

COPYRIGHT LICENSING LIMITED LEGAL RESERVE FUND POLICY

1. INTRODUCTION

- 1.1 From 1999 to 2015 Copyright Licensing Ltd (CLNZ) operated an Indemnity Fund that was established to provide for any claims from rightsholders, against CLNZ-licensed institutions, for breaches of a rightsholders rights. The CLNZ licenses provide that CLNZ will fund the full legal costs of a claim against a licensee by a rightsholder arising from legitimate copying under the license.
- 1.2 The fund was not called on prior to 2013. During that year the CLNZ Board agreed to allocate \$150,000 from the fund towards the legal costs of the Copyright Tribunal action with Universities NZ. This amount helped to offset the full costs of the action that would otherwise have been borne only by those rightsovers receiving distribution payments from 2013 licence revenue.

2. POLICY OBJECTIVE

- 2.1 The objectives of this Policy are:
- 2.1.1 To provide an equitable mechanism to fund legal actions taken by CLNZ, the outcome of which, as determined by the CLNZ Board, will provide benefit to a group or groups of rightsholders; and
 - 2.1.2 To fund the legal costs of claims from rightsholders against CLNZ-licensed institutions for breaches of a rightsholders rights in circumstances where the copying that took place was in accordance with the terms of the CLNZ license.

3. FUND COMMENCEMENT

- 3.1 The CLNZ Board considered a proposal to make the change to the Legal Reserve Fund at its meeting of 9 March 2017, with a view to commencing the annual allocation for the 2016 licence year.
- 3.2 The process of allocating funds from blanket licensing revenue to a reserve requires a change to the company's Distribution Policy. A revised Distribution Policy was proposed and approved at the company's AGM, held 12 May 2017.
- 3.3 The balance of funds held at 1 January 2016 was \$212,028

4. ANNUAL ALLOCATION

- 4.1 Each year 1% of revenue from blanket licensing schemes will be allocated to the Legal Reserve Fund, in accordance with clause 3.6 of the Distribution Policy.

5. USE OF FUNDS

- 5.1 Funds held in this reserve may be used to cover the costs of legal actions (e.g. High Court cases, Copyright Tribunal cases and indemnity claims) that are considered by the CLNZ Board to be strategically important to a group or groups of rightsowners.
- 5.2 The Fund may only be drawn on with the approval of the CLNZ Board.
- 5.3 The Fund may not be used for the Company's day-to-day legal expenses.

5. REPATRIATION OF FUNDS

- 5.1 The initial target for the fund will be \$400,000 and each Annual General Meeting of the Company will consider the balance of the fund and make an assessment of any likely demand on the fund, based on knowledge to hand at the time.
- 5.2 In future years, unused funds that are held in excess of the requirement agreed in accordance with clause 5.1 of this policy, will be returned to the relevant distribution pool from which they were originally deducted. The excess funds will be distributed to rightsholders during the subsequent distribution cycle.

This policy was reviewed and adopted by the CLL Board at its meeting held 12 May 2017.