

IN THE UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF TENNESSEE
NASHVILLE, TENNESSEE

FAMOUS MUSIC LLC, a Delaware
Limited Liability Company, ENSIGN MUSIC,
LLC, a Delaware Limited Liability Company,

Plaintiffs,

vs.-

SLEP-TONE ENTERTAINMENT
CORPORATION, a North Carolina Corporation,
d/b/a "SOUNDCHOICE"; DEREK SLEP,
individually and KURT SLEP, individually;

Defendants.

Case No.3:06-cv-00696

JUDGE WISEMAN

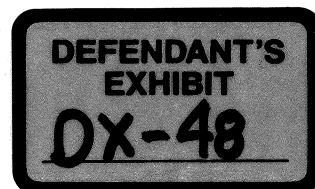
Magistrate Judge Knowles

**DECLARATION OF CAROLYN
COSTELLO**

DECLARATION OF CAROLYN M. COSTELLO

CAROLYN M. COSTELLO, declares as follows;

1. My name is Carolyn M. Costello and I reside at 1750 Trellis Drive, Rock Hill, South Carolina, 29732. I have resided at the Rock Hill address for approximately 7 years.
2. From March of 2002 until January 5, 2006, I was employed at SLEP-TONE ENTERTAINMENT, INC., d/b/a "SOUNDCHOICE," located at 14100 South Lakes Drive, Charlotte, North Carolina, 28273.
3. At the time I was initially hired at SOUNDCHOICE, my title was "Sales Team Leader". Thereafter, I was variously referred to from time to time as "Sales Supervisor," "Customer Sales Manager," and "Sales Manager."



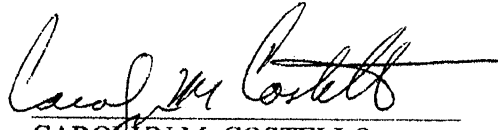
4. Among my responsibilities were the supervision of the entire in-house sales staff for the processing of orders of the karaoke recordings and equipment sold by SOUNDCHOICE.
5. During my tenure at SOUNDCHOICE, the number of dealers (apart from the six (6) major North American distributors used by SOUNDCHOICE), for which SOUNDCHOICE had dealer relationships, varied from approximately 600, at a high peak, to approximately 300 dealers at the time I left in January of 2006. These dealers were located throughout the United States including at least one (1) in Nashville, Tennessee, a business known as "Music City Recording Studio" at Opry Mills. Other dealers that I can recall were located in Nashville were "Nashville Used Music" and "Life Way Christian Resources".
6. Throughout my tenure at SOUNDCHOICE, the Company sold products directly to its dealers, as well as individual customers who ordered product by phone or over the internet, and the products were shipped throughout the United States and the world from the SOUNDCHOICE offices in Charlotte, North Carolina. In addition to the dealers that I've identified herein, products were also ordered by Tower Records, a chain of approximately 120 record stores throughout the United States, which products were shipped directly from SOUNDCHOICE's facilities in North Carolina to the Tower Stores, either to the individual stores or to Tower receiving centers (if orders were placed for a group of stores). One of the Tower Record stores to which we ship goods directly is located in Nashville, Tennessee.
7. At the time that I was originally hired at SOUNDCHOICE, I was told that all the music for which we made karaoke recordings was licensed. I later found out, during

2003, at a time when SOUNDCHOICE was being asked to provide music for the "American Idol" brand of karaoke brand recordings, and in connection with establishing ring tone business, that the company would have to provide licensing for all music. At that time, it was disclosed to me in one of the weekly manager meetings that we did not then possess licenses for our music.

8. During the course of the managers meeting at which the subject first came up, discussion ensued in which the reasons for not possessing licensing and the steps that would have to be taken to procure licensing took place. Individuals present for that meeting and subsequent weekly managers meetings were DEREK SLEP, KURT SLEP, Michael Lukse, Tom Turner, John Layton, Bill Becker, Bob Clifford, Shelby Wood, Steve Boone and myself. DEREK SLEP stated that the reason that licenses had not been obtained is that the publishers were unreasonable in their royalty rates. DEREK also stated that it made no sense to make a deal with the publishers because if they (SOUNDCHOICE) ever got sued, they would "...just settle and make a deal and it would cost them less in the long run". He said that, as a result, SOUNDCHOICE would "...still be ahead even after they were sued." DEREK SLEP also stated: "Let them sue me." The subject of the need to obtain licenses for the "American Idol" products and ring tone products was discussed thereafter on a weekly basis to the extent that Tom Turner would get status reports with regard to his efforts to procure licenses and/or resolve differences with publishers once the publishers found out that SOUNDCHOICE did not have licenses.

I declare under penalty of perjury that the foregoing is true and correct.

Date: September 15, 2006


CAROLYN M. COSTELLO

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