

The MLC

Guidelines for Adjustments

January 2022

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1. Overview

- 1.1. These Guidelines for Adjustments (“Guidelines”) outline the standard procedures of The Mechanical Licensing Collective (“The MLC”) when processing Adjustments to the distribution of Royalties for Works/Shares. All capitalized terms are as set forth in the Definitions section below.
- 1.2. These Guidelines do not address conflicts or disputes between rightsholders involving claims to ownership of Works/Shares or the substantive resolution of such conflicts or disputes. Please see The MLC Ownership Dispute Policy for information regarding resolution of conflicts or disputes involving Work/Share ownership claims.
- 1.3. The processes described herein are subject to change or modification in The MLC’s reasonable discretion in connection with any particular Adjustment, including changes or modifications required pursuant to the adjudication of a Legal Proceeding, force majeure or extenuating circumstances, or other good cause.
- 1.4. These Guidelines and the procedures described herein shall not affect any legal or equitable rights or remedies available to any rightsholder concerning ownership of, and entitlement to Royalties from, a Work/Share.

2. Scope of Guidelines

- 2.1. When The MLC discovers or learns of anomalies with a matched Work or Share, it may elect to place Royalties in Suspense while it researches and analyzes the issue. If, after review, The MLC determines that the match was not proper and, as a result, Royalties for the Work/Shares concerned were incorrectly paid to a Member, The MLC may seek to apply an Adjustment. Examples of situations where The MLC might seek to apply an Adjustments resulting from the following Adjustment Events:
 - an incorrect match of a sound recording to a Work registration;
 - resolution of a conflict or dispute with respect to a Work/Share;
 - a correction of an overpayment or underpayment of Royalties attributable to a clerical or administrative error;
 - resolution of an investigation by The MLC into abnormal account activity and other anomalies indicating an Adjustment is warranted;
 - the adjudication of a Legal Proceeding (further described in Section 6 (Impact of Legal Proceedings)); and
 - other situations that The MLC may determine from time to time in its discretion warrant an Adjustment.

- 2.2. The MLC will endeavor where appropriate and, in its discretion, to narrow Adjustments to specifically identified Shares rather than an entire Work. As part of this analysis, The MLC will consider applicable written agreements or other writings indicating that the Adjustment concerned relates to a particular Share of a particular Work and not the Work in its entirety. (See Section 5 (Substantiating Documentation) below.)
- 2.3. The MLC may, in its discretion, place Royalties into Suspense pending The MLC's analysis of an actual or potential Adjustment Event.
- 2.4. Adjustments shall not be made for *de minimis* amounts.

3. MLC Adjustment Procedures

- 3.1. The MLC may make an Adjustment at any time after it discovers or receives notice of information about an Adjustment Event.
- 3.2. Adjustments applied to a Member's account will be displayed both in Top Payee activity summary and in the Royalty statement detail for the distribution during which the Adjustment is made.
- 3.3. The MLC will seek to apply all Adjustments at the Top Payee account level; *provided, however*, in some instances, Adjustments may be made at account levels at other than the Top Payee level upon a Member's reasonable request or if The MLC otherwise determines in its discretion that doing so would be warranted. The Top Payee will be responsible for applying any additional adjustments (whether debits or credits) to any of its Subsequent Payees with respect to a Work/Share once The MLC has applied an Adjustment to the Top Payee's account.
- 3.4. Adjustments may be made by The MLC retroactively to January 1, 2021 (i.e., the License Availability Date).
- 3.5. Adjustments that require a credit will be made subject to, as applicable, the availability of funds and The MLC's ability to recover the full amount of the Royalties to be credited from the applicable rightsholder(s).
- 3.6. Any Member may provide information, including Substantiating Documentation, to The MLC concerning an Adjustment related to a Work/Share for which that Member has been or would be affected by an Adjustment.

4. Member Adjustment Dispute Process

- 4.1. A Member is responsible for monitoring his/her/its Member account for Adjustments.
- 4.2. If a Member wishes to challenge an Adjustment (in whole or in part), the Member may initiate an Adjustment Dispute by sending The MLC a written notice describing the basis for the challenge and provide Substantiating

Documentation.

- 4.3. The MLC may require additional Substantiating Documentation from the relevant Member(s) to assess and determine the outcome of any dispute of an Adjustment. The MLC may, in its reasonable discretion and as applicable, share any Substantiating Documentation received from one party with any other party/ies affected by the Adjustment.
- 4.4. In all cases where The MLC requests information hereunder, if the party receiving the request does not respond within thirty (30) days (or such other period specified by The MLC), The MLC will send a reminder notice to such party, and the receiving party shall have an additional thirty (30) days (or such other period specified by The MLC) to respond to the reminder notice. If the receiving party again fails to respond to the reminder notice, The MLC, in its discretion, may presume that such receiving party consents to the Adjustment or applicable assertions (if any), or otherwise does not wish to pursue an Adjustment Dispute, as the case may be.
- 4.5. The MLC will place Royalties into Suspense at either the Work or Share level, as applicable, upon the commencement of an Adjustment Dispute until the final resolution of the Adjustment Dispute.

5. Substantiating Documentation

- 5.1. “Substantiating Documentation” may include, without limitation, one or more of the following documents:
 - 5.1.1. Executed agreements or other writings that provide support for an Adjustment or a challenge to an Adjustment.
 - 5.1.2. A notarized declaration explaining the reasons why other Substantiating Documentation cannot be submitted.
 - 5.1.3. Additional documentation relevant to an Adjustment Dispute.
- 5.2. The MLC may accept Substantiating Documentation as submitted and retains discretion to reasonably determine if a submission constitutes Substantiating Documentation for an Adjustment Dispute. The MLC may verify the validity or legitimacy of the Substantiating Documentation.

6. Impact of Legal Proceedings

- 6.1. The MLC will apply Adjustments pursuant to fully executed settlements or legal orders, decisions, or judgments resulting from finally adjudicated Legal Proceedings. Where an order is the subject of an appeal, The MLC may maintain Royalties in Suspense notwithstanding that the order may not have been stayed. Where any order or settlement is ambiguous or otherwise unclear, The MLC may require the parties to such order or settlement to seek an appropriate clarifying amendment to be made to the relevant order or

settlement. The MLC is entitled to maintain in Suspense any Royalties subject to such order or settlement until a clarifying order or settlement is received by The MLC.

- 6.2. The MLC, in its discretion, may apply Adjustments resulting from instructions from all Members involved in an Adjustment or an Adjustment Event or pursuant to Substantiating Documentation received from a Member supporting an Adjustment.

Definitions

“Adjustment” - An adjustment is a change made by The MLC in its discretion to the distribution of Royalties to a Member, which may include, without limitation, debits, credits, offsets, payee holds, reversals, suspensions, and recoupments with respect to the account of a Member.

“Adjustment Dispute” – A conflict between one or more Members and The MLC regarding an Adjustment.

“Adjustment Event” - Any matter that The MLC determines, in its discretion, that necessitates an Adjustment, including, without limitation, the examples set forth in Section 2.1 of these Guidelines.

“Blanket License” - A relevant blanket license obtained by a qualifying digital music provider (as defined in Section 115 of the U.S. Copyright Act) from copyright owners through The MLC pursuant to Section 115 of the U.S. Copyright Act for the use of Works in covered activities thereunder.

“Legal Proceeding” - An Adjustment Dispute that is the subject of a legal proceeding before a tribunal of appropriate jurisdiction, including courts of law, arbitration panels, or other dispute resolution proceedings.

“Member” - A properly registered member of The MLC.

“Ownership” - The right to receive Royalties from the use of a Work made pursuant to the Blanket License. Ownership may be defined at the Work or Share level.

“Person” - Any individual, corporation, partnership, joint venture, limited liability company, unincorporated organization, trust, association, or other entity.

“Royalties” - Mechanical royalties The MLC has collected pursuant to the Blanket License that have been distributed or are ready to be distributed to the owner of a particular Work/Share in accordance with The MLC’s distribution policies and procedures.

“Share” - A specified portion of the Royalties payable in connection with the use of a Work pursuant to the Blanket License, identified as a percentage of such Royalties for any given use of the Work.

“Subsequent Payee” - A Person with a contractual or other legal right to receive a distribution of Royalties from a Top Payee.

“Substantiating Documentation” - Has the meaning set forth in Section 5.1 of these Guidelines.

“Suspense” - A status describing Royalties held by The MLC. Royalties may accrue interest as required by applicable law.

“Top Payee” - A Member who has a contractual or other legal obligation to further distribute

Royalties to a Subsequent Payee after initial distribution of such Royalties to such Member by The MLC.

“Work” - A musical composition, including any accompanying lyrics. Works can include original musical compositions and original arrangements, as well as new versions of original musical compositions and arrangements to which new copyrightable authorship has been added.

“Work/Share” - A Work or Share, as applicable.