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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
HONORABLE DAVID O. CARTER, JUDGE PRESIDING

- - - - -

UNITED STUDIOS OF SELF DEFENSE,)
INC.,)
)
Plaintiff,)
)
vs.)
)
KRISTOPHER RINEHART, ET AL.,)
)
Defendants.)
_____)

CERTIFIED

No. 8:18-CV-1048-DOC
Day 3, Volume III

REPORTER'S TRANSCRIPT OF PROCEEDINGS

Bench Trial

Santa Ana, California

Thursday, October 31, 2019

Debbie Gale, CSR 9472, RPR, CCRR
Federal Official Court Reporter
United States District Court
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Santa Ana, California 92701
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Certified for Kristopher Rinehart, MD
Debbie Gale, CSR 9472, RPR, CCRR
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ALSO PRESENT:

Charles Mattera, plaintiff representative
David Winblad, plaintiff's technician
Dr. Kristopher Rinehart, defendant
Dr. Katherine Au Hargraves
Brent Murakami
Hamid Baradaran, defense technician

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I N D E X

PROCEEDINGS

PAGE

Bench Trial - Day 3, Volume III

MURAKAMI, Brent (resumed)

5

RINEHART, MD., Kristopher (called)

25

WITNESSES

WITNESSES

DIRECT

CROSS

REDIRECT

RECROSS

MURAKAMI, Brent

By Mr. Berliner

5

RINEHART, Dr. Kristopher

By Mr. DeCarlo

25

EXHIBITS

EXHIBIT NO./DESCRIPTION

IDENTIFICATION

IN EVIDENCE

639 Franchise Agreement

61

654 Email

74

81

1 **SANTA ANA, CALIFORNIA, THURSDAY, OCTOBER 31, 2019**

2 **Day 3, Volume III**

3 (12:14 p.m.)

12:14 4 THE COURT: Then we're back on the record. All
5 counsel and the parties are present.

6 **BRENT MURAKAMI, CALLED BY THE DEFENSE, PREVIOUSLY SWORN**

7 **RESUMED THE STAND**

12:14 8 THE COURT: And this would be cross-examination of
9 Mr. Murakami.

10 **CROSS-EXAMINATION**

12:15 11 BY MR. BERLINER:

12:15 12 Q. Mr. Murakami, yesterday you heard Dr. Rinehart, during
13 my examination of him, say that the operating agreement that
14 you had that discussed the license was at his lawyer's
15 office; right? -- for the -- for the SB Ninja, Exhibit 37,
16 license?

12:15 17 A. That is incorrect.

12:15 18 Q. Dr. Rinehart didn't say it was at his lawyer's office?

12:15 19 A. Oh.

12:15 20 Q. Do you recall that? If you don't, that's fine.

12:15 21 A. It's not as I remembered it. I do -- yeah, it's not
22 how I remembered it.

12:15 23 Q. And you testified yesterday that you thought that the
24 agreement was at your lawyer's office, and the name of your
25 lawyer is -- was again?

12:15 1 A. Lino Lauro.

12:16 2 Q. Do you know whether that's also Dr. Rinehart's lawyer?

12:16 3 A. Lino Lauro represents only SB Ninja on my behalf.

12:16 4 Q. Okay.

12:16 5 *(Court reporter requests clarification for the*
6 *record.)*

12:16 7 THE WITNESS: L-I-N-O. Last name,
8 L-A-U-R-E-O [sic].

12:16 9 BY MR. BERLINER:

12:16 10 Q. Now, you testified that you went home last night and
11 you found Exhibit 653 in a box in your home; correct?

12:16 12 A. Correct.

12:16 13 Q. Is this the same box that you testified to in
14 deposition that you had at a studio that you hadn't searched
15 for documents?

12:16 16 A. It's the same box. It's my box where I put much'a my
17 documents.

12:16 18 Q. All right. And so in April of this year, I asked you
19 some questions about a different document, and you told me
20 that the document that I showed you -- you told me that that
21 didn't look correct and you may have a different copy of it.

12:17 22 And do you recall that -- that you told me that your
23 different copy was in a -- in a box of documents at one'a
24 your studios? Do you recall that testimony?

12:17 25 A. I said that with not a lotta certainty. Um, I'm not

1 sure what the rec -- what exactly I said but, as per my
2 memory, I have a box where I put my company-related stuff
3 in.

12:17 4 Q. Okay.

12:17 5 MR. BERLINER: So I'm just gonna read, Your Honor,
6 from the deponent's deposition taken on April 30th, 2019, 'a
7 this year, page 73, starting at line 14:

12:17 8 "QUESTION: So is it possible that
9 perhaps they redrafted the agreement
10 with a different font in the over a
11 decade between the two?

12:18 12 "MS. SHIN: Objection. Calls for
13 speculation.

12:18 14 "THE WITNESS: You don't understand
15 what I said. The franchise agreement
16 that he had shoved in a box with his
17 franchise agreement for Rolling Hills.
18 And I took a xerox copy of it and I
19 threw it in a box. It wasn't the
20 document related to Torrance. This was
21 over a decade ago. But what I remember
22 is that the font and look of the
23 document was not this neat.

12:18 24 "This looks like something that has
25 been created -- excuse me -- created in

1 the interim."

12:18 2 "MR. BERLINER: Okay. Where is this
3 box with this document you say exists?

12:18 4 "ANSWER: At one of my schools.

12:18 5 "QUESTION: Has it been produced?

12:18 6 "ANSWER: No. I didn't think it was
7 relevant.

12:18 8 "QUESTION: You" -- and this is a typo
9 in the transcript -- "make that
10 decision. Is that your decision to
11 make, Mr. Murakami?

12:19 12 "ANSWER: I don't know."

12:19 13 "QUESTION: So you unilaterally
14 chose -- let me ask you this: Do you
15 know whether USSD has asked for
16 documents like this agreement" -- excuse
17 me -- "like the agreement that you say
18 you have in a box somewhere in one of
19 your studios?"

12:19 20 THE COURT: Just a moment.

12:19 21 All right. Counsel, please continue.

12:19 22 MR. BERLINER: Okay.

12:19 23 "Do you know if it's been asked for?

12:19 24 "ANSWER: I don't know.

12:19 25 "QUESTION: And if it was asked for,

1 do you think it's your decision to
2 decide whether or not to produce it?

12:19 3 "ANSWER: I didn't remember that there
4 was a box with an agreement until I
5 looked at this. And this looks wrong to
6 me."

12:20 7 BY MR. BERLINER:

12:20 8 Q. Okay. So that deposition and that conversation took
9 place on April 30th, 2019, 'a this year -- does that sound
10 about right to you, Mr. Murakami?

12:20 11 A. That sounds about right.

12:20 12 Q. Okay. And we were talking about a different document
13 than the exhibit you brought today, Exhibit 653. But the
14 document we were talking about there, you thought you had a
15 different copy.

12:20 16 You didn't go look in the box, did you?

12:20 17 A. I did look in the box.

12:20 18 Q. Okay. So did you look at the box shortly after your
19 deposition?

12:20 20 A. Shortly after.

12:20 21 Q. Okay. So when you went through the box, you probably
22 stumbled upon Exhibit 653 that you brought to court today --
23 with you today; right?

12:20 24 A. It was in that box.

12:21 25 Q. Okay. So you knew Exhibit 653 was in the box yesterday

1 when you told the Court that it -- you didn't know where the
2 agreement was, it might be with your lawyer; isn't that
3 true?

12:21 4 A. That's incorrect. To me, I thought 652 was a duplicate
5 copy of 653. When I opened the file and I looked at it, you
6 know, they said *Send all the documents in the box*. So I
7 scanned the documents. I -- looking at 'em, as you look at
8 'em, to me, it was the same document.

12:21 9 Q. Okay. But, I mean, yesterday -- I mean, you have no
10 idea the thousands of pages'a documents that have been
11 exchanged by the parties in this case, do you?

12:21 12 A. I know it has been maybe 20,000-some pieces --

12:21 13 Q. Okay.

12:21 14 A. -- 'a paper.

12:21 15 Q. And you -- until this trial began, you didn't know
16 whether or not you had produced Exhibit 652 in this case
17 except for the deposition; right?

12:22 18 A. In the deposition, you put the document in front'a me,
19 but I didn't have the time to fully absorb the document. In
20 addition, I wasn't as verse [sic] enough on the case where
21 looking at the front of either document that I would know
22 the difference between the two.

12:22 23 Q. And just to be clear, you had a box of documents --
24 wait.

12:22 25 And this box of documents you testified was at your

1 studio; correct?

12:22 2 A. Correct.

12:22 3 Q. But then you, at some point, moved it to your house;
4 correct?

12:22 5 A. Correct.

12:22 6 Q. And it had not just documents related to franchise
7 agreements, it also had documents related to kind've your
8 corporate structure; correct?

12:22 9 A. It had the operative agreements of my entities; yes.

12:23 10 Q. And at no point in time did you just pick up the box of
11 documents and take it to your lawyer's and -- and say, "I
12 have these. You might wanna go" -- well, I don't wanna
13 go -- what you said'a your --

12:23 14 *(Court reporter requests clarification for the*
15 *record.)*

12:23 16 MR. BERLINER: I messed it up.

12:23 17 THE COURT: Counsel, it's irrelevant.

12:23 18 MR. BERLINER: Understood.

12:23 19 THE COURT: Just ask a question now.

12:23 20 MR. BERLINER: Understood. All right.

12:23 21 THE COURT: I don't mind giving you a little bit
22 of extra time on both sides. Let's get down to the
23 questioned. Okay?

12:23 24 MR. BERLINER: Understood, Your Honor.

25

12:23 1 BY MR. BERLINER:

12:23 2 Q. In deposition I asked you about Exhibit 652, which is
3 the operating agreement that you produced earlier in this
4 case and it's signed by Brent Murakami and Kristopher
5 Rinehart.

12:23 6 Can you look at -- Exhibit 652 is in front of you,
7 Mr. Murakami.

12:23 8 A. 653 is in front of me. 652, I do not have a copy in
9 front of me.

12:24 10 MR. BERLINER: Oh. I'ma use the ELMO, Your Honor,
11 'cause I don't have it on my, um...

12:24 12 *(Exhibit displayed.)*

12:24 13 BY MR. BERLINER:

12:24 14 Q. All right. So, Mr. Murakami, this is the one -- you
15 can see it has a little deposition sticker, "Exhibit 50,"
16 "South Bay Studios of Self Defense."

12:24 17 It's Bates numbered. These are the little stamps the
18 lawyers like to use.

12:25 19 And it has your signature dated July 1st, 2011;
20 correct? That's your signature?

12:25 21 A. That's my signature.

12:25 22 Q. Okay. And when I asked you about Exhibit 6-5 --
23 Deposition Exhibit 50, trial Exhibit 652, I asked you if
24 Exhibit 652 had ever been amended, and you told me it had
25 not; correct?

12:25 1 A. Correct.

12:25 2 Q. And you told me that the operating agreement for SBSSD
3 was probably signed and put into a drawer. That was your
4 testimony on April 30th of this year; correct?

12:25 5 A. Correct.

12:25 6 Q. And that testimony is not correct?

12:26 7 A. That testimony is correct insomuch as me and
8 Mr. Rinehart signed it, and it was in a drawer in the
9 Redondo school for a considerable amount of time.

12:26 10 We're talking about a time period from 2011 to 2019,
11 perhaps. So in that time the -- at the time'a deposition, I
12 remembered the signing and where that -- where it was. And
13 that was my last recollection at that moment where it was.

12:26 14 Q. Now, Exhibit 652, which is the operating agreement that
15 you gave me earlier in discovery, was dated July 1, 2011,
16 and the one you produced today was only signed on
17 August 5th, 2011.

12:26 18 Okay. And so your testimony here today is that you did
19 amend or create a new operating agreement for SBSSD, and
20 that document is Exhibit 653, and you did that approximately
21 34, 35 days after you signed the first operating agreement
22 for SBSSD; correct?

12:27 23 A. You know, I -- I'm not exactly sure what "amend" means.
24 Can you define that term for me?

12:27 25 Q. Okay. You don't understand the word "amend"; correct?

12:27 1 A. Not in the legal sense, no.

12:27 2 Q. Now, in the Exhibit 653 you have an Exhibit A, which
3 has a -- it purports to have some type of, quote,
4 "sublicense of United Studios of Self Defense, License and
5 Service Agreement for Redondo Beach, California." Okay?

12:28 6 And so that was what you brought to SBSSD in exchange
7 for Dr. Rinehart's \$75,000 of capital; that's what -- that's
8 what you did with this document?

12:28 9 A. That was a "structure" of the way -- you know, there
10 was, um -- the previous document was what we used for -- to
11 create the entity. But this is -- this is much closer to
12 the way we broke up our ownership interest. And the way I'd
13 thought about my deal with Mr. Rinehart.

12:28 14 Q. Okay. And SBSSD repaid you, or SB Ninja, \$75,000 for
15 the license agreement; correct?

12:28 16 A. Repeat the question?

12:28 17 Q. So your capital contribution was supposed'a be the
18 license agreement with SB Ninja and USSD, but SBSSD actually
19 paid you back the \$75,000 that you paid to get the original
20 license agreement between SB Ninja and USSD; correct?

12:29 21 A. I don't think that's correct.

12:29 22 Q. So if you look at Exhibit --

12:29 23 *(To technician:)* David, 40-55.

12:29 24 *(Exhibit displayed.)*

12:29 25 MR. BERLINER: This is the general ledger for the

1 Redondo Beach location.

12:30 2 BY MR. BERLINER:

12:30 3 Q. Okay. If you look on October 31, 2011, and
4 October 6th, 2011, there were checks issued to you
5 individually for a sum of \$25,000. Do you see that?

12:30 6 A. I do see that.

12:30 7 Q. And that was for the use of the license; correct?

12:30 8 A. I don't believe so.

12:30 9 Q. Okay.

12:30 10 A. I --

12:30 11 Q. Go ahead.

12:30 12 A. Well, continue.

12:30 13 Q. All right. I'm just gonna read from your deposition
14 testimony. Um, page 204, line 1 to 6.

12:30 15 "QUESTION: Okay. I'm starting to go
16 through it a little bit just to see. On
17 the first page you have a 'use of
18 license' 25 grand. Do you know -- do
19 you know what that's for?

12:31 20 "ANSWER: Yes. That was the
21 capital -- capitalization of the
22 remaining 25,000 for the \$75,000
23 license."

12:31 24 Now, Mr. Murakami, isn't it true that Exhibit 653
25 didn't exist until yesterday when you or Dr. Rinehart

1 created it?

12:31 2 A. That's not true.

12:31 3 Q. Okay. And the signature on Exhibit 653, this is the
4 signature on the one that was produced in discovery: "Brent
5 Murakami." This is Exhibit 652.

12:32 6 *(Exhibit displayed.)*

12:32 7 BY MR. BERLINER:

12:32 8 Q. And 35 days or so later, same year, this is your
9 signature on the document that you produced yesterday.

12:32 10 Is that your testimony today?

12:32 11 A. That's my testimony.

12:32 12 THE COURT: Let me see both of them again,
13 Counsel.

12:32 14 MR. BERLINER: The, um, I don't know -- there.

12:32 15 THE COURT: I want you to ask that a little bit
16 more slowly.

12:32 17 BY MR. BERLINER:

12:32 18 Q. Okay. So the signature on Exhibit 652 that you signed
19 on July 1, 2011, which you've already testified to is right
20 here; correct? *(Indicating.)*

12:32 21 A. Correct.

12:32 22 Q. And that's your signature; right?

12:32 23 A. I signed that.

12:32 24 Q. And then 35 days later, you signed exhibit -- or
25 approximately 30, 35 days later, you signed Exhibit 653,

1 same year. And now that's your signature; correct?

2 *(Indicating.)*

12:33 3 A. That's correct. The 652 was something that we used to
4 basically send out to the -- to Legal Zoom to make the
5 entity, so I signed it. That didn't pick up, but I just
6 made a scribble, gave it back to Mr. Rinehart and we sent it
7 out.

12:33 8 Q. All right. Now your position --

12:33 9 MR. BERLINER: Can I continue, Your Honor?

12:33 10 BY MR. BERLINER:

12:33 11 Q. Your position, as I understand it, is that SB Ninja has
12 a license agreement with USSD; correct?

12:33 13 A. Yes.

12:33 14 Q. And that somehow USSD's attempt to have SBSSD enter --
15 enter into a franchise agreement violated the license
16 agreement between SB Ninja and USSD; correct?

12:34 17 MR. DeCARLO: Calls for a legal conclusion,
18 Your Honor.

12:34 19 THE WITNESS: You know, sometimes I get lost.

12:34 20 THE COURT: Overruled.

12:34 21 THE WITNESS: I don't know. You'd have to repeat
22 it.

12:34 23 BY MR. BERLINER:

12:34 24 Q. Okay. Let me -- lemme just ask you this right now:

12:34 25 You believe that if there is a franchise agreement

1 between SBSSD and USSD, then that agreement violates your
2 exclusive territory granted to SB Ninja in the license
3 agreement for Exhibit 37.

12:34 4 A. My understanding is SB Ninja had the license, exclusive
5 rights to the license, and I understand that -- I mean, I
6 understand that.

12:35 7 Q. Okay. So I just wanna make sure. In Exhibit 653, if
8 it's genuine, it purports to be a sublicense; correct?

12:35 9 A. Correct.

12:35 10 Q. Okay. And pursuant to -- if you look at
11 Exhibit 37-5 -- is a no assignment provision; do you see
12 that?

12:36 13 A. I see that.

12:36 14 Q. And kinda carries on to the next page. But essentially
15 it says the license agreement "is not assignable or
16 transferable by the licensee" -- which would be SB Ninja;
17 right?

12:36 18 A. *(No response.)*

12:36 19 Q. Right?

12:36 20 A. Correct.

12:36 21 Q. -- "without the express written consent of the
22 licensor." Correct?

12:36 23 A. Correct.

12:36 24 Q. You never got the express written consent; right?

12:36 25 A. We got oral consent to -- basically, the phraseology is

1 whatever we wanna do.

12:36 2 Q. You didn't get written consent; correct?

12:36 3 A. That's correct.

12:36 4 Q. And therefore -- oh, therefore, pursuant to this
5 section, any attempt -- sorry.

12:37 6 Okay. So under the Section 11, on page 37-5 of
7 Exhibit 37, your attempt to transfer the rights under the
8 agreement,

12:37 9 "-- shall be deemed null and void and
10 the license hereinunder terminated."

12:38 11 Do you see that, Mr. Murakami?

12:38 12 A. I do see that.

12:38 13 Q. Okay. So you will agree, then, that, SB Ninja does not
14 have a license agreement any longer with USSD; correct?

12:38 15 MR. DeCARLO: Objection. That calls for a legal
16 conclusion.

12:38 17 THE COURT: Overruled.

12:38 18 THE WITNESS: That's what it -- that's what
19 that -- you know, that's what it says on the piece'a paper,
20 but I'm not a lawyer.

12:38 21 BY MR. BERLINER:

12:38 22 Q. I understand. And if you turn to page 37-7, there's a
23 sublicense provision that says,

12:38 24 "The licensee shall not have the right
25 to grant any sublicense."

12:39 1 *(Exhibit displayed.)*

12:39 2 BY MR. BERLINER:

12:39 3 Q. Do you see that?

12:39 4 A. I do see that.

12:39 5 Q. And that,

12:39 6 "The licensee shall not permit any

7 other party or entity to use the

8 trademarks or products provided

9 hereunder."

12:39 10 Do you see that?

12:39 11 A. I do see that.

12:39 12 Q. So SBSSD operates a Redondo Beach dojo; right?

12:39 13 A. Correct.

12:39 14 Q. And you talked about your printer. SBSSD pays the

15 bills for your graphic designer who made your certificate;

16 correct?

12:39 17 A. Correct.

12:39 18 Q. The certificate that has USSD's logo on it; right?

12:39 19 A. Correct.

12:39 20 Q. So SBSSD didn't have the right to do that unless it was

21 a franchisee at that time; right?

12:39 22 MR. DeCARLO: Objection. Calls for a legal

23 conclusion.

12:39 24 THE COURT: Overruled.

12:40 25 THE WITNESS: I would say that it's still under

1 the license.

12:40 2 BY MR. BERLINER:

12:40 3 Q. But -- but transferred the license without written
4 consent; right, Mr. Murakami?

12:40 5 A. The operations agreement were the in -- internal
6 documents that me and Mr. Rinehart used --

12:40 7 *(Court reporter requests clarification for the*
8 *record.)*

12:40 9 THE COURT: Restate that.

12:40 10 THE WITNESS: Okay. The operations agreement was
11 basically the internal document that me and Rinehart kind of
12 conducted our -- our agreements on.

12:40 13 I'm not sure how this all carries through,
14 forward.

12:40 15 BY MR. BERLINER:

12:40 16 Q. How many lawsuits do you know of USSD being involved in
17 prior to 2018?

12:40 18 A. A good number.

12:40 19 Q. How many?

12:40 20 A. I'd have to kinda count 'em out and go through it.

12:41 21 Q. How many?

12:41 22 A. I could probably count five right here.

12:41 23 Q. Name them.

12:41 24 A. I do believe that he went after the Lloyds. And I
25 would say threats of lawsuits. I'm not sure where something

1 becomes a lawsuit and when something 'comes a threat'a
2 lawsuit. What I mean by that is like, I know a lotta the
3 studio owners and Z-Ultimate, Professor Mattera kinda
4 bragged about, um -- like maybe Chris Diaz and all -- all
5 the type guys. And you -- and Chris Eszinger, Z-Ultimate,
6 um -- and just a bunch'a the guys in "Z", which evade me
7 right now, but he also did --

12:41 8 *(Court reporter requests clarification for the*
9 *record.)*

12:41 10 THE WITNESS: He sent -- he did do a lot of
11 individual lawsuits with the operators in the Z-Ultimate
12 system.

12:42 13 BY MR. BERLINER:

12:42 14 Q. Okay. You testified when Mr. DeCarlo was asking you
15 questions that Charlie would "pet" his lawsuits or somehow
16 infer that if you didn't tow the line he was gonna sue you
17 and he was litigious. So my question -- so the point is,
18 you -- you've identified one lawsuit prior to 2018; correct?

12:42 19 A. No. I would say that the Lloyds got sued. And I
20 believe he said that they won. I know Chris Eszlinger.

12:42 21 *(Court reporter requests clarification for the*
22 *record.)*

12:42 23 THE WITNESS: Gosh, I wouldn't even know where to
24 start with that.

12:42 25 MR. BERLINER: I can give that to you on a break.

12:42 1 THE COURT: So the Lloyds and Ettinger [sic] you
2 believe have actually gotten sued.

12:42 3 THE WITNESS: Yeah. Z-Ultimate, as a entity, has
4 actually gotten sued.

12:42 5 THE COURT: Is Z-Ultimate separate than the Lloyds
6 and Ettinger?

12:43 7 THE WITNESS: They are different parties.

12:43 8 THE COURT: Okay. But the same lawsuit?

12:43 9 THE WITNESS: Uh, no, no. I'm sorry. I'm not
10 using my language right. I would say that they were in
11 separate lawsuits.

12:43 12 THE COURT: Okay.

12:43 13 MR. BERLINER: Okay. So we have three.

12:43 14 THE WITNESS: Chris Diaz.

12:43 15 BY MR. BERLINER:

12:43 16 Q. Was that a lawsuit?

12:43 17 A. Yeah, to my knowledge.

12:43 18 Q. Before 2018?

12:43 19 A. Before 2018. And then there was "injunction" -- I
20 don't know if that's a lawsuit. I guess that's more like a
21 court action. And there's other players. If you look at
22 guys like Hans Prash (*phonetic*), I'm sure he got sued. Paul
23 Taylor, I would imagine he got sued.

12:43 24 Q. I don't want you to speculate, Mr. Murakami.

12:43 25 You did testify in deposition that you did not know how

1 many lawsuits would be normal for businesses over a period
2 of time, though; correct?

12:43 3 A. Repeat the question.

12:43 4 Q. When I -- I asked you a question in deposition once
5 about, you know, did you have any idea of what -- the kind
6 of normal amount of litigation a company like USSD may have
7 over a period of time. And I recall your answer was you
8 don't -- you wouldn't know.

12:44 9 Is that still an accurate answer?

12:44 10 A. Yeah. I mean, I wouldn't know, as a percentage of -- I
11 wouldn't even know how [sic] to base that calculation on.

12:44 12 MR. BERLINER: Okay. I have nothing further,
13 Your Honor.

12:44 14 THE COURT: All right.

12:44 15 Counsel, redirect.

12:44 16 MR. DeCARLO: Nothing further, Your Honor.

12:44 17 THE COURT: Mr. Murakami, you may step down.

18 Thank you very much, sir.

12:44 19 *(Witness steps down.)*

12:44 20 THE COURT: And, Counsel, call your last witness.

12:44 21 MR. BERLINER: Like to call Dr. Rinehart,
22 Your Honor.

12:44 23 THE COURT: Now, Counsel, I'm going to listen for
24 a while, but I may shorten the time. I'm not sure yet.

25 I -- you asked me the difference between an hour and then

1 adding on to your time. You minimally have an hour. I'll
2 say that. But if this becomes redundant, I'm gonna stop it.

12:45 3 (To the witness:) sir, you recall the oath --

12:45 4 THE WITNESS: Yes, sir.

12:45 5 THE COURT: -- that was administered?

12:45 6 Retake the stand. You're still under the same
7 oath.

12:45 8 **KRISTOPHER RINEHART, M.D., CALLED BY THE DEFENSE,**

12:45 9 **PREVIOUSLY SWORN, RESUMED THE STAND**

12:45 10 THE COURT: Counsel, you minimally have an hour.

12:45 11 MR. DeCARLO: Thank you, Your Honor.

12:45 12 THE COURT: And that's minimum. You may have a
13 little bit more time, but I'm not certain yet. Let's see if
14 this is redundant or not.

12:45 15 **DIRECT EXAMINATION**

12:45 16 BY MS. SHIN:

12:45 17 Q. Good afternoon, Dr. Rinehart.

12:45 18 A. Good afternoon, Mr. DeCarlo.

12:45 19 Q. At some point were monthly payments on behalf of the
20 Beverly Hills dojo stopped?

12:46 21 A. No.

12:46 22 Q. Has anyone ever -- has anyone with USSD -- strike that.
12:46 23 Do you know who Zen Billing is? Z-E-N.

12:46 24 A. I know who they are.

12:46 25 Q. Has anyone from USSD ever asked you to put any of your

1 studios on Zen Billing?

12:46 2 A. I've not been contacted about Zen Billing,
3 specifically.

12:46 4 Q. Let's talk about the execution of the so-called
5 Redondo Beach license agreement, which has been identified
6 by the plaintiffs as Exhibit 1.

12:46 7 A. I'm sorry, Mr. DeCarlo. Do you mean the Redondo Beach
8 franchise agreement?

12:46 9 Q. Yes, thank you. Let's talk about the so-called
10 Redondo Beach franchise agreement which has been identified
11 by the plaintiffs as Exhibit 1, and I wanna ask you some
12 questions about the circumstances of the execution.

12:47 13 What did Mr. Mattera tell you when he handed you the
14 document that you signed?

12:47 15 A. The document that I signed?

12:47 16 Q. Yes.

12:47 17 A. He asked me to sign it for compliance with the State.

12:47 18 Q. Did he make any other representations to you?

12:47 19 A. He represented that it wouldn't change anything and it
20 didn't -- it wasn't gonna do anything to my current
21 agreements.

12:47 22 Q. Prior to signing that, did Mr. Mattera also get -- want
23 you to sign a franchise agreement?

12:47 24 A. He -- he did.

12:47 25 Q. And then did he physically present it to you?

12:47 1 A. He did.

12:47 2 Q. What did you do with it when he physically presented it
3 to you?

12:47 4 A. Pushed it off to the side.

12:47 5 Q. And why did you do that?

12:47 6 A. Because I dissented to signing it. I explained to him
7 that, one, I didn't have authority to sign it; and that, if
8 he wanted it signed, he should go directly to Brent to do
9 any of those things. Brent had many times in the past told
10 him that he did not want a franchise agreement.

12:48 11 I'd been contacted many times to try to get Brent to
12 sign a franchise agreement, which I -- you know, which I did
13 discuss with Brent. And Brent made it known that he was not
14 interested in signing a franchise agreement.

12:48 15 Q. So I think part of what Mr. Berliner was questioning
16 you about, Dr. Rinehart, is you're a very smart, intelligent
17 person. You're a physician; correct?

12:48 18 A. I'll agree with: I am a physician.

12:48 19 Q. And you're a pretty sophisticated business person?

12:48 20 A. Relative to? Relative to what?

12:48 21 Q. So why would you sign a document that Professor Mattera
22 asks you to sign in the fashion that you did?

12:48 23 A. Because he asked me to and we were friends.

12:48 24 Q. At that time, did you respect Professor Mattera?

12:48 25 A. I did. As a matter of fact, in September of 2014, I

1 was making a very large purchase from Professor Mattera.

12:49 2 Q. And that was?

12:49 3 A. A house in Costa Rica.

12:49 4 Q. So you guys are -- ended up being neighbors --

12:49 5 THE COURT: Strike the question. Deb, you're not
6 gonna try to report it.

12:49 7 BY MS. SHIN:

12:49 8 Q. Okay. Dr. Rinehart, you currently own a home in
9 Costa Rica?

12:49 10 A. Me, with partners, yes.

12:49 11 Q. When did you purchase that home?

12:49 12 A. I believe that the first payment was either at the end
13 of September 2014 or possibly October 2014 in a final
14 payment -- it was broken into two payments, three hun- --
15 well, not that it matters.

12:49 16 *(Court reporter requests clarification for the*
17 *record.)*

12:49 18 THE COURT: There's no question pending. You're
19 done. There's no question. Counsel, just have a seat. We
20 can't understand you. I've been very patient.

12:50 21 THE WITNESS: I'm sorry, Your Honor.

12:50 22 THE COURT: No. You don't have to be. We'll just
23 sit for a while.

12:50 24 Okay. Do you think you can answer the questions a
25 little bit more slowly?

12:50 1 THE WITNESS: Yes, sir.

12:50 2 THE COURT: Okay.

12:50 3 Counsel, you'll control this.

12:50 4 MR. DeCARLO: Thank you, Your Honor.

12:50 5 THE COURT: Next time, I'm gonna take some minutes
6 away. Control it now, or I will.

12:50 7 MR. DeCARLO:

12:50 8 THE WITNESS: Will you repeat the question,
9 please.

12:50 10 THE COURT: No.

12:50 11 *(To Counsel:)* Reask the question.

12:50 12 THE WITNESS: I'm sorry?

12:50 13 THE COURT: No.

12:50 14 Reask the question.

12:50 15 MR. DeCARLO: Okay.

12:50 16 BY MS. SHIN:

12:50 17 Q. Dr. Rinehart, you purchased a home in Costa Rica with
18 partners when?

12:51 19 A. The first payment was either at the end of
20 September 2014, possibly the beginning of October 2014. The
21 second payment was in January of 2015.

12:51 22 Q. Prior to that time period, do you know if Mr. Mattera
23 owned a home in Costa Rica?

12:51 24 A. Prior to that time period, Mr. Mattera owned two homes
25 that I know of in Costa Rica. The one that I purchased and

1 the one that is four houses down the street.

12:51 2 Q. Okay. So the home that you purchased with partners,
3 Mr. Mattera sold it to you?

12:52 4 A. Correct.

12:52 5 Q. And you became neighbors with him, I believe, right
6 down the beach?

12:52 7 A. Correct.

12:52 8 Q. Okay. Mr. Berliner was questioning Mr. Murakami a
9 moment ago about the license.

12:52 10 THE COURT: Just a moment, Counsel.

12:52 11 Before we had that hiatus, I want to read back to
12 you.

12:52 13 *(Record read.)*

12:53 14 THE COURT: He talked so quickly, we didn't get an
15 answer. You're gonna ask that very area. That's exactly
16 the heart of this lawsuit. So retrace this entire area,
17 because your client, for the record, is speaking so quickly
18 that the court reporter can't get a record, and I can't get
19 a gist of what he's saying. This is critical.

12:54 20 Your turn, Counsel.

12:54 21 MR. DeCARLO: Thank you, Your Honor.

12:54 22 Let's put up Exhibit 1, please, on the screen. So
23 that that will help us with the examination.

12:54 24 THE COURT: No. You just ask the questions now. I
25 know exactly the area. Get into this area.

12:54 1 MR. DeCARLO: Yes, Your Honor.

12:54 2 BY MR. DeCARLO:

12:54 3 Q. Dr. Rinehart, when you were presented with the document
4 that is part of the Plaintiff's Exhibit 1, that you signed,
5 that Addendum, what representations were made to you by
6 Mr. Mattera when -- at the time that he asked you to sign
7 it?

12:54 8 A. The representations that were made to me when I signed
9 that Addendum were that it had no effect on any current
10 agreements, that it was for compliance with the State, and
11 it had no broader effect or "longer" effect.

12:55 12 THE COURT: And you stated before that you had
13 just pushed away a franchise agreement; is that correct?

12:55 14 THE WITNESS: That's correct, sir.

12:55 15 THE COURT: And in a short period of time, you're
16 handed an Addendum and it's labeled Addendum?

12:55 17 THE WITNESS: Yes, sir.

12:55 18 THE COURT: And one of you's gonna eventually ask
19 what does an Addendum mean. An Addendum is usually
20 something attached to a prior agreement.

12:55 21 So, Counsel, I'll leave that to each of you, but
22 eventually I'm gonna get some answers.

12:55 23 BY MR. DeCARLO:

12:55 24 Q. Dr. Rinehart, I'd like you to look at Exhibit 1, and
25 look at the last page to Exhibit 1?

12:55 1 MR. DeCARLO: It'll be put up on the screen for
2 you.

12:55 3 *(Exhibit displayed.)*

12:55 4 BY MR. DeCARLO:

12:55 5 Q. All right. Let's go to the last page of Exhibit 1.

12:55 6 *(Display adjusted.)*

12:56 7 BY MR. DeCARLO:

12:56 8 Q. This is an Addendum that is part of Exhibit 1 that you
9 signed; correct?

12:56 10 A. Yes, sir.

12:56 11 Q. Prior to signing this, were you provided -- did
12 Mr. Mattera ask you to sign a larger document?

12:56 13 A. Yes, he did.

12:56 14 Q. Okay. And what did he tell you that larger document
15 was?

12:56 16 A. It was a franchise agreement.

12:56 17 Q. For what location?

12:56 18 A. For Redondo Beach.

12:56 19 Q. Did he tell you why he wanted you to sign a franchise
20 agreement or Redondo Beach?

12:56 21 A. The signing of a franchise agreement was presented as
22 if it was a benefit to me to sign; that it would increase
23 the value of the school; it would protect us, if we -- you
24 know, if we signed it -- or if I signed it in -- the
25 long-term, if I wanted to -- if I had an instructor that

1 might leave or go rogue, it offered protections.

12:57 2 Q. Those were representations that Mr. Mattera made to
3 you?

12:57 4 A. Yes, sir.

12:57 5 Q. Okay. Did you resist -- strike that.

12:57 6 What did you tell Mr. Mattera when he asked you to sign
7 the franchise agreement?

12:57 8 A. I told him that I do not have the authority to do
9 anything to alter the agreements in place in Redondo Beach;
10 that Brent had sole ownership of our operative agreements,
11 and Brent had made it very known that he was averse to
12 franchise agreements; that he'd always said no when I had
13 asked him on Mr. Mattera's behalf to explore signing a
14 franchise agreement.

12:58 15 And I recommended to him, if he wanted Brent to sign
16 it, that he essentially change it to the agreement he had
17 and put it in between the two pages and give it to him.
18 That he would -- might consider doing.

12:58 19 Q. Did Mr. Mattera indicate to you whether or not he had
20 already inquired of Mr. Mattera about signing a franchise
21 agreement -- I'm sorry.

12:58 22 Did Mr. Mattera ever advise you that he had inquired of
23 Mr. Murakami about signing a franchise agreement?

12:58 24 A. I -- I know that he had asked Brent about signing a
25 franchise agreement briefly. I don't know if he said at

1 that time, I -- words to the effect of "I just asked Brent"
2 or "I just discussed it with Brent."

12:59 3 Is that the question you're asking?

12:59 4 Q. Yes, Dr. Rinehart. Thank you.

12:59 5 Now, when -- after you refused to sign a franchise
6 agreement, physically what did you do with that document?

12:59 7 A. I moved it off to the -- to the -- what I've -- like
8 150-degree position from me on the table.

12:59 9 Q. This meeting where he asked you to sign this agreement,
10 where did it take place?

12:59 11 A. It took place at the -- at the South Point
12 headquarters, the former, larger headquarters before they
13 used 9 Hubble as the headquarter's spot. He has an
14 additional office there.

01:00 15 Q. So you were in an office in this particular facility
16 that you just described.

01:00 17 A. We had just finished a first Friday workout.

01:00 18 Q. Was anybody else present at the meeting where this
19 situation that you're now describing occurred? Was anybody
20 else present?

01:00 21 A. Only Professor Mattera and myself were in the room at
22 the time.

01:00 23 Q. So after you pushed the franchise agreement off to the
24 side, did Mr. Mattera present you with any other documents
25 to sign?

01:00 1 A. Yes. That is when he placed the addendum in front of
2 me.

01:00 3 Q. All right. And so that is page -- that is page 30 of
4 Exhibit 1 that you're pointing to, the Addendum?

01:00 5 A. Yes.

01:00 6 Q. All right. And when he gave you that document, what
7 did he tell you it was?

01:00 8 A. He told me it was something that he needed for
9 compliance with the State; that everyone was going to have
10 to sign one, and would I sign it for him.

01:01 11 Q. Okay.

01:01 12 A. It was important for compliance and it would help with
13 his fight with "The Z."

01:01 14 Q. And the fight with "The Z" is a reference to what?

01:01 15 A. The litigation between Z-Ultimate and United Studios.

01:01 16 Q. Did he provide you with any more information about what
17 he meant as to how it would help him with the fight with
18 "The Z"?

01:01 19 A. Other than compliance, he did not.

01:01 20 Q. Okay. So, Dr. Rinehart, if you look at what's up on
21 the screen, page 30 of Exhibit 1. All right. It says
22 "Addendum."

01:01 23 Did you give any consideration of what this document
24 was an addendum to?

01:01 25 A. I didn't give it any consideration as to what it was an

1 Addendum to. What I thought it was, when I looked at it,
2 was an acknowledgment of a change in some document that I
3 felt maybe he had to tell everyone that there was a change
4 in some document that he was offering, and that that's what
5 this is; that, you know, line this is changed to this.

01:02 6 Q. All right. And at this point in time you had not yet
7 executed the Beverly Hills franchise agreement. That was
8 2015; correct?

01:02 9 A. Yes.

01:02 10 Q. Okay. This situation occurred, where Mr. Mattera
11 presented this document to you, when?

01:02 12 A. I believe we -- September -- whatever the first Friday
13 was, September 2014.

01:02 14 Q. Now, Mr. Mattera said, Dr. Rinehart, that you signed
15 that -- strike that.

01:02 16 Mr. Mattera said, among other things in his testimony,
17 Dr. Rinehart, that he followed his normal protocol, which
18 was to put two documents out: One in front of his
19 perspective franchisee, and he kept one.

01:03 20 Did he do that with you on this meeting that we're --
21 that you're describing right now?

01:03 22 A. I did not see two franchise agreements. I only saw the
23 one that he originally presented to me.

01:03 24 Q. Okay.

01:03 25 THE COURT: Now, just a moment, Counsel.

01:04 1 All right. Thank you.

01:04 2 Counsel, please continue.

01:04 3 BY MR. DeCARLO:

01:04 4 Q. Dr. Rinehart, you've seen the standard page 23 on
5 franchise agreements that we've shown periodically through
6 this trial?

01:04 7 A. Yes, sir.

01:04 8 Q. At this meeting in September of 2014, did you sign any
9 such page?

01:04 10 A. No.

01:04 11 Q. Mr. Mattera believes that you took with you "signed
12 page 23," one -- strike that.

01:04 13 Did you take with you a page 23 of a standard franchise
14 agreement that you signed?

01:05 15 THE COURT: And that's also on occasion been
16 referred to as "page 30"; is that correct?

01:05 17 MR. DeCARLO: Yes -- no, no.

01:05 18 THE COURT: In other words, that's confusing for
19 our record. Because we've gone back between "page 23" on
20 occasion and "page 30." It's the same last page of the
21 agreement?

01:05 22 MS. SHIN: Let me put up on the screen,
23 Your Honor, for clarity --

01:05 24 THE COURT: You don't have to. The record's
25 confusing because it's been referred to as both "page 23"

1 and it's been referred to as "page 30."

01:05 2 Point is, it's the last page of the standard
3 franchise agreement before the Addendum.

01:05 4 MR. DeCARLO: I'd like to put on the screen,
5 because I do think it will help, Exhibit 533, page 29.

01:05 6 *(Exhibit displayed.)*

01:05 7 BY MR. DeCARLO:

01:05 8 Q. All right. Do you recognize this page in format?

01:06 9 A. Yes.

01:06 10 Q. Because you signed a page like this in relation to the
11 Beverly Hills franchise when you signed that franchise;
12 correct?

01:06 13 A. Yes.

01:06 14 Q. All right. And the page that's on the screen right
15 now, Exhibit 533, page 29 -- it is your testimony here,
16 Dr. Rinehart, that in September of 2014, at this meeting
17 with Mr. Mattera, you signed no such document that looks
18 like page 29 of Exhibit 533?

01:06 19 A. It is correct that I signed no such document.

01:06 20 Q. That must also mean, then, that you didn't take a
21 signed page that looked like Exhibit 533, page 29, with you
22 out of that meeting?

01:06 23 A. That is correct.

01:06 24 THE COURT: Just a moment, Counsel.

01:07 25 Counsel, there's something of great concern to me,

1 so I'm going to have each of you ask it. And I'm going to
2 state what it is so each of you have a chance to examine
3 both Mr. Mattera, as you previously did. And I asked a
4 number of questions of that gentleman, so I'm not remiss to
5 ask you to ask the following:

01:07 6 It might not make sense to this Court why he is
7 signing a subsequent Beverly Hills agreement that's a
8 franchise agreement, when he's stating to the Court that he
9 is remiss, reluctant, and doesn't like franchise agreements.

01:08 10 In other words, if his statement is to this Court,
11 "I pushed this aside because I don't approve of franchise
12 agreements," then he's certainly signing a subsequent
13 Beverly Hills franchise agreement. And I'm a little
14 concerned about that and want to give a chance for an
15 explanation about that.

01:08 16 MR. DeCARLO: Thank you.

01:08 17 THE COURT: So I want you a little bit forewarned
18 in the areas that are troubling me.

01:08 19 MR. DeCARLO: I'll get into that right now,
20 Your Honor.

01:08 21 BY MR. DeCARLO:

01:08 22 Q. In this meeting in May of 2014, when Mr. Mattera
23 approached you, the reference to -- I'm sorry -- Mr. Mattera
24 had told you he had already tried to get Brent Murakami to
25 convert the 2011 license agreement issued to SB Ninja to a

1 franchise; correct?

01:09 2 A. Yes.

01:09 3 Q. Okay. And I believe there was already testimony, both
4 from Mr. Mattera and from you, and from Mr. Murakami, that
5 Mr. Murakami communicated to Mr. Mattera that he,
6 Mr. Murakami, was not interested in a franchise; correct?

01:09 7 A. That's correct. Mr. Murakami had relayed that to me.

01:09 8 THE COURT: All right. So your explanation is,
9 then, that you didn't have the authority and that this was
10 Mr. Murakami's decision to make?

01:09 11 THE WITNESS: Correct.

01:09 12 BY MR. DeCARLO:

01:09 13 Q. All right. And since we're on this topic, in the
14 Court's interest, if we could we'll go back to this.

01:09 15 THE COURT: This is the heart of the lawsuit,
16 Counsel; it's not my interest. And both of you have been
17 dancing around the critical questions. I want these
18 answered now.

01:09 19 BY MR. DeCARLO:

01:09 20 Q. Let's fast-forward to 2015 when you did sign a
21 franchise agreement. All right. In between -- in 2015, you
22 obviously were not adverse [sic] to signing a franchise
23 agreement?

01:10 24 A. No. I signed a franchise agreement.

01:10 25 Q. And the franchisee of that particular location in

1 Beverly Hills was whom?

01:10 2 A. LASSD.

01:10 3 Q. Okay.

01:10 4 THE COURT: So this portrayed disgust, which is
5 the way it came across in opening statement and through much
6 of the questioning, isn't a disgust on your part -- a
7 disgust or abhorrence to franchise agreements; it's because
8 this decision supposedly lies with Mr. Murakami; is that
9 correct?

01:10 10 THE WITNESS: That's correct, sir.

01:10 11 THE COURT: So as you pushed this dramatically off
12 to the side at 150-degree angle, it's not because you
13 disapprove of franchise agreements?

01:10 14 THE WITNESS: No. It was because he'd asked
15 several times to --

01:10 16 THE COURT: So I shouldn't take this as disgust on
17 your part, then, or the drama of pushing this off to the
18 side, then, should I.

01:10 19 THE WITNESS: No, sir.

01:11 20 THE COURT: All right. Thank you very much.

01:11 21 Counsel.

01:11 22 BY MR. DeCARLO:

01:11 23 Q. In 2014, you, Dr. Rinehart, were not necessarily
24 opposed to franchise agreements for USSD?

01:11 25 A. My knowledge of the -- I was not. The answer to your

1 question is I was not. My knowledge of them --

01:11 2 THE COURT: Thank you. You've answered the
3 question.

01:11 4 Counsel, your question now.

01:11 5 BY MR. DeCARLO:

01:11 6 Q. Why did you sign an agreement in 2015 for the
7 Beverly Hills studio?

01:11 8 A. I was just under the impression that that was all that
9 was available.

01:11 10 Q. Were you present at the Redondo Beach grand opening?

01:11 11 A. Yes, sir.

01:11 12 Q. All right. And that occurred shortly after the
13 execution of Exhibit 37, the Redondo Beach license
14 agreement?

01:11 15 A. The execution of the Exhibit 37, I believe was March.
16 The grand opening event that I believe you were talking
17 about, I believe is in October.

01:12 18 Q. Now, the management of the Redondo Studio was
19 undertaken by which entity?

01:12 20 A. SBSSD.

01:12 21 Q. Do you know if the license agreement, Exhibit 37, was
22 ever assigned to SBSSD?

01:12 23 A. It was not ever assigned to SBSSD.

01:12 24 THE COURT: Now, Counsel, I'm gonna probably -- I
25 may possibly have Mr. Mattera testify in just a moment. I

1 want to know why a gentleman of this intelligence, when he's
2 signing this document --

01:12 3 And put up the Addendum for a moment.

01:12 4 MR. DeCARLO: Yes, Your Honor.

01:13 5 THE COURT: Put up the Addendum.

01:13 6 MR. DeCARLO: That's the last page.

01:13 7 THE COURT: Put up the Addendum.

01:13 8 TECHNICIAN: Yes, Your Honor.

01:13 9 *(Exhibit displayed.)*

01:13 10 THE COURT: All right. Now, blow up the top of
11 that.

01:13 12 *(Technician complies.)*

01:13 13 THE COURT: Why don't you read that at that top
14 portion to me, sir?

01:13 15 THE WITNESS: *(Reading:)*

01:13 16 "Addendum to the Franchise Agreement
17 of United Studios of Self Defense
18 required by the State of California."

01:13 19 THE COURT: Counsel, so far you haven't asked the
20 area that I'm interested in. I want to know if he read
21 this. And it clearly says "Addendum." And I want to know
22 what "addendum" means to him.

01:13 23 BY MR. DeCARLO:

01:13 24 Q. Dr. Rinehart, did you read that top portion of
25 exhibit -- the exhibit that's on the screen, page 30 of

1 Exhibit 1.

01:13 2 A. I did read this document, including the top.

01:13 3 THE COURT: Then read it again to me.

01:13 4 THE WITNESS: Yes, sir.

01:13 5 "Addendum to the Franchise Agreement
6 of United Studios of Self Defense
7 required by the State of California."

01:14 8 THE COURT: Now, Counsel, your questions.

01:14 9 BY MR. DeCARLO:

01:14 10 Q. What -- at the time that you signed this, Dr. Rinehart,
11 what did that mean to you?

01:14 12 A. It meant that the document that was being put out was
13 being changed.

01:14 14 Q. Let's keep reading that document. It says,

01:14 15 "The first sentence of Section 4.1 of
16 the franchise agreement is replaced with
17 the following:"

01:14 18 "At such, the franchisor has satisfied
19 its preopening obligations to franchisee
20 under this agreement. Franchisee must
21 pay an initial franchise fee of
22 \$75,000." *(As read.)*

01:14 23 Did you read that, Dr. Rinehart?

01:14 24 A. I did.

01:14 25 Q. What did it mean to you?

01:14 1 A. It meant that whatever Section 4.1 was in the document
2 at the top, was changed with whatever it previously was to
3 this line.

01:15 4 Q. So, Dr. Rinehart, a man of your training and
5 intelligence, why are you signing a document that is
6 referencing -- that is referenced as an Addendum, without
7 the document that it is "addending" [sic]?

01:15 8 THE COURT: Well, it's just 150 degrees someplace
9 on that table, Counsel.

01:15 10 *(To the witness:)* So answer that question.

01:15 11 THE WITNESS: Because I thought that what it was
12 was an acknowledgment of -- from anybody in the system that
13 he had to put out that says I'm changing Section 4.1 to --
14 from whatever it says to this line.

01:15 15 BY MR. DeCARLO:

01:15 16 Q. And, Dr. Rinehart, after you signed this, did you keep
17 a copy?

01:15 18 A. I don't believe so.

01:15 19 Q. After you signed this, did you talk to Mr. Murakami
20 about what you signed?

01:15 21 A. I did.

01:16 22 Q. And what did you tell Mr. Murakami that you had signed?

01:16 23 A. I told him that Professor -- or Mr. Mattera had
24 provided a paper for me to sign that he said was for
25 compliance, but at the time I signed it, I told him that if

1 it has anything to do with Brent's agreement and you need
2 it, Brent is going to have to cosign, and he's gonna -- you
3 know, he's gonna be contacting Brent to get that taken care
4 of.

01:16 5 Q. What happened to the agreement that you pushed off to
6 the side? Do you remember?

01:16 7 A. I've no idea what happened to it.

01:16 8 Q. Prior to signing the document that's on the screen,
9 Exhibit 1, page 30 -- so prior to this meeting in September
10 of 2014, did Mr. Mattera express to you that he, Mr.
11 Mattera, and USSD were interested in transitioning the
12 Redondo studio to a franchise?

01:17 13 A. Yes.

01:17 14 Q. Did it happen often?

01:17 15 A. Yes.

01:17 16 Q. And did he tell you why he thought that -- did he tell
17 you why he wanted to do that?

01:17 18 A. It was usually framed as a benefit for us. But I felt
19 that he had some -- I don't know why he had so much interest
20 in getting us to sign a franchise agreement.

01:17 21 Q. All right. And now let's talk about, again, what took
22 place at that meeting. You said that you had told him,
23 Mr. Mattera, that you, Dr. Rinehart, did not have authority
24 to replace the Redondo Beach license agreement with a
25 franchise agreement. You recall that?

01:18 1 A. That is correct.

01:18 2 Q. What did he say, Mr. Mattera, in response to your
3 statement?

01:18 4 A. Didn't -- didn't say anything.

01:18 5 Q. When he told you, Dr. Rinehart, that he needed it for
6 compliance, what did you think that meant?

01:18 7 A. Well, I'm sorry. I'm a little confused. You just went
8 from the franchise agreement to the Addendum.

01:18 9 Q. Yeah, I'm talking about -- that's my fault.

01:18 10 On page 1, Exhibit -- Exhibit 1, page 30, when he told
11 you, Mr. Mattera, that he needed you to sign it for
12 compliance, what did you think that meant?

01:19 13 A. I thought it meant that everybody in our system that
14 was an operator was going to have to sign a paper; that
15 Mr. Mattera had made an announcement that the agreements he
16 was offering had a change in some portion.

01:19 17 Q. At this point in time in 2014, was Mr. Mattera, to your
18 knowledge, aware of the -- what we've called "partnership"
19 that you and Mr. Murakami had entered into *vis-a-vis* SBSSD?

01:19 20 A. Yes, sir. He was instrumental in putting us together
21 as partners.

01:19 22 Q. Can you explain how he was instrumental in putting you
23 together as partners?

01:19 24 A. Brent -- Brent was a good marshal artist and had a lot
25 of experience and history with the company. I'm a mediocre

1 marshal artist and had very little experience with the
2 company. But I had capital, I guess, and interest more than
3 the average person. So he -- after Brent had signed his
4 agreement, he had been -- let me rephrase.

01:20 5 Prior to that time, we were both kinda courting for the
6 Redondo Beach area. Brent went down with a check before I
7 did and executed the license agreement in 2011 because he
8 wanted, essentially, block rights to the South Bay. So he
9 kinda went down and wrote a check.

01:20 10 After that time, Charlie endeavored to make sure that
11 we partnered up because I think he still wanted me in the
12 company because I had capital and knew that I wanted to
13 operate right by my house.

01:21 14 Q. After the document on the screen, Exhibit 1, page 30,
15 was signed, did anything change in terms of the way that
16 USSD treated the Redondo studio?

01:21 17 A. Absolutely not.

01:21 18 Q. After this document was signed, the Addendum, did
19 Mr. Mattera or anyone at USSD put -- provide you with any
20 type of notice suggesting that the Redondo studio was now
21 under a franchise agreement?

01:21 22 A. No, sir.

01:21 23 Q. At the time that you signed Exhibit 1, page 30, did
24 Mr. Mattera provide you with a -- strike that.

01:22 25 Do you know, sir -- let me ask a foundational question.

01:22 1 Do you know what an "FDD" is?

01:22 2 A. I do know now.

01:22 3 Q. Did you know in 2014?

01:22 4 A. I don't think that I did.

01:22 5 Q. With what you know now --

01:22 6 THE COURT: Counsel, move along. Another area.
7 It's not relevant.

01:22 8 BY MR. DeCARLO:

01:22 9 Q. I'd like to direct your attention now to Exhibit 639,
10 which is the Beverly Hills franchise agreement.
11 *(Exhibit displayed.)*

01:22 12 BY MR. DeCARLO:

01:22 13 Q. And let me turn your attention to page 29, Exhibit 639.
14 That is your signature; correct?

01:23 15 A. Yes, sir.

01:23 16 Q. And you agreed to sign a franchise agreement in July of
17 2015?

01:23 18 A. Yes, sir.

01:23 19 Q. Do you recall if you were provided with an FDD at or
20 about the time that you signed Exhibit 530 -- I'm sorry --
21 639?

01:23 22 A. I don't recall being provided with an FDD. But I did
23 sign paperwork at the same time as I signed this agreement.

01:23 24 Q. All right. This, on page --

01:23 25 THE COURT: Well, just -- I'd like to know whether

1 he knows what an FDD is or not, if he signed any agreement
2 14 days or earlier than whatever this date is of the
3 Beverly Hills franchise agreement.

01:23 4 In other words, he may not know what an FDD is;
5 but I want to know if something was placed in front of him
6 that he signed. He may have the same explanation that he
7 didn't read or understand.

01:24 8 BY MR. DeCARLO:

01:24 9 Q. Dr. Rinehart, at the time of the execution of the
10 Beverly Hills agreement, July 16, 2015, and for the
11 preceding, say, two weeks, 14 days, do you recall signing
12 something -- or, do you recall being provided with a FDD, a
13 franchise disclosure document?

01:24 14 THE COURT: I'll make it even broader: Anything
15 that was represented to you to be related to the
16 Beverly Hills franchise agreement?

01:24 17 THE WITNESS: All of the paperwork I received
18 regarding the Beverly Hills location, I received on the same
19 day.

01:24 20 THE COURT: Okay.

01:24 21 BY MR. DeCARLO:

01:24 22 Q. So if we can look, please, Mr. -- Dr. Rinehart, at
23 page 7 of Exhibit 639.

01:24 24 *(Exhibit displayed.)*
25

01:25 1 BY MR. DeCARLO:

01:25 2 Q. The identification of the franchisee is South Bay Self
3 Defense Studio; do you see that?

01:25 4 A. Yes.

01:25 5 Q. All right. And if we compare that with the
6 identification of the franchisee on page 29 of Exhibit 639,
7 as you can see, it's different. This page 29 of Exhibit 639
8 says the franchisee is Los Angeles Studios of Self Defense;
9 do you see that?

01:25 10 A. Yes, sir, I do.

01:25 11 Q. Can you explain for the Court the discrepancy between
12 the identification of the franchisee on page 29 of
13 Exhibit 639, with the identification of the franchisee on
14 page 7 of Exhibit 639.

01:25 15 *(Exhibit pages displayed.)*

01:26 16 MR. DeCARLO: And they're both up on the screen
17 now, sir.

01:26 18 THE WITNESS: Mr. Mattera had filled out page 1
19 prior to coming in. And I don't think he was aware that
20 there was a different entity that was going to be taking
21 this studio or signing the agreement.

01:26 22 THE COURT: Blow up page 1 for just a moment
23 'cause I can't see the top, Counsel.

01:26 24 *(Technician complies.)*

01:26 25 THE COURT: All right.

01:26 1 BY MR. DeCARLO:

01:26 2 Q. That your writing or Mr. Mattera's?

01:26 3 A. It's not my writing. I believe it's Mr. Mattera's.

01:26 4 THE COURT: In other words, whenever this
5 document's presented to you, that writing is already on the
6 document?

01:26 7 THE WITNESS: Correct, sir.

01:26 8 THE COURT: And this is not filled out in your
9 presence?

01:26 10 THE WITNESS: That part was not filled out in my
11 presence.

01:26 12 THE COURT: Counsel, please continue.

01:26 13 BY MR. DeCARLO:

01:26 14 Q. So, Dr. Rinehart, this -- did you alert Mr. Mattera --
15 let me take a step back.

01:27 16 Do you remember where you were when Exhibit 639 was
17 signed?

01:27 18 A. I was at the 250 South Robertson, Beverly Hills
19 location.

01:27 20 Q. All right. You heard Mr. Mattera talk about his
21 standard protocol of having two agreements signed at
22 franchise signings. Do you recall that testimony?

01:27 23 A. I do.

01:27 24 Q. Was that done in this instance?

01:27 25 A. I only remember one agreement being presented to me.

01:27 1 Q. So if "South Bay Self Defense Studio" was filled in
2 before you got there, do you know why "South Bay Self
3 Defense Studio" was filled in before you got there?

01:27 4 A. I expect that Mr. Mattera thought we would be using the
5 same entity, but that is a little bit of conjecture.

01:28 6 Q. Now, that is the entity, South Bay Self Defense Studio,
7 that was then the entity that was operating the Redondo
8 studio?

01:28 9 A. I think he -- I mean, as I look at it, I think he
10 flipped the last two words. Because it's actually SBSSD.
11 But I believe the intent was to indicate South Bay Studios
12 of Self Defense.

01:28 13 Q. Then when you -- and you -- did you proceed to initial
14 the pages?

01:28 15 A. I did.

01:28 16 Q. Okay. If you'd turn to page -- I think you testified
17 already that page 28 of Exhibit 639 -- that's the one page
18 that is not initialed; correct?

01:28 19 A. Correct.

01:28 20 Q. Do you have a recollection as to why that page is not
21 initialed?

01:28 22 A. I do not.

01:28 23 Q. And then who's handwriting is it -- let's go to page 29
24 of Exhibit 639.

01:29 25 *(Exhibit displayed.)*

01:29 1 BY MR. DeCARLO:

01:29 2 Q. Who's handwriting, if you know, is in the franchisor
3 box where it says "USSD"?

01:29 4 A. I believe that that is Mr. Mattera's writing.

01:29 5 Q. And then who's handwriting is written on the franchisee
6 block?

01:29 7 A. That is my writing.

01:29 8 Q. All right. Did you notice, before you signed
9 Exhibit 639, the discrepancy between the fact that the
10 franchisee was different in page 289, as opposed to page 7?

01:29 11 A. I did.

01:29 12 Q. And did you alert Mr. Mattera to that fact?

01:29 13 A. I did.

01:29 14 Q. And what did -- what, if anything, did he say when you
15 alerted him to that?

01:30 16 A. He indicated that it didn't matter.

01:30 17 Q. Dr. Rinehart, why didn't you insist before finishing
18 the execution of Exhibit 639 that the face page be changed
19 so that it was accurate and was consistent with page 29,
20 Exhibit 639?

01:30 21 A. I was under the impression that it didn't matter.

01:30 22 Q. Let's turn to page 30 of Exhibit 639.

01:30 23 *(Exhibit displayed.)*

01:30 24 BY MR. DeCARLO:

01:30 25 Q. This is another addendum; correct?

01:30 1 A. Yes, sir.

01:30 2 Q. All right. And is that your signature?

01:30 3 A. It is.

01:30 4 Q. And there is a replacement at the "Initial Franchise
5 Fee, 4.1 Section," where 75,000 is crossed out and
6 "Transferred \$1" is put in; do you see that?

01:31 7 A. Yes, I do.

01:31 8 Q. At the time that you executed the Addendum -- and, for
9 the record, the Addendum was signed as part of the same
10 execution as page 29, Exhibit 639?

01:31 11 A. Yes, sir.

01:31 12 THE COURT: Now, would you blow up the Addendum
13 again for me.

01:31 14 *(Technician complies.)*

01:31 15 THE COURT: All right. Thank you.

01:31 16 Please continue.

01:31 17 BY MR. DeCARLO:

01:31 18 Q. Dr. Rinehart, as you'll see under Section 4.1, it says.
19 "Upon franchisor's completion of its
20 initial obligations to franchisee,
21 franchisee must pay an additional [sic]
22 franchise fee of" -- *(As read.)*

01:32 23 And then "75,000" is crossed out and there is
24 handwriting next to it that says "Transferred \$1."

01:32 25 Who's handwriting, if you know, is "Transferred \$1"?

01:32 1 A. I believe it is Mr. Mattera's.

01:32 2 THE COURT: Now, just a moment. There's only two
3 people there. It's either you or Mr. Mattera; correct?

01:32 4 THE WITNESS: Mr. Mattera.

01:32 5 THE COURT: Is that your handwriting?

01:32 6 THE WITNESS: It is not my handwriting.

01:32 7 BY MR. DeCARLO:

01:32 8 Q. Do you recall if Mr. Mattera did that in front of you,
9 the \$1 transfer?

01:32 10 A. I don't recall him doing that in front of me.

01:32 11 Q. Did you -- was it explained to you at that sitting why
12 that \$1 transfer was noted on this Addendum, page 30 of
13 Exhibit 639?

01:32 14 A. No.

01:33 15 Q. The franchise agreement -- if you go back to page 9 of
16 Exhibit 639, underneath "Initial Franchise Fee, Section 4.1,
17 it says,

01:33 18 "Franchisee must pay an initial
19 franchise fee of \$75,000."

01:33 20 Do you see that?

01:33 21 A. I do see that.

01:33 22 Q. Mr. Mattera -- I'm sorry. Dr. Rinehart, \$75,000 was
23 never paid as a franchise fee in association with the
24 execution of this agreement; correct?

01:34 25 A. Correct.

01:34 1 Q. All right. Now, there was a negotiated change to this
2 agreement with USSD; is that correct?

01:34 3 A. Correct.

01:34 4 Q. All right. Before I ask you what those changes were,
5 I'd like you to explain to the Court what -- what the
6 rationale for the change was. And let's go step by step.

01:34 7 In July of 2015, was there a then existing USSD dojo at
8 that address in Beverly Hills?

01:34 9 A. There was not a dojo in operation in July of that year.

01:34 10 Q. Obviously, there was a billing there, but there wasn't
11 a "USSD" dojo operating?

01:34 12 A. The logo was still on the sign, but the physical plant
13 was not really set up for operations at that time.

01:34 14 Q. Do you know when the last time was that that particular
15 facility had been operated as a USSD dojo?

01:35 16 A. We were in there from the time that the old franchisee
17 left in June, and we're having like makeshift workouts there
18 that I actually caught a lot of flack from the students for
19 because the prior franchisee had stripped everything down
20 and left.

01:35 21 And we got the school opened. As soon as it had been
22 repossessed by USSD to -- we had -- we staffed it, like
23 the -- our instructors from all three of the other locations
24 that we had, made a makeshift "staff" there while we decided
25 if we were going to purchase that location.

01:36 1 Q. Let's get some dates here.

01:36 2 A. Okay.

01:36 3 Q. First, do you know who the prior franchisees were of
4 the Beverly Hills location?

01:36 5 A. I do.

01:36 6 Q. All right. Their names?

01:36 7 A. Jody Neal (*phonetic*) and Jason Assayag (*phonetic*).

01:36 8 Q. And you indicated that they had -- and I think
9 Mr. Mattera testified to this as well -- they abandoned that
10 particular location; they'd abandoned their franchise.

01:36 11 A. Correct.

01:36 12 Q. Do you know when that occurred?

01:36 13 A. Early June.

01:36 14 Q. All right. So from early June until July 15, it wasn't
15 operating the -- that particular facility wasn't operating
16 as a USSD dojo.

01:36 17 A. Repeat the question, please.

01:36 18 Q. From June, when Mr. Assayag abandoned the location,
19 until July, when you signed the franchise agreement for
20 Beverly Hills, it, the location, had not been operating as a
21 USSD dojo?

01:37 22 A. That is incorrect.

01:37 23 Q. It was operating as...?

01:37 24 A. Shortly after -- when I -- like the day -- it was
25 important that we keep the doors open so that the students

1 could come in. If the school had closed for 30 days or
2 more, there would be no one left and the dojo would have no
3 value.

01:37 4 Q. Okay. So there was "a" existing franchise; it had
5 closed because the prior franchisees abandoned it?

01:37 6 A. Yes.

01:37 7 Q. You and Mr. Mattera had some conversations about you
8 taking it over?

01:37 9 A. Yes.

01:37 10 Q. All right. Did you have concerns about taking over
11 that location?

01:37 12 A. Yes.

01:37 13 Q. What were those concerns?

01:37 14 A. The main concern was I didn't have the chief instructor
15 to be able to put in there that I felt would be adequate to
16 maintain it without my or Master Brent's daily presence.
17 That was the main one.

01:38 18 Q. So were you agreeable to paying \$75,000 for this
19 franchise?

01:38 20 A. No.

01:38 21 Q. And that's because why?

01:38 22 A. It wasn't worth it.

01:38 23 Q. All right. So you and Mr. Mattera came to a
24 negotiation that allowed you -- you, SBSSD, or -- I'm sorry
25 LA USSD -- LASSD to take over this location and be issued a

1 franchise for some term other than the payment of \$75,000?

01:38 2 A. Yes.

01:38 3 Q. And that's where this promissory note with Mr. Nourizad
4 comes in?

01:38 5 A. Yes.

01:39 6 Q. All right. Let's turn to 530.

01:39 7 THE COURT: No. One more question before you
8 leaving that.

01:39 9 THE WITNESS: Yes, sir.

01:39 10 THE COURT: There has to be consideration in a
11 contract. Does this one dollar pass?

01:39 12 You can ask it or I will.

01:39 13 Was there a dollar passed between the parties?

01:39 14 BY MR. DeCARLO:

01:39 15 Q. Dr. Rinehart, did a dollar pass between the parties?

01:39 16 A. If you don't --

01:39 17 THE COURT: Answer the question.

01:39 18 THE WITNESS: No.

01:39 19 THE COURT: Thank you.

01:39 20 Counsel.

01:39 21 BY MR. DeCARLO:

01:39 22 Q. So the arrangement that was made for the issuance of
23 this franchise is embodied in Exhibit 530, I believe.

01:39 24 *(Exhibit displayed.)*

25

01:39 1 BY MR. DeCARLO:

01:39 2 Q. Can you look at Exhibit 530, sir. It's the --

01:39 3 MR. DeCARLO: Your Honor, I'd ask that 639 be
4 moved into evidence.

01:39 5 THE COURT: It's received.

01:39 6 *(Exhibit Number 639 received in evidence.)*

01:39 7 THE COURT: And, Counsel, you'll conclude no later
8 than 2:12. That will give you the remaining time you had
9 left, plus the 60 minutes.

01:40 10 MR. DeCARLO: Thank you, Your Honor.

01:40 11 BY MR. DeCARLO:

01:40 12 Q. Mr. -- or, Dr. Rinehart, Exhibit 530, do you recognize
13 Exhibit 530?

01:40 14 A. Yes, sir.

01:40 15 Q. All right. Why did LASSD, the borrower, agree to sign
16 a promissory note on July 16, 2015, for \$50,000 to the
17 beneficiary, Pirooz Nourizad?

01:40 18 A. Are you asking me why did we sign a promissory note, or
19 why did I sign a promissory note to Pirooz Nourizad?

01:40 20 Q. Let's start with the first question. Why would LASSD
21 agree to sign a promissory note for \$50,000?

01:41 22 A. The way the deal was set up, it allowed me to mitigate
23 the risk of the location.

01:41 24 Q. All right. Now let's look at the terms of this
25 particular --

01:41 1 THE COURT: Just a moment, Counsel.

01:41 2 All right. Counsel, along the way, I'm giving
3 both of you some fair warnings here. I was just told that
4 this had basically no value or minimal value, and yet your
5 client is testifying that he's going to sign a promissory
6 note of \$50,000 over somebody who -- I don't know how strong
7 the relationship is. Pirooz Norad [sic]?

01:42 8 THE WITNESS: Nourizad.

01:42 9 THE COURT: However you want to pronounce. I
10 don't know what the relationship is. I don't know if this
11 is a complete stranger; and if it is, I'd like to know why,
12 since it had no previous value or very little value -- for
13 \$75,000 -- why he's willing to sign over \$50,000 to whomever
14 you pronounced.

01:42 15 MR. DeCARLO: Yes, Your Honor.

01:42 16 BY MR. DeCARLO:

01:42 17 Q. Dr. Rinehart, let's look at the terms of the promissory
18 note. You mentioned just now that signing this promissory
19 note would mitigate the risk for obtaining this particular
20 franchise in Beverly Hills. That's what you just said;
21 right?

01:42 22 A. Yes.

01:42 23 Q. And the mitigation of the risk is found in these terms
24 of the promissory note.

01:42 25 A. Yes.

01:42 1 Q. Pirooz Nourizad, he was not a friend or business
2 acquaintance of yours, was he?

01:42 3 A. I had met Peter. I would not categorize --

01:42 4 THE COURT: Answer the question.
01:42 5 Did you understand the question?

01:42 6 THE WITNESS: I did not.

01:42 7 THE COURT: Ask it again.

01:42 8 BY MS. SHIN:

01:43 9 Q. Was Mr. Nourizad at this point in time a friend of
10 yours?

01:43 11 A. No.

01:43 12 Q. Was he a business associate of yours?

01:43 13 A. No.

01:43 14 Q. All right. Who, if anyone, asked you to sign a
15 promissory note in which the lender or beneficiary was
16 Pirooz Nourizad?

01:43 17 A. Mr. Mattera.

01:43 18 Q. All right. Now let's look at the terms of this
19 agreement. First paragraph:

01:43 20 "For value received, the undersigned
21 hereby promised to pay Pirooz Nourizad
22 the principle sum of \$50,000." This
23 note will be paid [sic] with zero
24 interest for 60 consecutive monthly
25 installments of \$833.34 each on the

1 first day of each month commencing
2 October 1, 2016. Payments can also be
3 made quarterly in the amount of \$2500 at
4 lender's request." (As read.)

01:44 5 First question, Dr. Rinehart. This promissory note is
6 signed on July 16, 2015; correct?

01:44 7 A. Yes, sir.

01:44 8 Q. The provision that we just read indicates that the
9 payments don't have to begin to be made until October 1,
10 2016, so roughly 14 months later. Why?

01:44 11 A. It would give time to develop the school and build
12 students so that it would increase the value and be able to
13 sustain the payoff of the note.

01:44 14 Q. All right. Now let's ask a fundamental question here
15 that is kinda confusing about this transaction.

01:44 16 LASSD -- and as of July -- as of July 16, 2015, didn't
17 actually owe Pirooz Nourizad any money; correct?

01:44 18 A. Correct.

01:45 19 Q. But Mr. Mattera asked you, as part of the transaction
20 for purchasing a franchise for Beverly Hills, to execute a
21 promissory note in favor of Pirooz Nourizad?

01:45 22 A. Yes.

01:45 23 Q. Did Mr. Mattera tell you why he wanted you on behalf of
24 LASSD to pledge the consideration in this promise -- or the
25 value in this promissory note to Mr. Nourizad?

01:45 1 A. The reason he gave me was because Peter was owed money
2 from some other transaction --

01:45 3 THE COURT: Who's "Peter"?

01:45 4 THE WITNESS: Pirooz. That's his nickname.
5 Mr. Nourizad.

01:45 6 -- that he had been owed money from some other
7 transaction and this was gonna --

01:45 8 THE COURT: I'm sorry. Let's hear that again.

01:45 9 Who's he? Is the money owed to Matt Mattera or is
10 it owed to Peter Nouriad [sic] or Pirooz Nouriad? Because
11 it makes absolutely no sense to me.

01:46 12 THE WITNESS: Mr. Mattera told me that
13 Mr. Nourizad had been owed money from a prior transaction
14 between USSD and Mr. Nourizad.

01:46 15 THE COURT: I'ma repeat that back to you.
16 Mr. Nourizad is owed money?

01:46 17 THE WITNESS: Yes, sir.

01:46 18 THE COURT: By USSD?

01:46 19 THE WITNESS: Yes, sir.

01:46 20 THE COURT: Now, hold on. Just one minute.

01:47 21 All right.

01:47 22 Counsel, please continue.

01:47 23 BY MR. DeCARLO:

01:47 24 Q. If we go to the second paragraph of this promissory
25 note, let's read it:

01:47 1 "This note may be prepaid by the
2 borrower at any time in whole or in part
3 without premium or penalty. Note may
4 also be satisfied with 15 percent of
5 company or a mixture of payment and
6 ownership in the company."

01:48 7 So let's break this down, Dr. Rinehart. Was this
8 provision a further mitigation of risk?

01:48 9 A. Yes, sir.

01:48 10 Q. So in lieu of making cash payments to pay off the
11 promissory note, LASSD could choose the option to instead
12 repay the note by making a 15 percent equity payment in the
13 franchise?

01:48 14 A. Yes, sir.

01:48 15 Q. What was the purpose? Was that a negotiation between
16 you and Mr. Mattera?

01:48 17 A. It was.

01:48 18 Q. So what's the purpose of this particular mitigation?
19 How is this mitigation?

01:48 20 A. Well, if the school is not doing well by the time the
21 note becomes due, I can essentially pay the note off with a
22 small portion of the school, thus not having to have any
23 money out of pocket.

01:49 24 THE COURT: So, Counsel, all this is being
25 negotiated on the spot; is that my understanding?

01:49 1 BY MR. DeCARLO:

01:49 2 Q. Dr. Rinehart, over what period of time was this -- did
3 this negotiation take place?

01:49 4 A. From June, when we first went in, until July?

01:49 5 THE COURT: So over a period of time?

01:49 6 THE WITNESS: Yes, sir.

01:49 7 THE COURT: Okay.

01:49 8 BY MR. DeCARLO:

01:49 9 Q. Did you ever talk to Mr. Nourizad?

01:49 10 A. Not regarding this transaction.

01:49 11 Q. That was my question. Thank you.

01:49 12 So let's now fast-forward. The franchise is issued in
13 July of 2015. You execute this promissory note as part of
14 that transaction; correct?

01:49 15 A. Yes, sir.

01:49 16 Q. And then LASSD begins to operate the studio?

01:50 17 A. Yes, sir.

01:50 18 Q. All right. Now, in the fall of 2016, there's an event
19 that's coming up, which is that LASSD is going to have to
20 start making payments on this promissory note; true?

01:50 21 A. Yes.

01:50 22 Q. All right. What -- what did LASSD decide to do at --
23 around October 1, 2016, when the payments began to be due?

01:50 24 A. I believe, prior to the first due date, I contacted
25 Mr. Mattera and wished to execute the equity portion -- the

1 equity clause to pay for the note.

01:50 2 Q. Was Mr. Mattera happy about that?

01:50 3 A. No, sir.

01:50 4 Q. Why not?

01:50 5 A. I believe that he would've preferred a cash event.

01:51 6 Q. All right. So you told him I'm going to provide Pirooz
7 with 15 percent'a the company. He told you he wasn't happy
8 with that.

01:51 9 Did, in fact, LASSD transfer or assign 15 percent of
10 the Beverly Hills studio to Pirooz Nourizad?

01:51 11 A. No. The 15 percent ended up being assigned by Pirooz
12 Nourizad back to USSD. And so USSD was actually given the
13 15 percent.

01:51 14 Q. All right. Let's look at 531.

01:51 15 Is exhibit -- do you recognize Exhibit 531,
16 Dr. Rinehart?

01:51 17 A. I don't think it's up.

01:52 18 *(Exhibit displayed.)*

01:52 19 THE WITNESS: Yes.

01:52 20 BY MR. DeCARLO:

01:52 21 Q. All right. And -- and Exhibit 531 is an assignment of
22 the note -- or the beneficiary status of the note from
23 Pirooz Nourizad to USSD; correct?

01:52 24 A. Yes.

01:52 25 THE COURT: And that's Exhibit 51?

01:52 1 MR. DeCARLO: It's Exhibit 531.

01:52 2 THE COURT: 531. Thank you.

01:52 3 MR. DeCARLO: It's already in evidence.

01:52 4 THE COURT: Well, doesn't mean I have it in my
5 notes. 531.

01:52 6 BY MR. DeCARLO:

01:52 7 Q. So this document stands for the proposition that LASSD
8 no longer owed Pirooz Nourizad whatever the interest in the
9 note was; it now owed USSD?

01:52 10 A. Correct.

01:53 11 Q. And the note was --

01:53 12 *(Court reporter requests clarification for the*
13 *record.)*

01:53 14 BY MR. DeCARLO:

01:53 15 Q. LASSD then transferred, as required under the note,
16 15 percent equity in the studio to USSD?

01:53 17 A. Correct.

01:53 18 Q. But that's not the end of the transaction, then, is it?

01:53 19 A. Correct.

01:53 20 Q. That 15 percent was, then, sold to whom?

01:53 21 A. Archie Curren.

01:53 22 THE COURT: Who?

01:53 23 THE WITNESS: Archie Curren.

01:53 24 THE COURT: By whom? USSD?

01:53 25 THE WITNESS: Yes.

01:53 1 THE COURT: Just a moment.

01:53 2 And, once again, Counsel, help me with who
3 Archie Curren is.

01:54 4 BY MR. DeCARLO:

01:54 5 Q. Dr. Rinehart, who is Archie Curren (*phonetic*)?

01:54 6 A. He's the gentleman in the back row, sitting next to
7 Dr. Nuromatsu (*phonetic*).

01:54 8 THE COURT: Holding up his hand?

01:54 9 THE WITNESS: Yes, sir.

01:54 10 THE COURT: Thank you, sir.

01:54 11 BY MR. DeCARLO:

01:54 12 Q. So that point, post 2016, Archie Curren then became a
13 15 percent owner of LASSD?

01:54 14 A. Correct.

01:54 15 THE COURT: Well, just a moment.

01:54 16 A 15 percent owner of LASSD?

01:54 17 THE WITNESS: Correct.

01:54 18 THE COURT: The entire entity?

01:54 19 BY MR. DeCARLO:

01:54 20 Q. Dr. Rinehart, did Archie Curren become an owner, a
21 15 percent owner of the entire entity, LASSD?

01:55 22 A. Yes.

01:55 23 THE COURT: Okay. Thank you.

01:55 24 BY MR. DeCARLO:

01:55 25 Q. And after the transaction from USSD to Archie Curren,

1 USSD then had no equity interest in the Beverly Hills studio
2 in any regard?

01:55 3 A. Correct.

01:55 4 Q. Or LASSD?

01:55 5 A. Correct.

01:55 6 Q. Did you ever get any more guidance from Mr. Mattera as
7 to why that transaction with Mr. Nourizad was entered into?

01:55 8 A. No, sir.

01:55 9 Q. Since September of 2018, Dr. Rinehart, have you, along
10 with Mr. Murakami, been excluded from all franchise
11 facilities and franchise functions?

01:56 12 A. Yes.

01:56 13 Q. Have you been allowed to attend first Friday meetings?

01:56 14 A. No.

01:56 15 Q. Have you been allowed to watch first Friday meetings,
16 streaming?

01:56 17 A. I don't have access to the page.

01:56 18 Q. Other than continuing to fly the -- or display the USSD
19 logo at the Beverly Hills studio and the Redondo studio, is
20 LASSD or yourself receiving -- or SBSSD -- receiving any
21 other benefits from the USSD system?

01:56 22 A. No, sir.

01:56 23 Q. But the \$750 payments have continued to have been made
24 for the Redondo studio and the Beverly Hills studio?

01:57 25 A. Yes, sir.

01:57 1 Q. And you continued to make those -- you continued to
2 authorize those payments to be made even during the time
3 period when USSD, the brand with which you were flying, was
4 accusing you of statutory rape?

01:57 5 A. Yes.

01:57 6 Q. Like to turn your attention to the Fall -- I'm sorry --
7 the Summer of 2018. You heard Mr. Martin's testimony and
8 Mr. Bartlett's testimony.

01:58 9 You were in the courtroom; correct?

01:58 10 A. Yes, sir.

01:58 11 Q. Was the testimony of Mr. Martin accurate with regard to
12 his, Mr. Martin's, conversations with you about messages
13 that Mr. Martin delivered to you from Mr. Mattera?

01:58 14 A. Yes.

01:58 15 Q. And was Mr. Martin's representation of what you said to
16 him, Mr. Martin, accurate?

01:58 17 A. Yes.

01:58 18 Q. He said that the time frame was August of 2018; do you
19 recall that?

01:58 20 A. Yes.

01:58 21 Q. Now, when Mr. Martin delivered that message to you that
22 he testified to --

01:58 23 THE COURT: Well, Counsel, you can repeat that.
24 It's not hearsay. Regardless of the objection. He can
25 convey what he received from Martin. Martin's already

1 testified.

01:59 2 BY MR. DeCARLO:

01:59 3 Q. Mr. Martin told you that Mr. Mattera had told
4 Mr. Martin --

01:59 5 THE COURT: Better yet, let's hear from the
6 witness.

01:59 7 BY MR. DeCARLO:

01:59 8 Q. Dr. Rinehart, what did Mr. Martin tell you about
9 Mr. Martin's conversations with Dr. -- with -- let me try
10 again. Dr. Rinehart, what did Mr. Mattera --

01:59 11 Dr. Rinehart, what did Mr. Martin tell you in August of
12 2018 about his, Mr. Martin's, conversations with Mr. Mattera
13 as it relates to Jessica Gruenberg?

01:59 14 A. Tyler said, "CM says that he's got a girl. She's gonna
15 testify. He says that you have to settle. You need to pay
16 and they can make the girl go away."

01:59 17 Q. He never gave -- he, Mr. Martin, never conveyed a
18 number to you that Mr. Mattera wanted; correct?

02:00 19 A. No.

02:00 20 Q. What did you say to Mr. Martin?

02:00 21 A. I said, "There is no girl. It never happened. She
22 doesn't exist."

02:00 23 MR. DeCARLO: I'd like to mark -- what are we up
24 to? I'd like to mark as Exhibit 654 an email exchange
25 that's already in the record. It's not part of the trial

1 record; it's part of the litigation record. It's ECF 73-18.

02:01 2 I'm sorry. We didn't make three copies.

02:01 3 *(Exhibit Number 654 marked for identification.)*

02:01 4 THE COURT: You can put it up on the ELMO.

02:01 5 *(Exhibit displayed.)*

02:01 6 BY MR. DeCARLO:

02:01 7 Q. All right. I'm putting up on the ELMO what we've
8 marked as Exhibit 654. And the page reference is 2 of 6 of
9 ECF 73-18. This is an email from Eric Hardeman to Leo
10 Bautista, CC Dan DeCarlo on August 22, 2018?

02:02 11 THE COURT: And, Counsel, I've already read this
12 letter just a moment ago, when it was handed to me.

02:02 13 MR. DeCARLO: Can I ask Dr. Rinehart a question
14 about it?

02:02 15 THE COURT: Certainly.

02:02 16 BY MR. DeCARLO:

02:02 17 Q. Dr. Rinehart, I'd like to direct your attention to the
18 paragraph where my finger is. *(Indicating.)* And I'll read
19 it:

02:02 20 "We've given you dates of September 4,
21 5 or 6 to meet, as you've requested. I
22 suggest that we have our Rule 26(f)
23 conference at some point after that
24 meeting takes place. If you are not
25 willing to do that, we are not willing

1 to meet. Both sides have a good
2 understanding of each other's respective
3 positions and we both know that this
4 meeting is going to be about numbers.
5 Rehashing the conversations and
6 arguments we've previously had is going
7 to result in an unproductive and very
8 short meeting."

02:03 9 Did you receive a copy of this email, Dr. Rinehart?

02:03 10 A. Yes.

02:03 11 Q. So is the timing, August 22nd, 2018, when Mr. Hardeman
12 is suggesting to us that a meeting is going to be just about
13 numbers, does that correspond to the time frame when
14 Mr. Martin is delivering to you the message that Mr. Mattera
15 asked Mr. Martin to deliver to you?

02:04 16 A. Yes.

02:04 17 MR. DeCARLO: Your Honor, I would ask that
18 Exhibit 654 be moved into evidence.

02:04 19 MR. BERLINER: Objection, Your Honor. There's no
20 foundation.

02:04 21 THE COURT: Well, before I do, for both of you,
22 the first paragraph reads:

02:04 23 "Needless to say, we are more than a
24 little offended by your suggestions that
25 our evidence was somehow fabricated or

1 that Ms. Gruenberg's written statements
2 were somehow orchestrated by our office.
3 But this is not the first position
4 you've taken that has turned out to be
5 verifiably false."

02:04 6 And then I want you both to drop down to the
7 second paragraph, beginning, "But obviously."

02:04 8 "But obviously, the strongest evidence
9 will be when Ms. Gruenberg appears for
10 deposition, which is going to be the
11 first thing we do in discovery. So your
12 clients might want to seriously think
13 about whether commencing discovery right
14 now is in everyone's best interest if
15 they have any desire whatsoever to
16 revolve this matter."

02:05 17 Now, for my record, I want you to repeat the date
18 that the deposition was taken of Mr. -- I'm sorry.

02:05 19 MR. DeCARLO: Auza?

02:05 20 Luis Auza's deposition, Your Honor, was taken on
21 February 6th, 2019.

02:05 22 THE COURT: Okay.

02:05 23 So Counsel may be as good as the information that
24 they're getting from their client. And so far it seems to
25 me that there's been a lot of accusations potentially -- and

1 you're arguing for terminal sanctions now, which is the
2 first time it's been brought in front of the Court. But how
3 would the Court know that there's a direct linkage to
4 plaintiff's counsel, if plaintiff's counsel is relying upon
5 the fictitious Ms. Gruenberg being related by a client to
6 them?

02:06 7 Because remember, in the same tape, I have
8 Mr. Mattera saying that "Eric is an angel."

02:06 9 MR. DeCARLO: Eric is a Boy Scout, yeah.

02:06 10 THE COURT: A Boy Scout.

02:06 11 MR. DeCARLO: This occurs in August --

02:06 12 THE COURT: I know when it occurs.

02:06 13 MR. DeCARLO: So the question is?

02:06 14 THE COURT: In other words, as you're attacking --
15 and you have every right to attack plaintiff's counsel.
16 You've basically insinuated that they knew, regardless of
17 Mr. Mattera's actions or nonactions in this matter -- but
18 that they knew. And, in a sense, you've argued that these
19 are terminal sanctions, and you've brought counsel into
20 that.

02:07 21 MR. DeCARLO: My argument yesterday, Your Honor,
22 was related to the time frame in February of 2019, after
23 Counsel was aware.

02:07 24 THE COURT: So the point is, if Counsel's relying
25 upon someone else's representation -- a client's

1 representation to them about Gruenberg, then counsel may be
2 in good faith -- although aggressively, and there's nothing
3 wrong with that -- conveying information that later turns
4 out to be fictitious.

02:07 5 MR. DeCARLO: Is that a question for me,
6 Your Honor?

02:07 7 THE COURT: Sure.

02:07 8 MR. DeCARLO: If Counsel was relying in good faith
9 on information, they could be as aggressive as the rules
10 permit.

02:07 11 THE COURT: Okay. And your point yesterday was,
12 though, but by -- as I've already made a finding, before --
13 at least a day before, and maybe sometime before
14 Alga's [sic] deposition on February 6 of 2019, certainly
15 you've argued Mr. Mattera knew about the falsity of
16 Gruenberg's existence; correct?

02:08 17 MR. DeCARLO: He knew -- I don't know if he knew
18 the falsity of Gruenberg's existence.

02:08 19 He -- we have, certainly, evidence that he knew of
20 the falsity of evidence fabricated by Mr. Auza that suggests
21 that he must've known that she was not real.

02:08 22 THE COURT: And when can each of you show in this
23 record that beyond any doubt Gruenberg didn't exist? Give
24 me a time frame or an event.

02:08 25 MR. DeCARLO: I don't think we knew Gruenberg did

1 not exist until the Spring of 2019.

02:08 2 THE COURT: Okay.

02:08 3 MR. DeCARLO: We didn't know until the Spring of
4 2019 when -- I think was April, Your Honor, when we -- when
5 Dr. Rinehart's -- through Dr. Rinehart's investigator and
6 through Dr. Rinehart's "hold harmless" agreement that he
7 gave to Luis Auza, saying that he wouldn't sue him if
8 Mr. Auza told the truth, that we finally were able to make
9 contact with Noelle Doaiji.

02:09 10 THE COURT: How did you find Noelle Doaiji? Was
11 it through Rinehart's investigator?

02:09 12 MR. DeCARLO: Dr. Rinehart's investigator spoke
13 with Mr. Auza. Mr. Auza ultimately brought Ms. Doaiji to
14 us.

02:09 15 THE COURT: I see.

02:09 16 So Alga [sic] is the link to Doaiji aka Gruenberg.

02:09 17 MR. DeCARLO: Yes.

02:09 18 THE COURT: And then each of you, or -- spoke to
19 her -- strike that -- you didn't.

02:09 20 MR. DeCARLO: I did.

02:09 21 THE COURT: You'd spoke to her. And I know that
22 she appeared in Judge McCormick's court.

02:09 23 Where is she?

02:09 24 MR. DeCARLO: Somebody was -- relayed to me two
25 days ago that Mr. Auza indicated that she has left the

1 country. I don't know where she is.

02:10 2 THE COURT: Of course he's taken the Fifth, so we
3 can't inquire; and even if we did he'd take the Fifth.

02:10 4 Do any counsel, as officers of the Court, have any
5 information from any investigator or other source where she
6 might be?

02:10 7 MR. BERLINER: Your Honor, there is an address in
8 Mission Viejo. And as I informed the Court, I have contact
9 information for her sister, who is a Fellow at Harvard, and
10 for a uncle, who I spoke on the phone with once.

02:10 11 THE COURT: How long ago?

02:10 12 MR. BERLINER: One moment. What was the first day
13 of Ms. Doaiji's deposition? Does any Counsel know?

02:10 14 MR. DeCARLO: I think it was in June of 2019.

02:10 15 MR. BERLINER: I called -- Ms. Doaiji was deposed
16 for two days here. I called and spoke to the uncle the
17 evening of -- after the first deposition. And I sent an
18 email to her sister, I think through LinkedIn, Your Honor --
19 no -- through her Harvard EDU email address. I still have
20 that. I could produce it.

02:11 21 THE COURT: So how long was this contact?

02:11 22 MR. BERLINER: I spoke to the uncle for
23 possibly --

02:11 24 THE COURT: No. How long ago? I'm sorry.

02:11 25 MR. BERLINER: Oh. June. June, he said --

02:11 1 THE COURT: Of 2019?

02:11 2 MR. BERLINER: Yes, Your Honor. Sorry.

02:11 3 THE COURT: Okay. Thank you.

02:11 4 All right. Counsel, a few more questions and then
5 you'll conclude.

02:11 6 MR. DeCARLO: I'm sorry, Your Honor. I asked to
7 move into evidence Exhibit 654.

02:11 8 THE COURT: I'm going to receive it, Counsel.
9 *(Exhibit Number 654 received in evidence.)*

02:11 10 MR. BERLINER: May I be heard?

02:11 11 THE COURT: You may.

02:11 12 MR. BERLINER: The email is between counsel.
13 It's -- Dr. Rinehart, other than I suppose being forwarded
14 to by his attorneys, has -- you know what? Never mind,
15 Your Honor. I withdraw my objection.

02:12 16 THE COURT: Counsel, few more questions.

02:12 17 MR. BERLINER: Thank you, Your Honor.

02:12 18 THE COURT: About two or three more minutes.
19 That's it.

02:12 20 BY MR. DeCARLO:

02:12 21 Q. Let's talk about Larry Tatum, sir. Actually, no, let's
22 not talk about Larry Tatum.

02:12 23 There has been a decision by Redondo -- by SBSSD to
24 cease purchasing goods from Bushido for the Redondo studio;
25 is that correct?

02:12 1 A. Yes.

02:12 2 Q. All right. And what is the reason for that?

02:12 3 A. We didn't wanna -- well, one, we phased out the need
4 that we had from them 'cause we're not buying more patches
5 right now, which was our main purchase about Bushido. But
6 also we don't wanna support the company that's funding
7 litigation against us.

02:12 8 Q. The USSD -- I'm sorry. All studios -- strike that.

02:13 9 The Redondo and the Beverly Hills studios utilize the
10 USSD trademark; correct?

02:13 11 A. Yes.

02:13 12 Q. Has USSD ever objected in any way to either
13 Beverly Hills or Redondo Beach utilizing the trademarks?

02:13 14 A. No.

02:13 15 MR. DeCARLO: And that's all I have, Your Honor.
16 Thank you.

02:13 17 THE COURT: Then we're gonna have about a
18 10-minute recess is all.

02:13 19 Counsel, we'll get right back into session at 20
20 after the hour. Remember, you already have two hours and 40
21 minutes with this gentleman. And if you speed up, I'm going
22 to subtract the time or stop the examination.

02:13 23 *(Recess held at 2:13 p.m.)*

02:25 24 *(Further proceedings recorded with CourtSmart*
25 *system in IV.)*

02:25 1 -oOo-

02:25 2
02:25 3 CERTIFICATE

02:25 4
02:25 5 I hereby certify that pursuant to Section 753,
02:25 6 Title 28, United States Code, the foregoing is a true and
02:25 7 correct transcript of the stenographically reported
02:25 8 proceedings held in the above-entitled matter and that the
02:25 9 transcript page format is in conformance with the
02:25 10 regulations of the Judicial Conference of the United States.

02:25 11
02:25 12 Date: November 9, 2019

02:25 13
02:25 14 /s/ Debbie Gale

02:25 15
02:25 16 DEBBIE GALE, U.S. COURT REPORTER
02:25 17 CSR NO. 9472, RPR, CCRR