

KARAOKE LIBRARY AUDIT ACKNOWLEDGEMENT OF TERMS

THIS DOCUMENT MAY AFFECT YOUR LEGAL RIGHTS. DO NOT SIGN IT WITHOUT READING IT.

THIS DOCUMENT IS NOT A SETTLEMENT AGREEMENT.
THIS DOCUMENT IS NOT BEING TENDERED AS PART OF SETTLEMENT NEGOTIATIONS.

You have requested that your karaoke library be audited in order to have this information considered as one of the factors in resolving a dispute between you and Slep-Tone Entertainment Corp. ("Sound Choice"). Your signature below indicates your acknowledgement of the following terms for this audit:

1. **YOUR REQUEST FOR AUDIT.** Your signature below constitutes your request for an audit of your karaoke library. Sound Choice has agreed to conduct this audit at its own expense (except for incidental expenses you may incur in assembling your materials for the audit).
2. **EXISTING EVIDENCE.** Because we do not have any written Covenant Not to Sue authorizing the copying of our content to a hard drive or computer, you were investigated. A Sound Choice representative has already visited one or more of your shows and gathered evidence, including photographs, video, song lists and other information, which based upon experience, reflects a high probability that you have committed acts of infringement. You have been or may be sued for trademark infringement involving counterfeiting.
3. **REJECTION OF SETTLEMENT OFFER.** You acknowledge that Sound Choice has offered to settle this matter on certain conditions. Your request for an audit constitutes a rejection of that settlement offer. If you fail this audit, it will be significantly more expensive for you to settle this case. You should consider carefully whether you can pass or not.
4. **SCOPE OF AUDIT.** Sound Choice will conduct an audit of your karaoke library to determine whether you have legitimately acquired a legal copy of every Sound Choice karaoke accompaniment track stored in your karaoke library. A Sound Choice track is deemed to have been legitimately acquired only if you own an original CD+G (compact disc plus graphics) disc containing that track. If you have transferred the track to another format ("media-shifted"), you must own an original CD+G disc containing that track for each such system to which you have transferred that track, in order to be considered in compliance. **Sound Choice has also been authorized by other manufacturers of karaoke accompaniment tracks, including Chartbuster, Stellar, Pocket Songs, Priddis Music, and others, to perform a simultaneous audit on their behalf; your audit may include those manufacturers.** Sound Choice will provide the results to those manufacturers, who may begin their own lawsuits against you if you are not in compliance. These other manufacturers will be identified on the day of the audit.
5. **RIGHT TO TERMINATE.** You have the right to terminate the audit at any time; however, you should be aware that Sound Choice may use all available legal process, including obtaining a court order, to obtain the information it is collecting through this audit. **Destruction of evidence, whether performed before or after the audit, may constitute "spoliation" and may subject you to sanctions from the court.**
6. **AUDIT PROCEDURES.** The following procedures will be used to conduct the audit:
 - A. Sound Choice is incurring a significant expense to conduct this audit. Your full cooperation with the audit is important.
 - B. A Sound Choice representative will contact you to arrange for a mutually acceptable time and place for the audit.
 - C. **If at any time during the audit process you fail to cooperate fully with the representative's reasonable requests, the audit may terminate and Sound Choice will consider you to have failed the audit.**
 - D. You should assemble for inspection all of your karaoke discs, CAVS machines, computers (including laptops), and any other apparatus containing karaoke media, whether being used for active or backup purposes, in the designated location at the designated time. If any additional equipment is necessary to access the media (including but not limited to keyboard/mouse, monitor, or the like), you should bring that equipment as well. **Failure to present all materials for the inspection will constitute failure of the audit.**
 - E. You should also assemble for inspection at least three of your song books and all of your song lists and receipts from disc purchases made within the last five years. Receipts for disc purchases may be verified against seller records to prevent falsification. Discs acquired after Sound Choice's initial investigation will be matched against load dates on your system to determine whether infringement occurred prior to acquisition of the disc. **An indication of a track loaded before purchase will be considered an indication of infringement and will result in your failing the audit.**
 - F. **During the audit, each disc may be marked using an indelible method.** This marking will not interfere with your ability to play the disc but will prevent that disc from being re-used in an audit of another company to prevent "sharing" of disc libraries.
 - G. Sound Choice may employ software designed to examine any hard drives in your possession to determine whether songs have been deleted from the system after Sound Choice's investigation began. **The existence of deleted track files may indicate an attempt at spoliation and constitute evidence of willful infringement, as well as trigger an audit failure.**

Initials: _____

H. You should be prepared to explain the process you used to move tracks from CDs to another medium. If you purchased a pre-loaded hard drive or CAVS machine, you should be aware that Sound Choice has never authorized a transfer of that type. In that situation, an audit would be inappropriate. Possession of a pre-loaded system will be considered failure of the audit.

7. **SUCCESSFUL AUDIT.** You will be deemed to have successfully completed the audit if you comply fully with these terms in all respects. The target you should be shooting for is where for every audited track, you own one legitimately acquired original disc containing that track for every individual machine (CAVS machine, laptop, or other device you use for media storage for a karaoke show) that contains that track. This is known as "1:1 correspondence." We recognize that discs do get lost, stolen, damaged, or destroyed from time to time. **A successful audit means that at least 98% of the tracks stored on your hard drive can be traced to a unique disc in your possession.** Of course, you will still need to delete tracks that you don't have a disc for.
8. **DISMISSAL OF SUIT.** If you successfully complete the audit, Sound Choice will be willing to not file suit or dismiss the suit against you provided that you agree to adhere to all applicable copyright and trademark laws with regard to the use of Sound Choice accompaniment tracks and to submit to future audits at Sound Choice's reasonable request.
9. **USE OF AUDIT RESULTS.** You acknowledge that Sound Choice may use the results of the audit it conducts in any way it deems appropriate, including as evidence against you in the pending suit.
10. **FAILED AUDIT.** At the conclusion of a failed audit, Sound Choice may tender you a new settlement offer. Our usual practice is to set the settlement demand at least \$5,000 per system higher than the most recent settlement offer made, but that decision will be made based upon the particular circumstances and it might be higher. If a new settlement offer is made and not accepted within 5 days of being tendered, it will be withdrawn, and Sound Choice will be committed to commencing or continuing the lawsuit to its conclusion. In any event, you should be aware that statutory damages for trademark counterfeiting can be as high as \$2,000,000 per mark (there are two federally registered trademarks at issue here, for a total of \$4,000,000). Recent case law suggests that even minor cases of non-commercial infringement can result in significant damage awards. Because your use is commercial, Sound Choice believes it can obtain a significant verdict against you.
11. **ADVICE OF COUNSEL.** You acknowledge that you have had the opportunity to review this document and to obtain an opinion of counsel regarding it prior to signing it.

Your signature below constitutes a rejection of any and all outstanding settlement offers from Sound Choice and an acknowledgement of the terms of audit.

IF YOU ARE UNCOMFORTABLE WITH ANY OF THE TERMS ABOVE, DO NOT SIGN THIS DOCUMENT.

SIGNATURE

PRINTED NAME

COMPANY NAME

TITLE

DATE

E-MAIL ADDRESS

TELEPHONE NUMBER

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I have an original Sound Choice disc for every karaoke track stored on my hard drive system(s).			
I have the ability to produce more than one karaoke show at the same time (i.e., multiple hard drives/systems).			
I own and use multiple hard drives, and the contents of those hard drives are identical or nearly identical.			
In order to put Sound Choice tracks onto my hard drive, I ripped the tracks from original Sound Choice discs.			
I store my Sound Choice tracks on more than one hard drive at one time.			
Some of my original Sound Choice discs have been lost, damaged, stolen, or destroyed.			
When my original Sound Choice discs were lost, damaged, stolen, or destroyed, I deleted the tracks from those discs from my hard drive(s).			
I am sometimes asked by patrons to play a track from a disc the patron supplies.			
I sometimes store tracks from patrons' discs on my hard drive to make it easier to play those tracks the next time the patron wants to sing.			
I sometimes make copies of songs for my patrons.			
I sometimes offer video or audio recordings of my patrons' renditions for sale or give-away.			
I produce a song book listing all (or almost all) of the songs available for my patrons to sing.			

If you believe any of your answers above need further explanation, please add supplemental pages with your clarifications or information.

SECTION 4. WARRANTIES, REPRESENTATIONS, ACKNOWLEDGEMENTS, AND AUTHORIZATIONS.

By signing this document:

- I hereby warrant, represent, and declare under penalty of perjury that the statements above are true to the best of my knowledge and information, and that I believe them to be true.
- I represent that I believe my karaoke systems are fully compliant with all applicable laws regarding trademarks and copyrights, and that I believe I am in full compliance with Sound Choice's policy regarding media-shifting and compliant operation.
- I authorize Sound Choice to take reasonable steps to verify that the statements made above are true and to share this information with other karaoke manufacturers.
- I acknowledge that I have been given the opportunity to review Sound Choice's policies regarding media-shifting and compliant operation, and that I may have this document reviewed by counsel at my own expense prior to signing it.
- I acknowledge that my participation in this audit and my completion of this questionnaire are entirely voluntary.
- I acknowledge that my agreement to participate in this audit and to complete this questionnaire does not imply any covenant by Sound Choice not to sue me in the event that I am not operating in compliance with applicable laws.
- I acknowledge that the information provided herein may be used freely by Sound Choice in connection with its efforts to enforce its intellectual property rights.
- If I am signing this document on behalf of a corporate entity, LLC, or partnership, I am authorized to sign it on behalf of that entity.

AUTHORIZED SIGNER

DATE

PRINTED NAME

TITLE

Initials: _____