 taken on average over all the royalty beneficiaries affected.

#### **Article 13 Distribution deadline**

1. The distribution of revenue occurs no later than nine months after the end of the financial year in which it was received by VG Musikedition. Revenue from representation agreements is disbursed no later than six months after receipt.
2.
  - a) As long as factual reasons justify a delay, the deadline pursuant to Para. 1 does not expire. Factual reasons can result for the respective rights holder, in particular, in connection with notifications from users, the determination of rights, the determination of the rights holder or the allocation of details or with regard to the work or other protected items.
  - b) With regard to the distribution of revenue from representation agreements, factual reasons also exist especially if the distribution occurs in the context of transfer to other divisions or the next regular distribution is only due after the end of the deadline.
3. Revenue that is not distributed within the deadline because the beneficial owner cannot be determined or found, are shown separately in the accounts.

#### **Article 14 Appeal procedure**

1. Appeals in terms of Art. 33 Para. 2 no. 3 and 4 VGG must be addressed to management in writing provided they do not concern a resolution by the members' meeting.
2. If the appeal is aimed at the distribution of royalties or the deduction of royalties, the appeal must occur no later than three months after receiving the settlement.
3. Management shall decide on the appeal in writing. In the event of a rejection, the decision by management must be justified.

4. An objection to the decision can be lodged with the board of directors. The objection must be lodged no later than four weeks after receiving the decision from management. For complaints that involve an amount of less than 10.00 Euro, an objection cannot be lodged with the board of directors.

#### **Article 15**

1. These General Principles are a component of the Statutes. Changes and supplements therefore require the approval of the members' meeting with the majorities required to change the Statutes.
2. These General Principles and the Execution Regulations must be presented to every member before signing the Rights Agreement.
3. The members' meeting resolves Execution Regulations for the practical implementation of these General Principles, which regulate the application of these principles.

## b) Execution Regulations

### Article 1 Applications for registration of editions and works

1. Registration of editions and works must be applied for. Every member must therefore ensure that each edition or work is properly registered with VG Musikedition; in the case of published works, the publisher primarily bears this duty of registration. If a member makes false statements when submitting a work for registration or fails to notify incorrect details once he/she becomes aware of the inaccuracy, the board of directors is entitled to take all the action allowed under Article 5, 1.c) of the Statutes; the pursuit of further-going claims remains unaffected.
2. An author is deemed to be a person who has created a scientific edition in accordance with Article 70 UrhG. An editor is deemed to be a person who has released a posthumous work or arranged for its release in the sense of Article 71 UrhG, although not someone who publishes a series or a collected work or releases a similar publication in which the work appears, after this work has already fulfilled the prerequisites of Article 71 UrhG. A publisher is deemed to be a person with whom an author/editor has concluded a publishing agreement in the sense of prevailing publishing law or other applicable copyright law, and who subsequently reproduces and distributes the work in a manner common in the trade, unless the parties involved have agreed something to the contrary and the author/editor submits confirmation of this to VG Musikedition.
3. If artists share the same civilian names, it is recommendable - in order to avoid confusion - that those involved agree upon how these names can be differentiated by use of additions to their names.
4. The registration of works must be applied for on the application form prepared for the purpose.
5. Each application to register a work must be accompanied by a specimen copy of the work; in the case of published works, a copy of the issue; in the case of manuscripts, a full copy.
6. As long as a work is not registered at all or only registered improperly (with the result that the registration could not be completed), the member in question has no claim to settlement or disbursement.
7. If circumstances change after a work has been registered (e.g. publication, change of title, abridgement etc.), every royalty beneficiary is obliged to notify these changes to VG Musikedition and to submit the relevant documents. Notifications of changes to the circumstances surrounding a work cannot be considered for settlement in the on-going financial year unless they are received by 31<sup>st</sup> March at the latest. If notification is received later than this date, the changed settlement is not made until the start of the financial year following that in which notification was received; subsequent settlement is excluded.
8. a) The works committee and/or the managing director reviews whether editions or works submitted for registration are capable of protection in accordance with Articles 70/71 UrhG. It/he also determines the points rating under the settlement key (see Article 5).  
b) The member concerned can appeal against the committee's decision according to Art. 14 of the General Principles.
9. Members who disagree with a verdict issued in accordance with Para. 8 can take recourse before a regular court of law. However, verdicts made pursuant to Para. 8 remain binding for the business operations of VG Musikedition until the ruling of regular court of law becomes legally effective.
10. VG Musikedition is entitled to check the reported duration of a work by inspecting the specimen copy. This is done by the works committee. The applicant shall be informed if the review finds significant differences between the reported duration and the duration established by the works committee. If an agreement cannot be reached between the applicant and the works committee with regard to the duration of the work, the applicant can lodge an objection according to Art. 14 of the General Principles within four weeks of receipt of the works committee's verdict.

### Article 2 Programme Recording

Every member should report all usages of their works known to them. That said, the greatest care should be taken when making such reports.

In cases of misrepresentation leading to an unlawful pecuniary advantage, the management is entitled, with the consent of the Board of Directors, to take measures in accordance with § 10 of the rights agreement and to request conventional fines, which can be offset against the distribution claims of the beneficiary.

### Article 3 Programme Utilisation

Programmes (notifications of performances and broadcasts to settle revenue from flat-rate agreements acc. to Article 8 point 3 of the General Principles) that are not available by 31/01 of the following year are not considered during the regular distribution and are carried forward to the following financial year as long as VG Musikedition in turn receives these by 31/12 of the following year. Programmes received after this can no longer be considered for distribution from flat-rate agreements.

### Article 4 Determination of the point rating sum

Point rating sums are not determined until event organisers and/or broadcasters and/or other users have made flat-rate payments which can be categorised by works.

Once this has happened, the point rating sum is determined by adding up the points (Article 5) awarded to all works and editions which were demonstrably used.

### Article 5 Settlement key

The works committee determines the point rating for all registered editions or works under the following settlement key in accordance with Article 1 Para. 8. In this key, each independent instrument played is regarded as one voice (analogous to the vocal parts) and percussion instruments are counted by the number of players:

#### Point rating

##### 1. Instrumental works for up to 2 solo instruments

up to 5	Minutes	5	points
5 – 10	Minutes	10	points
10 – 20	Minutes	15	points
20 – 30	Minutes	20	points
over 30	Minutes	30	points

##### 2. Instrumental works for 3 – 5 solo instruments

up to 5	Minutes	7	points
5 – 10	Minutes	14	points
10 – 20	Minutes	21	points
20 – 30	Minutes	28	points
30 – 45	Minutes	42	points
45 – 60	Minutes	56	points
over 60	Minutes	84	points

##### 3. Instrumental works for more than 5 solo instruments

up to 5	Minutes	9	points
5 – 10	Minutes	18	points
10 – 20	Minutes	27	points
20 – 30	Minutes	36	points
30 – 45	Minutes	54	points
45 – 60	Minutes	72	points
over 60	Minutes	108	points

##### 4. Works for chamber orchestra (incl. solo instruments) with up to 6 real voices

up to 5	Minutes	10	points
5 – 10	Minutes	20	points
10 – 20	Minutes	30	points
20 – 30	Minutes	40	points
30 – 45	Minutes	60	points
45 – 60	Minutes	80	points
over 60	Minutes	120	points

5. Works for chamber orchestra (incl. solo instruments)  
with up to 9 real voices

up to 5	Minutes	12	points
5 – 10	Minutes	24	points
10 – 20	Minutes	36	points
20 – 30	Minutes	48	points
30 – 45	Minutes	72	points
45 – 60	Minutes	96	points
60 – 90	Minutes	144	points
over 90	Minutes	192	points

6. Works for chamber orchestra (incl. solo instruments)  
with more than 9 real voices

up to 5	Minutes	15	points
5 – 10	Minutes	30	points
10 – 20	Minutes	45	points
20 – 30	Minutes	60	points
30 – 45	Minutes	90	points
45 – 60	Minutes	120	points
60 – 90	Minutes	180	points
over 90	Minutes	240	points

7. Works for large orchestra (incl. solo instruments)  
with more than 19 real voices

up to 5	Minutes	18	points
5 – 10	Minutes	36	points
10 – 20	Minutes	54	points
20 – 30	Minutes	72	points
30 – 45	Minutes	108	points
45 – 60	Minutes	144	points
60 – 90	Minutes	216	points
over 90	Minutes	288	points

8. Vocal works with 1-2 real voices

		a	b	c	D	e	
		vocal part a cappella	with up to 2 solo instruments	with up to 5 solo instruments	with chamber orchestra	with large orchestra	
up to 5	Minutes	6	8	10	17	20	points
5 – 10	Minutes	12	16	20	34	40	points
10 – 20	Minutes	18	24	30	51	60	points
20 – 30	Minutes	-	32	40	68	80	points
30 – 45	Minutes	-	48	60	102	120	points
45 – 60	Minutes	-	64	80	136	160	points
60 – 90	Minutes	-	-	120	204	240	points
over 90	Minutes	-	-	-	272	320	points



### 9. Vocal works with up to 4 real voices

		a	b	c	D	e	
		vocal part a cappella	with up to 2 solo instruments	5	with chamber orchestra	with large orchestra	
up to 5	Minutes	8	10	12	19	21	points
5 – 10	Minutes	16	20	24	38	42	points
10 – 20	Minutes	24	30	36	57	63	points
20 – 30	Minutes	32	40	48	76	84	points
30 – 45	Minutes	48	60	72	114	126	points
45 – 60	Minutes	64	80	96	152	168	points
60 – 90	Minutes	96	120	144	228	252	points
over 90	Minutes	128	160	192	304	336	points

### 10. Vocal works with up to 6 real voices

		a	b	c	D	e	
		vocal part a cappella	with up to 2 solo instruments	5	with chamber orchestra	with large orchestra	
up to 5	Minutes	10	12	14	21	23	points
5 – 10	Minutes	20	24	28	42	46	points
10 – 20	Minutes	30	36	42	63	69	points
20 – 30	Minutes	40	48	56	84	92	points
30 – 45	Minutes	60	72	84	126	138	points
45 – 60	Minutes	80	96	112	168	184	points
60 – 90	Minutes	120	144	168	252	276	points
over 90	Minutes	160	192	224	336	368	points

### 11. Vocal works with up to 8 real voices

		a	b	c	d	e	
		vocal part a cappella	with up to 2 solo instruments	5	with chamber orchestra	with large orchestra	
up to 5	Minutes	12	14	16	23	25	points
5 – 10	Minutes	24	28	32	46	50	points
10 – 20	Minutes	36	42	48	69	75	points
20 – 30	Minutes	48	56	64	92	100	points
30 – 45	Minutes	72	84	96	138	150	points
45 – 60	Minutes	96	112	128	184	200	points
60 – 90	Minutes	144	168	192	276	300	points
over 90	Minutes	192	224	256	368	400	points

## **B Distribution Scheme for the reproductions division, Article 45c UrhG, Article 46 UrhG and Articles 60a ff UrhG**

### **a) General Principles**

#### **Article 1**

1. The Distribution Scheme is aligned to the provisions of the law on the administration of copyrights and related rights by collecting societies (Collecting Society Act – VGG) and the Statutes.
2. The distribution of revenue in this respect only occurs for the purposes mentioned in Art. 26 VGG.

#### **Article 2 Administration costs, flat-rate costs**

3. In order to cover the administration costs, the settlement divisions are charged a flat-rate cost that is determined by the board of directors.
4. The flat-rate cost retained to cover the administration costs must be adequate. When the board of directors determines the amount of the flat-rate costs it must be ensured that the administration of VG Musikedition is able to meet its legal and other obligations.
5. Unused flat-rate costs are distributed to the respective beneficiaries at the latest after three years.

#### **Article 3 Distribution**

1. If it can be established by reasonable means, every beneficiary should receive the share of the remuneration attributable to the use of his/her work.
2. If the individual ratio of use vis à vis the remuneration cannot be established in this sense, general rules of evaluation and distribution shall be applied as an approximate gauge of this ratio. This method should take reasonable account of the extent of use and the cultural or artistic significance of the work of each beneficiary.
3. Remuneration is distributed to royalty beneficiaries on the basis of mandates in accordance with Article 2 Para. 1 Sentence 3 of the Statutes analogous to A a) Art. 7.
4. Revenue received from reciprocal accords with foreign collecting societies is distributed in accordance with the individual net settlement. If this is not possible, the board of directors decides upon the distribution and allocation, thereby taking account of all the information available on copyright usage.  
In this context, it must be ensured that the remuneration is paid to those beneficiaries who come closest in practical terms to the divisions from which the remuneration was generated. If it is not possible to track down such owners of rights, the remuneration is allotted in equal parts to the divisions reproduction in schools, in churches, in music schools and Kindergartens.
5. If rights are transferred as a whole (or in part) only for certain states, revenue received from states for which the transmission of rights is excluded is not distributed to beneficiaries.
6.
  - a) Article 12 b) of the Rights Agreement allows beneficiaries to transfer individual rights of use non-exclusively in justified, stand-alone cases. In such an event, due to increased administration costs and minimal revenue from non-exclusive pursuit of rights, the following flat-rate deductions are made when the revenue not related to works is allocated to the respective holders of rights; these deductions are guided by the actual additional expenses and the shortfall in receipts incurred by the respective agency, and also take the type and extent of the rights introduced into consideration:
    - Reproduction in non-denominational churches and/or other religious communities (Distribution Scheme B, b) II., 2.): 12.5 % for additional expenses / 12.5 % for shortfall in receipts
    - Reproduction in the Protestant Church of Germany (Distribution Scheme B, b) II., 1.): 7.5 % for additional income / 7.5 % for shortfall in receipts
    - All other divisions: 2.5 % for additional expenses / 2.5 % for shortfall in receipts.
  - b) A beneficiary may object in writing to the flat-rate deduction under letter a) in justified cases or apply for a correction. Management decides on the objection and, as the second instance, the board of directors rules conclusively on the matter. The deadline for objections is 31<sup>st</sup> October for effect on disbursements in the following year.

The flat-rate deductions are applied during the next disbursement.

7. The regulations of this distribution scheme shall apply to the distribution of income to outside parties within the meaning of Art. 51 VGG.

#### **Article 4 Reserves, interest earnings, fees**

1. The board of directors decides upon the extent of reserves for claims to recourse. The date at which unused reserves are disbursed is likewise determined by the board of directors.
2. The board of directors decides upon the use admission and membership fees as well as other amounts unable to be distributed – including the unused reserves- unless the Distribution Scheme or the law envisages a different regulation.
3. Interest earnings, conventional fines and default charges shall be used to cover the costs.

#### **Article 5 Investing royalty revenue**

1. Revenue is invested in accordance with Art. 25 VGG in the exclusive and best interest of the beneficial owner.
2.
  - a) With regard to the general investment policy on revenue it must be taken into account that the amounts to be invested are assets held in trust which the beneficial owners are entitled to. Thus the security of the investment has precedence over achieving a return on investments (Art. 17 Para. 1 no. 8 VGG).
  - b) When investing revenue, it must be ensured that the distribution deadlines (Art. 28 VGG) can be met.
3. Details are regulated by an investment guideline; their compatibility with legal requirements must be assessed and determined by an auditor or auditing firm.

#### **Article 6 Non-distributable revenue**

1. Revenue from rights and claims is deemed non-distributable if the beneficial owner cannot be determined or found within three years after the end of the financial year in which the revenue was received and VG Musikedition has taken all necessary measures required by Art. 29 VGG.
2. After the deadline in Para. 1 has expired, the non-distributable revenue from flat-rate royalties is added to the revenue and distributed in the context of this distribution. Non-distributable revenue from net individual settlements is used after the deadline in Para. 1 to cover the costs.

#### **Article 7**

1.
  - a) Revenue from legal royalty claims under Art. 70 UrhG is due to the editor. If the editor effectively transfers his/her royalty claims to the publisher or the editor agrees vis-à-vis VG Musikedition pursuant to Art.27 a VGG that the publisher shall share in the revenue from legal royalty claims, disbursement occurs at a ratio of 50 / 50 irrespective of who contributed the rights.
  - b) If royalty claims under Art. 70 UrhG contributed to VG Musikedition by the publisher and the originator is not a member of VG Musikedition, the originator's share can be distributed to the publisher on the understanding that this is transferred to the editor in full. The publisher indemnifies VG Musikedition in this regard from all claims from the originator.
2. All other revenue (rights of use) is paid half to the publisher and half to the originator(s) in the case of published works. If the editor is not a member of VG Musikedition, the editor's share is distributed to the publisher on the understanding that this is transferred to the originator in full. The publisher indemnifies VG Musikedition in this regard to from all claims from the.
3. When editing the text or the melody, the respective original author (librettist or composer) is to be involved with 60% of the originator's share.

#### **Article 8 Payments**

1. Royalties are calculated and paid out once per annum at a date determined by the board of directors. Beneficiaries can request settlement statements for distributions over the last 10 years upon remittance of an administrative fee according to the fee table for additional chargeable services which is published on the homepage of VG Musikedition.
2. Distribution occurs without regard to who granted VG Musikedition the right of administration.
3. The decision to pay out (transfer) amounts of less than € 10.00 is the responsibility of the management. Should amounts of less than € 10.00 not be paid out in the context of the respective distribution, then the payment (transfer) will be made when the minimum amount has been reached by future settlements.

4. If claims of several parties are under dispute, VG Musikedition is obliged and entitled to refuse payment until the disputing parties issue a joint declaration or until a binding verdict on the entitlement is presented for the parties. VG Musikedition can set a deadline of six months for the assertion of the claims (through legal action or pursuant to the law of association, in accordance with Art. 15 of the Statutes). If proof of the assertion is not provided within this deadline, payments will be made in line with existing registrations.

#### **Article 9 Subsequent distribution / distribution of extraordinary revenue**

Payments received for years for which remuneration has already been disbursed are basically assigned to the year(s) for which the payments were made. They are paid to the respective beneficiaries by means of subsequent disbursement. Management, with the approval of the board of directors, can waive subsequent calculation and subsequent disbursement if the associated costs would be financially untenable. In such cases, the subsequent payments shall be made together with the next disbursement due for the division concerned.

#### **Article 10 Subsequent correction of distribution**

1. If a disbursement is erroneous or invalid in full or in part, the erroneous or invalid distribution must be reversed as a matter of principle. Erroneous disbursements made to a beneficiary that cannot be collected back can be offset against future disbursements to this beneficiary or, if possible, can be taken from the reserves formed for the year(s) of disbursement concerned. For the rest, the details of reverse transactions shall be regulated by management, with the approval of the board of directors, on a case-by-case basis.
2. Approval from the board of directors can be waived for a reverse transaction in the following cases:
  - If remuneration was distributed three or more years before the date on which the distribution was found to be erroneous;
  - If the associated costs would be financially untenable;
  - If correction of the distribution error would entail financial expenditure disproportionate to the amount of the erroneously distributed revenue;
  - If correction of the distribution error would result in a difference of less than € 10.00 taken on average over all the royalty beneficiaries affected.

#### **Article 11 Distribution deadline**

1. The distribution of revenue occurs no later than nine months after the end of the financial year in which it was received by VG Musikedition. Revenue from representation agreements is disbursed no later than six months after receipt.
2.
  - a) As long as factual reasons justify a delay, the deadline pursuant to Para. 1 does not expire. Factual reasons can result for the respective rights holder, in particular, in connection with notifications from users, the determination of rights, the determination of the rights holder or the allocation of details or about the work or other protected items.
  - b) With regard to the distribution of revenue from representation agreements, factual reasons also exist especially if the distribution occurs in the context of a transfer to other divisions or the next regular distribution is only due after the end of the deadline.
3. Revenue that is not distributed within the deadline because the beneficiary owner cannot be determined or found is shown separately in the accounts.

#### **Article 12 Appeal procedure**

1. Appeals in terms of Art. 33 Para. 2 no. 3 and 4 VGG must be addressed to management in writing provided they do not concern a resolution by the members' meeting.
2. If the appeal is aimed at the distribution of royalties or the deduction of royalties, the appeal must occur no later than three months after receiving the settlement.
3. Management shall decide on the appeal in writing. In the event of a rejection, the decision by management must be justified.
4. An objection to the decision can be lodged with the board of directors. The objection must be lodged no later than four weeks after receiving the decision by management. For complaints that involve an amount of less than € 10.00, an objection cannot be lodged with the board of directors.

### **Article 13**

1. These General Principles are a component of the Statutes. Changes and supplements therefore require the approval of the members' meeting with the majorities required to change the Statutes.
2. These General Principles and the Execution Regulations must be presented to every member before signing the Rights Agreement.
3. The members' meeting resolves Execution Regulations for the practical implementation of these General Principles, which regulate the application of these principles.

## b) Execution Regulations

### I. Reproduction in schools (ZFS)

- a) Half (50 %) of the distribution sum available is distributed to all works that were licensed in the previous year in line with collections acc. to Art. 60b German Copyright Act (excluding master copy collections). During disbursement, the number of collections in which each work is used is taken into consideration. The amount of the total sales that were reported is not taken into account.
- b) The distribution of the remaining revenue (50 %) occurs within the framework of the following categories:
  - 50% reproductions in music schools
  - 20% reproductions in childcare facilities
  - 20% Articles 70/71 German Copyright Act (radio)
  - 5% reproductions in the Protestant Church
  - 5% reproductions in the Catholic Church

### 1. II. Reproduction in churches Flat-rate and individual contracts with the Association of German Dioceses, the Protestant Church of Germany, the Archbishopric of Luxembourg, the Protestant Church in Switzerland and the Roman Catholic Central Conference of Switzerland, including their congregations and facilities.

- a) The distribution sum is divided by the actual number of reproductions determined in representative test phases. An amount is then disbursed per title, which is calculated by multiplying the number of reproductions determined by the reproductions attributed to the title during the test phase.  
Remuneration is distributed without regard to the duration of the title.
- b) The test phase last performed continues to form the basis for distribution (calculation and disbursement) in settlement years in which a test phase was not performed due to the accord with the churches, but in which VG Musikedition rather received its proportionate amounts on the basis of the last, prior test.
- c) Before remuneration is disbursed on the basis of a new test phase, all amounts from the period not able to be distributed during the last disbursement due to the old test phase must be recorded and added to this disbursement sum. The reason for this is that the results of the old test phase are rendered irrelevant by the new test phase.

### 2. Revenue received from other (non-denominational) church institutions and religious communities, with which individual licensing agreements exist

The distribution sum is divided by the actual number of reproductions determined in representative test phases. An amount is then disbursed per title which is calculated by multiplying the amount determined per reproduction by the reproductions attributed to the title during the test phases. Remuneration is distributed without regard to the length of the title.

### 3. Reciprocity Agreement with Literar-Mechana (Austria)

The distribution sum originating from the reciprocity agreement with Literar-Mechana is included in the individual statements pursuant to the respective distribution categories in clauses 1 and 2 of this paragraph.

### 4. 1-day/14-day licenses for church communities and church institutions

The titles actually reproduced in the settlement year are established completely and recorded according to the number of participants. Disbursement occurs within the framework of clauses 1 and 2 of this paragraph.

### 5. Song text overlay by television church service

The distribution sum available is disbursed within the framework of clause 1 and 2 of this paragraph. The proportionate allocation of revenue to the distribution divisions per confession occurs based on the number of church services respective held in the year.

### **III. Article 45c UrhG, Article 46 UrhG, Article 60a, Article 60b UrhG and 60c UrhG**

1. Remuneration from the pursuit of rights and claims pursuant to Article 45a Para. 2 UrhG, Article 46 Para. 4 UrhG, Article 60b UrhG and other revenue from issuing print-out rights is distributed to the beneficiaries after the flat-rate costs have been deducted (individual net settlement).
2.
  - a) Remuneration from the pursuit of rights and claims pursuant to Article 60a UrhG for the division Schools is allotted to the remuneration for photocopying in schools and disbursed in accordance with Item I. of the Distribution Scheme B, b).
  - b) Remuneration from the pursuit of rights and claims pursuant to Article 60a UrhG and 60c UrhG for the division Universities is allotted to the remuneration for library royalties (Articles 70/71 UrhG) and disbursed in accordance with Distribution Scheme A Article 8.3 a (*new*).

### **IV. Reproductions in adult education centres, family education centres, care of the elderly and social welfare institutions, child care institutions and prisons (correctional facilities)**

1. A representative spot check is made each settlement year to establish the number of reproductions actually made. All replicated titles/works (or extracts from the same) are recorded, including the respective number of copies.
2. The prevailing percentage of the disbursement sum is distributed for each title, as determined by the ratio of the number of copies to the total number of copies.
3. The titles/works (or extracts from the same) found in the spot checks form the basis for disbursements for two settlement years in each case. If test phases are held to establish flat-rate revenue, the results of the test phase form the basis for disbursements until a new test phase is performed.

### **V. Midi files**

1. Revenue from the reproduction and distribution of works connected with the production of Midi files is disbursed to the beneficiaries in accordance with the individual net settlement, insofar as at least ten copies of a Midi file are settled with VG Musikedition.
2. The residual revenue (not title-related) is disbursed to all beneficiaries who receive revenue pursuant to Item 1. The amount disbursed to the respective beneficiaries is determined by the percentage share in the total disbursement sum pursuant to Item 1.

## **C Distribution Schedule for the division “Reproductions in music schools and through music teachers”**

### **a) General Principles**

#### **Article 1**

1. The Distribution Schedule is aligned to the provisions of the law on the administration of copyrights and related rights by collecting societies (VGG) and the Statutes.
2. The distribution of revenue in this respect occurs only for the purposes stated in Art. 26 VGG.

#### **Article 2 Administration cost, flat-rate costs**

1. In order to cover administration costs, the settlement divisions are charged a flat-rate cost which is determined by the board of directors.
2. The flat-rate cost retained to cover the administration costs must be adequate. When the board of directors determines the amount of the flat-rate costs, it must be ensured that the administration of VG Musikedition is able to meet its legal and other obligations.
3. Unused flat-rate costs are disbursed to the respective beneficial owners at the latest after three years.

#### **Article 3 Distribution**

1. The distribution of revenue resulting from reciprocal accords with foreign collecting societies occurs on the basis of net individual statements. If this is not possible, distribution occurs according to Article 4 of the execution regulations.
2. If the transfer of royalties as a whole (or in parts) only occurs for specific countries, the beneficial owner shall not participate in the distribution of revenue from the countries which exclude the transfer of rights.
3.
  - a) According to Art. 10 b) of the Rights Agreement, the beneficial owner has the option to transfer individual usage rights non-exclusively in justified individual cases. In this case, a flat-rate deduction of 5 % is effected for the distribution of revenue not related to works to the respective rights holder due to increased administration costs for non-exclusive rights administration.
  - b) The beneficial owner has the option to object in writing to the flat-rate deduction in a) in justified cases or apply for a correction. Management shall decide on the objection and, in the second instance, conclusively the board of directors. The objection deadline is 31 October for distributions in the following year.
  - c) The flat-rate deductions are then disbursed within the framework of the next distribution.
4. The regulations of this distribution scheme shall apply to the distribution of income to outside parties within the meaning of Art. 51 VGG.

#### **Article 4 Reserves, interest earnings, fees**

1. The board of directors decides upon the extent of reserves for claims to recourse. The date at which unused reserves are distributed is likewise determined by the board of directors.
2. The board of directors decides upon the use of the interest earnings, application fees and membership fees as well as other amounts not able to be distributed, including unused reserves, unless the Distribution Scheme or the law stipulates otherwise.
3. Interest earnings, conventional fines and default charges are used to cover costs.

#### **Article 5 Investment of the revenue from royalties**

1. Revenue is invested in accordance with Art. 25 VGG in the exclusive and best interest of the beneficial owner.
2.
  - a) With regard to the general investment policy on revenue it must be taken into account that the amounts to be invested represent assets administered in trust which the beneficial owner is entitled to. Thus, the security of the investment takes precedence over achieving a return on the investment (Art. 17 Para. 1 no. 8 VGG).
  - b) When investing revenue, it must be assured that the distribution deadlines (Art. 28 VGG) can be met.



3. Details are provided for in an investment guideline whose compatibility with legal provisions must be assessed and determined by an auditor or an auditing firm.

#### **Article 6 Non-distributable revenue**

1. Revenue from rights and claims are deemed non-distributable if the beneficial owner cannot be determined or found within three years after the end of the financial year in which the revenue was received and VG Musikedition has taken all necessary measures required by Art. 29 VGG.
2. After the deadline in Para. 1 has expired, the non-distributable revenue from flat-rate royalties are added to the revenue and distributed in the context of this distribution. Non-distributable revenue from net individual settlement is used after the deadline in Para. 1 to cover the costs.

#### **Article 7 Payment**

1. Royalties are calculated and paid out once per annum at a date determined by the board of directors. With the settlement, the beneficial owners receive a detailed settlement statement. Beneficiaries can request settlement statements for distributions over the last 10 years upon remittance of an administrative fee according to the fee table for additional chargeable service which is published on the homepage of VG Musikedition.
2. Distribution occurs without regard to who granted VG Musikedition the right to administration.
3. The decision to pay out (transfer) amounts of less than € 10.00 is the responsibility of the management. Should amounts of less than € 10.00 not be paid out in the context of the respective distribution, then the payment (transfer) will be made when the minimum amount has been reached by future settlements.
4. If claims of several parties are under dispute, VG Musikedition is obliged and entitled to refuse payment until the disputing parties issue a joint declaration or until a binding verdict on the entitlement is presented for the parties. VG Musikedition can set a deadline of six months for the assertion of the claims (through legal action or pursuant to the law of association, in accordance with Art. 15 of the Statutes). If proof of the assertion is not provided within this deadline, payments will be made in line with existing registrations.

#### **Article 8 Subsequent distribution / distribution of extraordinary income**

Payments received for years for which remuneration has already been disbursed are basically assigned to the year(s) for which the payments were made. They are paid to the respective beneficial owner by means of subsequent disbursement. Management, with the approval of the board of directors, can waive subsequent calculation and subsequent disbursement if the associated costs would be financially untenable. In such cases, the subsequent payments shall be made together with the next disbursement due for the division concerned.

#### **Article 9 Subsequent correction of distribution**

1. If a disbursement is erroneous or invalid in full or in part, the erroneous or invalid distribution must be reversed as a matter of principle. Erroneous disbursements made to a beneficial owner that cannot be collected back can be offset against future disbursements to this beneficiary or, if possible, can be taken from the reserves formed for the year(s) of disbursement concerned. For the rest, the details of reverse transactions shall be regulated by management, with the approval of the board of directors, on a case-by-case basis.
2. Approval from the board of directors can be waived for a reverse transaction in the following cases:
  - if remuneration was distributed three or more years before the date on which the distribution was found to be erroneous;
  - if the associated costs would be financially untenable;
  - if correction of the distribution error would entail financial expenditure disproportionate to the amount of the erroneously distributed revenue;
  - if correction of the distribution error would result in a difference of less than € 10.00 taken on average over all the royalty beneficiaries affected.

#### **Article 10 Distribution deadline**

1. The distribution of revenue occurs no later than nine months after the end of the financial year in which it was received by VG Musikedition. Revenue from representation agreements is disbursed no later than six months after receipt.

2.
  - a) As long as factual reasons justify a delay, the deadline pursuant to Para. 1 does not expire. Factual reasons can result for the respective rights holder, in particular, in connection with notifications from users, the determination of rights, the determination of the rights holder or the allocation of details or about the work or other protected items.
  - b) With regard to the distribution of revenue from representation agreements, factual reasons also exist especially if the distribution occurs in the context of a transfer to other divisions or the next regular distribution is only due after the end of the deadline.
3. Revenue that is not distributed within the deadline because the beneficiary owner cannot be determined or found is shown separately in the accounts.

#### **Article 11 Appeal procedure**

1. Appeals in terms of Art. 33 Para. 2 no. 3 and 4 VGG must be addressed to management in writing provided they do not concern a resolution by the members' meeting.
2. If the appeal is aimed at the distribution of royalties or the deduction of royalties, the appeal must occur no later than three months after receiving the settlement.
3. Management shall decide on the appeal in writing. In the event of a rejection, the decision by management must be justified.
4. An objection to the decision can be lodged with the board of directors. The objection must be lodged no later than four weeks after receiving the decision from management. For complaints that involve an amount of less than 10.00 Euro, an objection cannot be lodged with the board of directors.

#### **Article 12**

1. These General Principles are a component of the Statutes. Changes and supplements therefore require the approval of the members' meeting with the majorities required to change the Statutes.
2. These General Principles and the Execution Regulations must be presented to every member before signing the Rights Agreement.
3. The members' meeting resolves Execution Regulations for the practical implementation of these General Principles, which regulate the application of these principles.

## b) Execution Regulations

### Section 1 Beneficial Owner

1. The distribution of revenue occurs to publishers or other beneficiaries who publish works and editions pursuant to Section 2 of these Execution Regulations. The distribution includes the author's/publisher's share in the amount of 50 %, which is to be settled by the publishers or other entitled parties pursuant to Section 3 paras. 6 and 7 to the authors (or publishers/authors within the meaning of Sections 70/71 UrhG [German Copyright Act]).
2. Only printed works and editions as well as works and editions available for purchase as downloads (sheet music) pursuant to Section 2 are considered in the distribution.

### Section 2 Title notification by beneficiaries pursuant to § 1

1. only the following editions/works shall be considered in the distribution
  - I. educational editions/works as well as
  - II. other copyrighted works and editions that have been deliverable in the year from which the income is derived.
2.
  - a) For the purpose of this distribution scheme, educational editions and works (I.) are German-language
    - Editions that are pedagogically prepared and have a didactic structure with text sections; Editions that have been created for a pedagogical purpose;
    - Editions in which the musical demands are secondary to technical or similar aspects, i.e. secondary to pedagogical aspects.
  - b) No pedagogical editions in the sense of paragraph 2 a) are in particular
    - Editions/works that were first published more than 50 years ago,
    - complete or memorial editions,
    - single-work editions,
    - collective editions in which the works contained therein have no pedagogical or didactic context among themselves,
    - facsimile editions,
    - magazines, periodicals,
    - books (even if they contain sheet music).
3.
  - a) The regulations of the Copyright Act (UrhG) shall apply to the consideration of other works and publications protected by copyright (II.).
  - b) The following shall not be considered
    - complete or memorial editions,
    - stage works,
    - rental material editions,
    - facsimile editions,
    - archival copies, special editions,
    - magazines, periodicals,
    - books (except for songbooks or other books containing at least 50% of sheet music).
4. The title report in the sense of this distribution scheme basically consists of an ordered list of the works and editions considered in digital form (Excel, csv or similar), separated according to para. 1, items I. and II. of this paragraph and stating the respective number of pages (incl. cover pages) of the reported work or edition. Works and editions that are available with identical content both as printed titles and digitally are considered to be one work/edition and can only be considered once in the title reports (page number).
5.
  - a) VG Musikedition is in principle entitled to check whether the report complies with the requirements of paragraphs 2 and 3.
  - b) If the title notification contains works and editions that do not meet the requirements of the distribution scheme and the supplementary guidelines, VG Musikedition is obligated to request the beneficial owner to correct the title notification within a period of two weeks. If the corrected title notification still contains works and editions that do not meet the requirements of the distribution scheme and the guidelines, VG Musikedition is entitled to reduce the title notification by the amount of the works and editions that cannot be notified, plus a control deduction in the same amount.

### Section 3 Procedure of the distribution

1. The distribution shall be based on the editions and works reported and considered in accordance with Section 2.
2. Editions and works in the sense of Section 2 para. 1, I. shall be weighted in the distribution with the factor 2.
  - a) For the weighting of the title report and calculation of the individual distribution share, the entitled persons shall report their sales from the so-called "paper business" in Germany for the year from which the income to be distributed originates.
  - b) Sales of books (except for songbooks or books containing at least 50% of sheet music), complete scientific or memorial editions, stage works, rental material, archival copies, magazines, other periodicals and special productions shall not be considered.
  - c) Reports of turnovers of more than 200,000 Euros must be confirmed by a tax consultant or an auditor.
  - d) VG Musikedition is entitled to request a confirmation in accordance with c) above even in the case of reports of lower turnovers.
  - e) The costs for obtaining the confirmations according to c) and d) are to be borne by the beneficial owner.
3. An annual factor to be recalculated annually shall be determined from the title report (Section 2) and the reported turnovers pursuant to paragraph 3 of this section in order to determine the distribution key (division of the reported number of pages and in accordance with paragraph 2 of this section weighted pages of all title reports reported by the total turnovers of all beneficiaries), by which the respective reported turnovers shall be multiplied (factorized turnover).
4. The addition of the reported number of pages and in accordance with paragraph 2 of this section weighted pages of all title reports and the factorized turnover results in the total number of distribution points to which each beneficiary is entitled.
5. The available annual distribution sum shall be divided by the sum of the distribution points and results in the distribution amount per distribution point, which is converted into a distribution amount per reported page in accordance with Section 2 para. 1, I. and II.
6. The publishers or other beneficiary owner shall pass over to the individual authors/publishers the respective author/publisher share pursuant to section 1 (1) in accordance with the reported pages and indemnify VG Musikedition against their claims to this extent.

### § 4 Distribution to foreign collecting societies

1. Collecting societies with which there is a mutual agreement covering graphic reproduction in music schools shall submit a report in accordance with Article 3 for each publisher and rights owner represented (stating the respective publisher's turnover).
2. The calculation of the share per collecting society is based on a calculated total number of pages of the distribution, which results from the ratio of the reported sales of the respective represented publishers and beneficiaries in relation to the total turnovers reported under this distribution scheme.

### Section 5 Procedure

1. The reports according to section 2 and 3 paragraph 3 are to be sent to the VG Musikedition unsolicited by 30.04 of a year for the respective previous year. Late reports cannot be taken into account for the distribution.
2. For the reporting of information according to Section 2 and Section 3 par. 3, VG Musikedition will provide the beneficiaries with standardized (electronic) forms, which are to be used. Notifications that are not made on these forms will not be taken into account in the distribution.
3. Further implementation provisions for the distribution of revenues for the reproduction of sheet music in music schools and by music teachers are contained in the "Guidelines for Reporting for Distribution Scheme C".