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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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1 Franchise agreement 77

2 FDD receipt re for 45  
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37 License agreement 36

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1           **SANTA ANA, CALIFORNIA, TUESDAY, OCTOBER 29, 2019**

2                           **Day 1, Volume II**

3                                   (11:24 a.m.)

4           *(Previous proceedings reported by CourtSmart in*  
5           *Volume I.)*

11:24 6                   THE COURT: Counsel, thank you for your patience.

11:24 7                   We're back on the record. All counsel are  
8           present. The parties are present.

11:24 9                   I'd also like to see Noelle Graji [sic] --

11:25 10                  MR. BERLINER: Noelle Doaiji.

11:25 11                  THE COURT: -- who also may be Jessica Gruenberg.  
12           And I'll leave that you.

11:25 13                  Let's go through the lunch hour. Would you call  
14           your first witness, please.

11:25 15                  MR. BERLINER: Mr. Hardeman will be taking Charles  
16           Mattera.

11:25 17                  THE COURT: Call your first witness, please.

11:25 18                  MR. HARDEMAN: Thank you, Your Honor.

11:25 19                  As a matter of housekeeping --

11:25 20                  THE COURT: Thank you very much.

11:25 21                  Mr. Mattera, raise your right hand. Thank you.

11:25 22                  **CHARLES ANTHONY MATTERA, CALLED BY THE PLAINTIFF, SWORN**

11:25 23                  THE WITNESS: I do.

11:25 24                  THE COURT: Thank you, sir.

11:25 25                  If you would please be seated right here in the

1 witness box.

11:25 2 And, Counsel, one of you'll be seated here.  
3 You're going to get all of these binders off the desk. When  
4 we call for an exhibit, you'll turn to that exhibit, and  
5 save a lot of time for your client.

11:26 6 There's a chair right there. One of you is going  
7 to be seated in that chair, and you'll turn to the exhibit,  
8 and we'll save a lot of time so counsel has more time for  
9 each side.

11:26 10 Sir, your full name, please.

11:26 11 THE WITNESS: My name is Charles Anthony Mattera.

11:26 12 THE COURT: And, sir, would you spell your last  
13 name, please.

11:26 14 THE WITNESS: M-A-T-T-E-R-A.

11:26 15 THE COURT: Thank you.

11:26 16 And direct examination, please.

11:26 17 Time's 11:25.

11:26 18 **DIRECT EXAMINATION**

11:26 19 BY MR. HARDEMAN:

11:26 20 Q. Good morning, Mr. Mattera.

11:26 21 A. Good morning.

11:26 22 Q. How old are you?

11:26 23 A. 70.

11:26 24 Q. Where are you originally from?

11:26 25 A. Boston, Massachusetts.

11:26 1 Q. How long did you live there?

11:26 2 A. 38 years.

11:26 3 Q. Is there a part of Boston that you were from --

11:26 4 THE COURT: Counsel, this is irrelevant. Now,  
5 move on.

11:26 6 BY MR. HARDEMAN:

11:26 7 Q. Tell me your education.

11:26 8 A. I graduated from Northeastern University in 1970, right  
9 around there.

11:26 10 Q. Did you earn your degree?

11:26 11 A. Yes, I did.

11:26 12 Q. And what was the degree in?

11:27 13 A. Criminology.

11:27 14 Q. Did you work anywhere after that?

11:27 15 A. Um, I worked for the United States Treasury Department  
16 for two years.

11:27 17 Q. What was your job at the Treasury Department?

11:27 18 A. I was a custom's agent. We used to search, um,  
19 planes/ships for contraband.

11:27 20 Q. What is your current profession.

11:27 21 A. I'm the CEO of United Studios.

11:27 22 Q. United Studios of Self Defense, Incorporated?

11:27 23 A. Yes.

11:27 24 Q. I'll call that "USSD" for the sake of brevity going  
25 forward.

11:27 1 For how long have you occupied that position?

11:27 2 A. Since October of 1988.

11:27 3 Q. And has that been a continuous occupation of that  
4 position?

11:27 5 A. Yes, it has.

11:27 6 THE COURT: Now, if you're a witness, we're going  
7 to excuse you, except the principals. We can have, I think,  
8 Mr. Rinehart -- or Dr. Rinehart.

11:28 9 Is there any objection to Mr. -- I forgot the  
10 gentleman's name.

11:28 11 MR. DeCARLO: Mr. Murakami?

11:28 12 THE COURT: Mr. Murakami.

11:28 13 Any objection?

11:28 14 MR. BERLINER: Of course not.

11:28 15 THE COURT: Okay. Thank you.

11:28 16 MR. BERLINER: I don't know.

11:28 17 THE COURT: If the rest of you are witnesses,  
18 you're in the hallway. If you're not in the hallway and  
19 you're called, I'm going to exclude your testimony. So I'll  
20 leave that to you, Counsel.

11:28 21 BY MR. HARDEMAN:

11:28 22 Q. What is USSD's business?

11:28 23 A. We franchise marshal arts studios.

11:28 24 Q. Has that always been its business?

11:28 25 A. Yes.



11:28 1 Q. What goods and services does the franchise studios of  
2 USSD provide?

11:28 3 A. Well, for services, we teach the art of Shaolin Kempo  
4 martial arts.

11:28 5 Q. What about for goods?

11:28 6 A. For goods, we have a supply company: Bushido Martial  
7 Arts.

11:29 8 Q. Who were the customers of these franchise studios?

11:29 9 A. The customers?

11:29 10 Q. Yes.

11:29 11 A. Students.

11:29 12 Q. Do these students have a typical age range?

11:29 13 A. Four years old to 75.

11:29 14 Q. What are your duties as CEO of USSD?

11:29 15 A. Well, it's a lotta duties. To preserve the quality of  
16 the instruction, and then the services and supplies; um, the  
17 safety of the students and the instructors, and the  
18 consistency of the brand and of a product line, and  
19 efficiency.

11:29 20 Q. Are those important to USSD's business?

11:30 21 A. I think so. Yes, I believe so.

11:30 22 Q. Do you have a background in martial arts?

11:30 23 A. Yes.

11:30 24 Q. When did you first start getting involved in martial  
25 arts?

11:30 1 A. I started briefly when I was 13, but I didn't start  
2 diligently until I was 16 and a half.

11:30 3 Q. And when was that?

11:30 4 A. *(No response.)*

11:30 5 Q. You said you didn't start diligently until you were  
6 about 16 and a half. About what year was that?

11:30 7 A. I'd be saying '65. 1949 plus 16, so 1965, yeah.

11:30 8 Q. And when you started doing martial arts seriously, was  
9 there a particular style that you started to get involved  
10 in?

11:30 11 A. Yes, there was.

11:30 12 Q. What was that style martial arts?

11:30 13 A. Shaolin Kempo.

11:31 14 Q. Did you start out as a student?

11:31 15 A. Yes.

11:31 16 Q. Did you study under anyone?

11:31 17 A. I studied under two, um, gentlemen: Professor Nicholas  
18 Cerio, C-E-R-I-O, and Master Fred Villari, V-I-L-L-A-R-I.

11:31 19 THE COURT: Counsel.

11:31 20 BY MR. HARDEMAN:

11:31 21 Q. What were you studying and -- again, what were you  
22 studying?

11:31 23 A. What was I studying?

11:31 24 Q. A particular style of martial arts.

11:31 25 A. Yes. Shaolin Kempo martial arts.

11:31 1 Q. And Shaolin Kempo martial arts, have you continued to  
2 study that since 1965?

11:31 3 A. Yes, I have.

11:31 4 Q. Is there a system of rank in Shaolin Kempo martial  
5 arts?

11:31 6 A. Yes, there is.

11:31 7 Q. Do you have a rank that you achieved in that style?

11:31 8 A. Yes. I -- I'm 10th degree of the system.

11:32 9 Q. 10th degree what?

11:32 10 *(Simultaneous speaking.)*

11:32 11 *(Court reporter requests clarification for the*  
12 *record.)*

11:32 13 THE WITNESS: There are ten degrees in black belt.

11:32 14 BY MR. HARDEMAN:

11:32 15 Q. So you are a black belt?

11:32 16 A. Yes.

11:32 17 Q. 10th-degree?

11:32 18 A. Yes.

11:32 19 Q. From the time that you started practicing Shaolin  
20 Kempo, how did -- long did it take for you to achieve the  
21 rank that you hold today?

11:32 22 A. Approximately 35 years.

11:32 23 Q. And what did you have to do along the way during those  
24 35 years to earn that rank?

11:32 25 A. Well, I had to master the Shaolin Kempo style.

11:32 1 Q. Was there anything else that you had to do in  
2 connection with earning that rank?

11:32 3 A. Well, we studied the history and philosophy as well.

11:33 4 Q. Who awarded you that rank?

11:33 5 A. The first time, uh -- I been awarded that three times.

11:33 6 Q. Let's hear about those three times.

11:33 7 A. The first time was, um, Master Fred Villari, then  
8 Master Cerio; and then, the year 2000, I was awarded that at  
9 the Shaolin Temple in China.

11:33 10 Q. You talked about Shaolin Kempo. Can you describe for  
11 the Court a little bit more about what that is?

11:33 12 A. Shaolin Kempo traces its roots back to the Shaolin  
13 Temple, which is the birthplace of all martial arts. The  
14 temple was built -- well, it was the birthplace of martial  
15 arts, 527 AD. And it was Buddhist monks who developed a  
16 system of self-defense and martial arts for health and  
17 self-defense reasons.

11:34 18 Q. Is there any particular disciplines that that style of  
19 martial arts features?

11:34 20 A. I don't understand. What?

11:34 21 Q. Well, do you -- do you punch? Do you --

11:34 22 A. Oh, I'm sorry.

11:34 23 Okay. So the system is an all-encompassing system. It  
24 involves punching, striking, kicking, grappling, throwing,  
25 takedowns, and various different martial arts

1 weapon-try [sic].

11:34 2 Q. We're also, I think, gonna hear the word "karate" or  
3 "ka-ra-tay" -- if I'm pronouncing that correctly -- during  
4 the course of this trial.

11:34 5 Do you have an understanding of what "karate" is?

11:35 6 A. Karate is basic, simplified martial arts from Okinawa  
7 in Japan. So the Chinese monks that gradually migrated to  
8 those islands, they developed, uh -- the Japanese Okinawans  
9 developed a simple system of martial arts.

11:35 10 Q. Is that somehow different than the Shaolin Kempo style  
11 of martial arts you were describing?

11:35 12 A. It's the difference between playing checkers and  
13 playing chess. It's -- Shaolin Kempo is much more  
14 intricate.

11:35 15 Q. We've talked about your experience in the training of  
16 martial arts.

11:35 17 When was the first time you became involved with the  
18 business of martial arts?

11:35 19 A. Um, when I quit my job with the Treasury Department  
20 1970- -- uh, 1970- -- right around 1972, '73, I opened my  
21 first studio. That was my first business in the martial  
22 arts.

11:36 23 Q. Where was that studio located?

11:36 24 A. That was in, uh, Melrose/Wakefield, Massachusetts. It  
25 was right on the line.

11:36 1 Q. What was the name'a that studio?

11:36 2 A. Same as today: United Studios of Self Defense.

11:36 3 Q. Did that studio provide any services?

11:36 4 A. Yes, it did.

11:36 5 Q. What services were those?

11:36 6 A. We taught Shaolin Kempo.

11:36 7 Q. When you were in Massachusetts, did you ever acquire

8 any other martial arts businesses?

11:36 9 A. Yes.

11:36 10 Q. What were those martial arts businesses called?

11:36 11 A. United Studios of Self Defense.

11:36 12 Q. What services did those businesses provide?

11:37 13 A. Shaolin Kempo.

11:37 14 Q. So would it be accurate to say that you have made

15 martial arts your life's work?

11:37 16 A. 52 years.

11:37 17 Q. And what motivated you to do that?

11:37 18 A. Well, I was always very interested in martial arts, and

19 I know what it did for me. It helped me. Helps -- so it

20 helps a lotta people, and that's -- that's what we do.

11:37 21 Q. During your 52 years in the martial arts business, have

22 you developed a philosophy about how martial arts

23 instruction should be provided?

11:37 24 A. Yes. I -- I believe so.

11:37 25 Q. Can you explain what your philosophy is?

11:38 1 A. I believe there's two kinds of instructors; there's two  
2 kinds of teachers and styles of teaching.

11:38 3 One, I call the "professional" martial arts instructor,  
4 and the other one I call, um -- if you ever seen the movie  
5 *Karate Kid* -- "cobra kai" system of teaching.

11:38 6 *(Court reporter requests clarification for the*  
7 *record.)*

11:38 8 THE WITNESS: Cobra kai, um, like a snake,  
9 C-O-B-A, uh -- B-R-A, K-A-I.

11:38 10 BY MR. HARDEMAN:

11:38 11 Q. You mentioned two different approaches that apply to  
12 martial arts instruction. In your view, can you tell me  
13 what the professional martial arts instructor approach is?

11:38 14 A. Well, we try to model -- I mean, we try to model United  
15 Studios in the professional model. Professional model is,  
16 number one, make sure your instruct- -- your students don't  
17 get hurt; number two, make sure it's a very positive  
18 experience; and, number three, make sure they learn the  
19 system in a quality, safe environment.

11:39 20 The other way, the cobra kai way, is as -- if you ever  
21 seen the movie -- it's kind've about the instructor,  
22 egotistical. And most'a the time, they're bullies. It's  
23 all about them. It's all about winning: Who's the toughest  
24 guy in the room.

11:39 25 Q. Is that problematic from a martial arts instruction

1 perspective?

11:39 2 A. Well, it -- it's not -- it's not good for the students.

11:39 3 Q. Why is that?

11:40 4 A. A lotta times they don't understand they're actually  
5 joining a cult, or they're -- they're, uh, gonna get  
6 injured, or they're really working it -- you know, they're  
7 working for the cobra kai instructor's goal, not their own  
8 goals.

11:40 9 You know, professional model, we try'a find out -- to  
10 help the student what they need. And the other system, it's  
11 more unprofessional. It's about the instructor and what he  
12 needs. He wants his students to always win the tournaments  
13 and to be the toughest guy on the block.

11:40 14 Q. Does that promote students using what they learned in  
15 martial arts to go and bully others?

11:40 16 A. I believe so.

11:40 17 Q. You want people who hold to that cobra kai philosophy  
18 involved with USSD's business?

11:40 19 A. No, definitely not.

11:40 20 Q. You want people who hold to that cobra kai philosophy  
21 involved with USSD's brand?

11:41 22 A. Definitely not.

11:41 23 Q. We'll talk a little bit more of that -- about that  
24 later. I wanna shift to talk about that brand of USSD, of  
25 it -- in and of itself.



11:41 1 Who came up with the "United Studios of Self Defense"  
2 brand name?

11:41 3 A. I believe it was Mr. Villari that came up with the  
4 name.

11:41 5 Q. And when did he come up with that?

11:41 6 A. I believe it was 1968.

11:41 7 Q. And what services were being used in connection with  
8 those -- strike that.

11:41 9 What services were being provided in connection with  
10 that brand name?

11:41 11 A. Well, we were teaching same style we do now: Shaolin  
12 Kempo.

11:41 13 Q. Did that brand name ever become associated with the  
14 sale of retail goods?

11:42 15 A. United Studios? Is that what you're asking?

11:42 16 Q. Yes.

11:42 17 A. Yes, it has.

11:42 18 Q. When did that start?

11:42 19 A. Well, I mean, it started in 1968, but, um, I don't  
20 think our first supply store was till 1973, '74.

11:42 21 Q. You mentioned supplies. Can you explain what type of  
22 supplies were used in connection with the USSD brand name?

11:42 23 A. Well, until the early days, we didn't use safety  
24 equipment so much. That came, you know, some years later.  
25 But the staple items were always uniforms, which are called

ghis -- G-H-I is a ghi -- ghis, belts, martial arts footwear, T-shirts, sweatshirts, patches, and also Oriental weapons.

11:43 Q. Was there ever an interruption in the use of USSD's brand name for a time?

11:43 A. Well, between '68 and 1980, it was called "United Studios of Self Defense." And in 1980, Mr. Villari was the CEO and owner of the company, he changed it to "Fred Villari's" -- like a signature brand -- "United Studios of Self Defense." So it was still United Studios of Self Defense, but it was Fred Villari's United Studios of Self Defense.

11:43 Q. He appended his name in front of it?

11:43 A. Yes.

11:43 Q. And did that brand name ever go back to United Studios of Self Defense without Fred Villari's name in front of it?

11:43 A. Yes, in 1988. We were at that time 50, 55 years. And I bought his interest out, and just reversed it back to just United Studios of Self Defense in 1988.

11:44 Q. When did United Studios of Self Defense, Incorporated, the corporation, first become incorporated?

11:44 A. I'm pretty sure it was October of 1988.

11:44 Q. And after incorporating in 1988 as USSD, corporate used the brand name United Studios of Self Defense?

11:44 A. Yes.

11:44 1 Q. And what services has that brand name been used in  
2 connection with?

11:44 3 A. Teaching Shaolin Kempo.

11:44 4 Q. From 1988 continuously to the present?

11:44 5 A. Yes.

11:44 6 Q. And post incorporating in 1988, has USSD's brand name  
7 been used in connection with the sale of martial arts  
8 supplies?

11:45 9 A. Yes.

11:45 10 Q. When did that start?

11:45 11 A. First door we opened on the West Coast for supplies was  
12 in 1994, I believe.

11:45 13 Q. And since that supply company was formed in 1994, has  
14 the brand name "United Studios of Self Defense" been used in  
15 connection with the sale of martial arts supplies ever  
16 since?

11:45 17 A. Yes.

11:45 18 Q. What kind of martial arts supplies?

11:45 19 A. Well, everything I mentioned before: Uniforms, belts,  
20 patches, martial arts footwear.

11:45 21 And now we have a complete safety line of safety  
22 equipment for combat. It's a contact sport, so we have head  
23 gear, we have hat -- uh, gloves for the hands, footwear  
24 protection, and also pads for the shins and, uh, knees and  
25 forearms.

11:46 1 Q. Why is that safety equipment important?

11:46 2 A. So that you can practice the next day. It's to protect  
3 you from getting injured, yeah.

11:46 4 Q. Is it important to USSD that its safety equipment used  
5 in connection with the USSD brand name be of a certain  
6 quality?

11:46 7 A. It's very important.

11:46 8 Q. We talked about the brand name. Did USSD, after  
9 incorporating in 1988, start using any type of logo apart  
10 from his brand name?

11:46 11 A. Yes.

11:46 12 Q. And, Mr. Mattera, I'd like you to turn to what's been  
13 marked as Exhibit 52.

11:46 14 THE COURT: Any objection to its receipt, Counsel?

11:46 15 MR. DeCARLO: Uh, no, Your Honor.

11:46 16 THE COURT: Received.

11:46 17 *(Exhibit No. 52 received in evidence.)*

11:47 18 *(Exhibit displayed.)*

11:47 19 MR. HARDEMAN: Your Honor, for clarification  
20 purposes, this is something that is received by the Court,  
21 but not admitted?

11:47 22 THE COURT: Well, "received" means admitted.

11:47 23 MR. HARDEMAN: Okay. There was no objection to it  
24 in the final pretrial conference order.

11:47 25 THE COURT: Well, Counsel, you're prevailing

1 already. It's "received" and "admitted."

11:47 2 MR. HARRIS: Your Honor, may I get the witness a  
3 water, please?

11:47 4 MR. BERLINER: I'll grab it. Thank you.

11:47 5 THE COURT: Well, Counsel, that's an extraordinary  
6 request. Certainly, you can.

11:47 7 But let's get on with this now. Time is -- I'm  
8 telling you, those 10 hours go by quickly, Counsel. And  
9 you're gonna be begging for more time.

11:47 10 BY MR. HARDEMAN:

11:47 11 Q. Mr. Mattera, if you could turn to page 12 of 52, 52-12.

11:48 12 *(Exhibit displayed.)*

11:48 13 MR. HARDEMAN: *(To technician:)* And if we could  
14 blow up a little bit that logo with what appears to be a  
15 tree.

11:48 16 *(Display adjusted.)*

11:48 17 THE COURT: By the way, if it's possible, while  
18 you're doing that, if we could see either one of these  
19 witnesses tonight, I might save you a long evening tomorrow  
20 night. So if it's possible to see Jessica Gruenberg, who  
21 doesn't exist, also known as Noelle Doaiji, and  
22 Mr. Alga [sic] -- you can divide them out any way you want  
23 to. I'm just trying to save a midnight. But -- anyway, if  
24 you can.

11:48 25 Let's continue on, Counsel.

11:48 1 MR. HARDEMAN: Very good, Your Honor.

11:48 2 BY MR. HARDEMAN:

11:48 3 Q. Mr. Mattera, Exhibit 52, in front of you, has what  
4 appears to be some sort of logo that says, "United Studios  
5 of Self Defense."

11:48 6 Is this the logo that has been used in connection with  
7 USSD's goods and services?

11:49 8 A. Yes, it is.

11:49 9 Q. And when was the first use of that logo?

11:49 10 A. Well, we started'a design it in -- in the early '80s,  
11 as a alternative, but I think we made it official in 1988.

11:49 12 Q. And who designed that logo?

11:49 13 A. I did.

11:49 14 Q. And can you describe, very briefly, what we're seeing  
15 in this logo.

11:49 16 A. Well, the -- it's very distinctive logo. The bonazi  
17 tree is a symbol of longevity and wisdom because it lasts  
18 for so long.

11:49 19 The sun represents -- and on the bonazi tree, you have  
20 the green, which represents life, and the brown, which  
21 represents death. So in the martial arts ying and yang is a  
22 big concept.

11:49 23 The sun is, uh -- could be setting, could be rising.  
24 So it'd be -- it represents new beginnings, new endings.

11:50 25 The graphics are the modern look. They -- so we're

1 combining the old, traditional martial arts with the new --  
2 with the new concepts of today.

11:50 3 Q. Sounds like you've put some thought -- you put some  
4 thought into that before using it.

11:50 5 Has this logo been used since 1988 in connection with  
6 USSD's services?

11:50 7 A. Yes.

11:50 8 Q. And what are those services?

11:50 9 A. Teaching Shaolin Kempo martial arts and providing  
10 supplies for our studios.

11:50 11 Q. Is one of those services the testing of black and brown  
12 belts?

11:50 13 A. Yes.

11:50 14 Q. And is one of those services providing organizing --  
15 providing tournaments?

11:50 16 A. Yes.

11:51 17 Q. And would the same be true with the USSD brand name --

11:51 18 A. Yes.

11:51 19 Q. Is the brand name something that since 1988 has been  
20 used in connection with the testing of brown and black  
21 belts?

11:51 22 A. Yes.

11:51 23 Q. And has that brand name since 1988 been used in  
24 connection with the organization of tournaments?

11:51 25 A. Yes.

11:51 1 Q. And getting back to the logo, has that logo since 1994  
2 been used in connection with the sale of martial arts  
3 supplies?

11:51 4 A. Yes.

11:51 5 Q. And are those the same kind of martial arts supplies I  
6 described previously?

11:51 7 A. Yes.

11:51 8 Q. Other than USSD corporate, the corporation, has the  
9 USSD brand name been used by anyone else in connection with  
10 martial arts instruction since 1988?

11:52 11 A. Could you repeat that?

11:52 12 Q. Better question: Has USSD allowed others to use its  
13 brand name since 1988?

11:52 14 A. Well, only in -- with -- if they're licensed or  
15 franchised.

11:52 16 Q. So USSD has allowed franchisees to use its brand name  
17 in connection with services since 1988?

11:52 18 A. In specific areas, yeah.

11:52 19 Q. And USSD has allowed trademark licensees to use its  
20 brand name in connection with services since 1988?

11:52 21 A. Yes.

11:52 22 Q. Has -- other than those franchises and licensees, has  
23 USSD allowed anyone else to provide services in connection  
24 with its brand name?

11:52 25 A. I don't believe so, no.



11:52 1 Q. Since 1994, other than franchisees and trademark  
2 licensees, has USSD allowed anyone else to use its brand  
3 name in connection with the sale of martial arts supplies?

11:53 4 A. No.

11:53 5 Q. Does it have a affiliated supply company?

11:53 6 A. Yes.

11:53 7 Q. What is the name of that affiliated supply company?

11:53 8 A. It's called Bushido Martial Arts supply, B-U-S-H-I-D-O.

11:53 9 Q. So does Bushido have the right to manufacture martial  
10 arts supplies using the USSD brand name?

11:53 11 A. Yes.

11:53 12 Q. Does Bushido have the right to manufacture martial arts  
13 supplies using the USSD logo?

11:53 14 A. Yes.

11:53 15 Q. Does anyone other than Bushido have the right to  
16 manufacture martial arts supplies with either its brand --  
17 USSD's brand name or logo?

11:53 18 A. No.

11:54 19 Q. And in the 50-year history of the brand name "United  
20 Studios of Self Defense," do you have an estimation as to  
21 how many students it has taught?

11:54 22 MR. DeCARLO: Objection. Foundation.

11:54 23 THE COURT: Overruled.

11:54 24 *(To the witness:)* You can answer the question.

11:54 25 THE WITNESS: Well, from 1968, um, to the present,

1 I'd be -- I'd be guesstimating. I would say -- you know,  
2 from all of our instructors and all of our studios that  
3 we've opened over the years, I would say close to 2 million  
4 students.

11:54 5 BY MR. HARDEMAN:

11:54 6 Q. And since the use of the brand name for the first time  
7 in 1968, how many states have had USSD studios located --  
8 um, whether they're company-owned, licensed, or franchised?

11:54 9 A. I'm sorry. Again?

11:54 10 Q. Since 1968 has USSD had presence in multiple --  
11 presence in multiple different states?

11:55 12 A. Yes, we have.

11:55 13 Q. And how many states has it had a presence in since  
14 1968?

11:55 15 A. You're not talking "currently"? You're talking about  
16 from 1968 till now?

11:55 17 Q. Correct.

11:55 18 A. Okay. I'd say over 20 -- over 20 states, maybe as many  
19 as 24.

11:55 20 Q. At a certain point, did USSD apply to the State of  
21 California to offer and sell franchises in the State of  
22 California?

11:55 23 A. Yes.

11:55 24 Q. When was the first time that happened?

11:55 25 A. I believe it was 1993.

11:55 1 Q. Was that application granted?

11:55 2 A. Yes, it was.

11:55 3 Q. Did USSD renew that application in 1994?

11:55 4 A. Yes.

11:55 5 Q. Was that application -- that renewal granted?

11:55 6 A. Yes.

11:56 7 Q. In 1995 did USSD renew its application?

11:56 8 A. Yes.

11:56 9 Q. Was that application granted?

11:56 10 A. Yes, it was.

11:56 11 Q. Did USSD renew its application in 1996?

11:56 12 A. Yes.

11:56 13 Q. Was that application granted?

11:56 14 A. Yes.

11:56 15 Q. Did USSD renew its application in 1997?

11:56 16 A. Yes.

11:56 17 Q. Was that application granted?

11:56 18 A. Yes.

11:56 19 Q. Did USSD renew its application in 1998?

11:56 20 A. No. The franchise was valid until April of '98.

11:56 21 Q. Were franchises sold in the State of California from

22 1993 through the 1997 period?

11:56 23 A. Franchise? Yes.

11:56 24 Q. Yes.

11:56 25 A. Yes.

11:56 1 Q. USSD franchises?

11:56 2 A. Yes.

11:56 3 Q. And what about in other states? Were franchises sold  
4 in other states between the 1993 to 1997 time --

11:56 5 A. Yes, I believe so.

11:57 6 Q. Were those franchisees required to sign franchise  
7 agreements?

11:57 8 A. Yes.

11:57 9 Q. And were they required to provide instruction in  
10 Shaolin Kempo?

11:57 11 A. Yes.

11:57 12 Q. After 1998 did USSD do anything to expand the brand?

11:57 13 A. After 1998?

11:57 14 Q. Correct.

11:57 15 A. Well, yes, we continued to open with -- trademark  
16 license agreements.

11:57 17 Q. Were these franchise agreements?

11:57 18 A. No.

11:57 19 Q. Did these trademark license agreements require  
20 instruction in Shaolin Kempo karate?

11:57 21 A. No.

11:57 22 Q. Were you concerned at that time that that would start  
23 to dilute the brand if others were not providing instruction  
24 in Shaolin Kempo karate?

11:58 25 A. At that time, no, I wasn't.

11:58 1 Q. Why not?

11:58 2 A. Well, because they -- you know, the people who were  
3 opening the studios, the only thing they knew was Shaolin  
4 Kempo, so I knew that they were gonna be teaching that.

11:58 5 Q. But were they required to?

11:58 6 A. No.

11:58 7 Q. And when did USSD first start selling trademark  
8 licenses after it elected against renewing its franchise  
9 application with the State of California in 1998?

11:58 10 A. I don't know the exact date, but, um, I'm sure it was  
11 probably sometime in '98, '99.

11:58 12 Q. Were there still active, operating USSD franchisees  
13 (*verbatim*) at that time?

11:58 14 A. Yes, absolutely.

11:59 15 Q. Were those licensees entitled to receive the same  
16 training that the franchisees were?

11:59 17 A. No.

11:59 18 Q. Did you turn them away from any training available to  
19 the franchisees?

11:59 20 A. I don't believe so, no.

11:59 21 Q. Why not?

11:59 22 A. Well, we don't take attendance. You know, we have  
23 workouts every Friday, martial arts workouts. And first  
24 Friday'a the month, we have meetings and workouts. We don't  
25 take attendance, but, um -- I don't think it's good

1 business'a turn anybody away. I think that it's a -- it's a  
2 crossover where people, you know, train in the martial arts.  
3 So franchisees, I don't think, we ever rejected, uh, the --  
4 to train anyone.

12:00 5 Q. So...

12:00 6 A. A lotta these people or friends of a lotta people who  
7 were licensees were also working for the franchisees. So,  
8 in a sense, we had an obligation to teach them.

12:00 9 Q. I think I understand.

12:00 10 Did the franchisees also receive business training, uh,  
11 during this time? And I'm talking about in the 1998, '99  
12 time that you were referring to.

12:00 13 A. Business training?

12:00 14 Q. Yes.

12:00 15 A. Yes.

12:00 16 Q. Were the trademark licensees entitled to receive that  
17 training?

12:00 18 A. No.

12:00 19 Q. Who is Brent Murakami?

12:00 20 A. Brent Murakami is a United Studios of Self Defense  
21 black belt.

12:00 22 THE COURT: Speak up just a little bit.

12:01 23 THE WITNESS: Sure.

12:01 24 Brent Murakami is a United Studios black belt.

25

12:01 1 BY MR. HARDEMAN:

12:01 2 Q. You mention that you have a 10th degree black belt.

12:01 3 Do you know what degree of black belt Brent Murakami

4 has?

12:01 5 A. He's 5th degree.

12:01 6 Q. Has he had to earn a black belt and progress along

7 degrees 2 through 5?

12:01 8 A. Yes.

12:01 9 Q. Who decided that he was qualified enough to receive a

10 black belt from USSD?

12:01 11 A. Well, for 1st degree, which is the first black belt

12 that you get, um, we have sort of -- we don't call it this,

13 but it's a committee of high-ranking black belts, between --

14 I think there's six to seven people, and myself. So the

15 committee has the authority and the test to help me decide,

16 so there's unbiasedness, from 1st degree to 3rd degree, uh,

17 black belts. They'll give me their estimation. And then,

18 uh -- so up until 3rd degree, he was probably -- he was

19 promoted that way.

12:02 20 Q. And does that same decision by committee procedure

21 apply to the evaluation as to whether someone should receive

22 brown belt?

12:02 23 A. Yes.

12:02 24 Q. Gonna talk a little bit more about what that process

25 looks like later, but I wanna turn back to Mr. Murakami.

12:02 1 When did Mr. Murakami first become associated with  
2 USSD?

12:02 3 A. I don't know when he started lessons. I know he  
4 started up in the Rolling Hills studio with Dave Johnson, as  
5 a student.

12:02 6 Is that what you're asking?

12:03 7 Q. That's a good starting point.

12:03 8 Do you know approximately when that was?

12:03 9 A. I don't. I don't know what year he started.

12:03 10 Q. Did Mr. Murakami at any point acquire an ownership  
11 interest in any United Studios?

12:03 12 A. Yes.

12:03 13 Q. When was the first time that happened?

12:03 14 A. I believe it was in 2009. I'm not sure, but...

12:03 15 Q. Can you explain how that happened?

12:03 16 A. Well, I believe he progressed up to black-belt level.  
17 And I believe he acquired the current studio from Mr. Dave  
18 Johnson --

12:03 19 THE COURT: What was the name?

12:03 20 THE WITNESS: -- or bought it.

12:03 21 THE COURT: What was the name of that studio?

12:03 22 THE WITNESS: The name of the studio was United  
23 Studios of Self Defense, slash, Torrance.

12:03 24 BY MR. HARDEMAN:

12:03 25 Q. That was operating in Torrance, Mr. Mattera?



12:03 1 A. Yes.

12:03 2 Q. And you mentioned that Mr. Murakami acquired this from  
3 Dave Johnson.

12:04 4 Was Dave Johnson under some sort of contract with USSD  
5 at the time that this happened?

12:04 6 A. Yes.

12:04 7 Q. And, uh -- I mean, with regard to the Torrance studio,  
8 what kind of contract was David Johnson under with USSD?

12:04 9 A. Okay. I'm not a hundred percent sure. But I'm pretty  
10 sure that Mr. Johnson was the original franchisee. But I  
11 also believe the -- because it was going back so long, that  
12 I think the franchise was running out, so I believe that the  
13 franchise was expired.

12:04 14 Q. Are you referring to the Torrance location or another  
15 location, Mr. Mattera?

12:04 16 A. Um, okay. I believe the first studio that he acquired  
17 was Torrance.

12:05 18 Q. You're referring to Mr. Murakami?

12:05 19 A. Yes.

12:05 20 Q. Okay. And was that subject to a license agreement with  
21 Mr. Johnson?

12:05 22 A. Yes.

12:05 23 Q. And Mr. Murakami acquired that license agreement from  
24 Mr. Johnson?

12:05 25 A. Yes.

12:05 1 Q. Did USSD approve of that acquisition?

12:05 2 A. Yes, we did.

12:05 3 Q. And you mentioned that this was between Mr. Johnson and  
4 Mr. Murakami.

12:05 5 Do you know if they did this as individuals or if they  
6 did this through some sort of business organization?

12:05 7 A. I believe Mr. Dave Johnson had a LLC, "Max," "X-Max"  
8 *(phonetic)* or something. I don't recall. I don't remember.

12:05 9 Q. Do you know how Mr. Murakami took -- took, uh, title,  
10 so to speak, to the Torrance location from Mr. Johnson? Was  
11 this his business or him individually?

12:06 12 A. I believe -- I'm not positive, but I believe he used  
13 his business entity.

12:06 14 Q. Do you recall what the name'a that business entity is?

12:06 15 A. I believe it's SB Ninja.

12:06 16 Q. And after Mr. Murakami --

12:06 17 THE COURT: So -- just a moment.

12:06 18 So the "Torrance" I would think of "SB Ninja"; is  
19 that correct?

12:06 20 THE WITNESS: Yes.

12:06 21 THE COURT: Thank you, sir.

12:06 22 THE WITNESS: Thank you.

12:06 23 BY MR. HARDEMAN:

12:06 24 Q. And after Mr. Murakami, through SB Ninja, acquires the  
25 Torrance license agreement, did Mr. Murakami enter into any

1 other trademark license agreements with USSD?

12:06 2 A. Yes, he did.

12:06 3 Q. When was the next time that that happened?

12:06 4 A. That was in 2011.

12:06 5 Q. Was there a location that -- that that license  
6 agreement was in connection with?

12:07 7 A. I believe it was in reference to that Redondo Beach  
8 territory.

12:07 9 Q. Can I have you, Mr. Mattera, turn to Exhibit 57.

12:07 10 A. Yes. Okay.

12:07 11 Q. Can you tell us what Exhibit 37 is?

12:07 12 A. It's a trademark licensing agreement between  
13 SB Ninja, LLC, and United Studios of Self Defense, Inc.

12:07 14 Q. Okay. Can I have you turn to the second-to-last page,  
15 page 37-09.

12:07 16 A. Yes.

12:07 17 *(Exhibit displayed.)*

12:07 18 BY MR. HARDEMAN:

12:07 19 Q. There's a signature block that says "United Studios of  
20 Self Defense." Is that your signature?

12:08 21 A. Yes, it is.

12:08 22 Q. And there's a signature block that says "licensee."  
23 Whose name is that?

12:08 24 A. Brent Murakami.

12:08 25 Q. Is that Mr. Murakami's signature?

12:08 1 A. Yes, it is.

12:08 2 MR. HARDEMAN: Move to admit Exhibit 37.

12:08 3 THE COURT: Received.

12:08 4 *(Exhibit Number 37 received in evidence.)*

12:08 5 THE COURT: That means "admitted," Counsel.

12:08 6 MR. HARDEMAN: Thank you, Your Honor.

12:08 7 BY MR. HARDEMAN:

12:08 8 Q. If you could turn to the following page, page 37-10.

12:08 9 A. Yes.

12:08 10 *(Exhibit displayed.)*

12:08 11 BY MR. HARDEMAN:

12:08 12 Q. At the top there, in the first paragraph, it's

13 referring to USSD acknowledging receipt of a \$50,000 fee

14 from SB Ninja in the first sentence. Do you see that?

12:08 15 A. Yes.

12:08 16 Q. Uh, was that paid to USSD?

12:08 17 A. Yes.

12:08 18 Q. Second paragraph, there is a first sentence -- uh,

19 refers to a dollar-for-dollar offset or offset against a

20 payment, which is contemplated to be \$75,000 per license.

21 Do you see that?

12:09 22 A. Yes.

12:09 23 Q. Do you recall one way or another whether the remaining

24 \$25,000 was paid?

12:09 25 A. I don't believe so.

12:09 1 Q. But do you know one way or another as you sit here now?

12:09 2 A. I don't know. I don't believe -- I don't believe it  
3 was paid, no.

12:09 4 Q. But did USSD, whether or not it was paid, allow  
5 SB Ninja to open up a studio in Redondo Beach under this  
6 license?

12:09 7 A. Yes.

12:09 8 Q. When was that?

12:09 9 A. 2011.

12:09 10 Q. Who is Kristopher Rinehart, MD?

12:09 11 A. Kristopher Rinehart is a black belt with United  
12 Studios. He owns two franchises.

12:10 13 Q. Which locations are the subject of those two  
14 franchises?

12:10 15 A. Redondo Beach and Beverly Hills.

12:10 16 Q. Does Kristopher Rinehart have a degree of black belt  
17 that he has earned?

12:10 18 A. Yes, from United Studios.

12:10 19 Q. And that is a black belt in Shaolin Kempo karate?

12:10 20 A. Yes.

12:10 21 Q. Mr. Murakami's black belt, that's also in Shaolin Kempo  
22 karate?

12:10 23 A. Yes.

12:10 24 Q. Getting back to Dr. Rinehart, who decided that  
25 Dr. Rinehart should have the rank of black belt that he

1 currently has?

12:10 2 A. Well, myself and the high-ranking black belts.

12:10 3 Q. That was a decision by committee?

12:10 4 A. Yes.

12:10 5 Q. Did you ever talk to Dr. Rinehart and Mr. Murakami  
6 about them potentially going into business together?

12:11 7 A. Yes.

12:11 8 Q. When was that?

12:11 9 A. It would have to be before this licensing agreement was  
10 signed, or right around that time, so --

12:11 11 Q. What are you --

12:11 12 A. -- 2010, 2011.

12:11 13 Q. I didn't mean to interrupt you, Mr. Mattera.

12:11 14 What do you remember of that conversation?

12:11 15 A. Not too much. I -- I know that we had a meeting in my  
16 office and, uh, it wasn't the first time that they met.  
17 Wasn't like an introduction, like they didn't know each  
18 other. We -- you know, it was just an informal meeting.

12:11 19 Q. Do you recall what was discussed?

12:11 20 A. I don't remember the gist of it. Brent was always a  
21 better marshal artist than Dr. Rinehart and -- but he wasn't  
22 quite as astute at business as Mr. Rinehart, so I thought  
23 that they would make -- that they should work together.

12:12 24 Q. Did you tell them to go into business together during  
25 that conversation?

12:12 1 A. No, I didn't marry them.

12:12 2 Q. Did they ultimately go into business together, to your  
3 understanding?

12:12 4 A. Yes.

12:12 5 Q. And do you know how exactly they worked that out, from  
6 a legal perspective?

12:12 7 A. No, I don't.

12:12 8 Q. Were you left with the impression that Dr. Rinehart  
9 ultimately had some sort of role in the operation of that  
10 Redondo Beach studio?

12:12 11 A. Yes, absolutely.

12:12 12 Q. At a certain point did USSD re-register with the State  
13 of California to offer and sell franchises?

12:12 14 A. Yes, we did.

12:12 15 Q. And when did that happen?

12:13 16 A. I think that we first re-registered "franchising" in  
17 2012.

12:13 18 Q. And was that registration issued by the state?

12:13 19 A. Yes, it was.

12:13 20 Q. Did USSD renew its registration in 2013?

12:13 21 A. Yes, it did.

12:13 22 Q. Was that registration renewal granted?

12:13 23 A. Yes, it was.

12:13 24 Q. In 2014, did USSD re-register with the State of  
25 California?

12:13 1 A. Yes, it did.

12:13 2 Q. Was that re-registration granted?

12:13 3 A. Yes, it was.

12:13 4 Q. And 2015, did USSD renew its registration with the  
5 State of California?

12:13 6 A. Yes, we did.

12:13 7 Q. Was that registration issued?

12:13 8 A. Yes.

12:13 9 Q. In 2016, did USSD re-register with the State of  
10 California?

12:13 11 A. Yes.

12:13 12 Q. Was that reregistration issued?

12:13 13 A. Yes, it was.

12:13 14 Q. And what about in 2017?

12:13 15 A. In 2017, um, we, um, did -- we registered -- we  
16 attempted to register, and then we pulled back --

12:14 17 Q. Was that --

12:14 18 A. -- our application.

12:14 19 Q. That was 2017?

12:14 20 A. Yeah. We didn't re-register in 2017.

12:14 21 Q. I understand.

12:14 22 After Dr. Rinehart began to have an involvement in the  
23 Redondo Beach studio, did you start to get Dr. Rinehart --  
24 to know Dr. Rinehart better on a personal level?

12:14 25 A. Yes.



12:14 1 Q. And would you socialize with 'em?

12:14 2 A. We -- we socialized occasionally.

12:14 3 Q. Did he ever come down to Costa Rica with you?

12:14 4 A. Yes, he did.

12:14 5 Q. When was the first time that happened?

12:14 6 A. Oh, I'd be guessing. I don't know.

12:15 7 Q. In any event, you got to know Dr. Rinehart better in  
8 the years that followed than you did before when you were  
9 first introducing him to Mr. Murikama. Is that an accurate  
10 statement?

12:15 11 A. Yes, that's true.

12:15 12 Q. In 2012, after USSD's registration to offer and sell  
13 franchises issued, did you start having -- better question.  
14 After 2012, did you start having conversations with  
15 Dr. Rinehart about signing a franchise agreement for the  
16 Redondo Beach location?

12:15 17 A. Yes.

12:15 18 Q. And I wanna get into that in detail, Mr. Mattera. But  
19 moving back a little bit, what -- what motivated USSD to  
20 re-register with the State of California in 2012 to start  
21 offering and selling franchises?

12:16 22 A. I'm sorry. Once again?

12:16 23 Q. What motivated USSD in 2012 to re-register with the  
24 State of California to offer and sell franchises?

12:16 25 A. Okay. So the end of our last registration, which was

1 1998, there was a period we were licensing. And we were  
2 losing, uh, the quality and the brand because we didn't have  
3 the control of, uh, licensees to teach the Shaolin Kempo  
4 system. So things were getting watered down. So we decided  
5 to go back to franchising, which is a big benefit to the  
6 franchisee and also the franchisor.

12:16 7 Q. Were you also at the time noticing that that cobra kai  
8 philosophy was starting to creep into the USSD studios?

12:17 9 A. Yes.

12:17 10 Q. How many times did you have discussions with  
11 Dr. Rinehart about potentially signing a franchise agreement  
12 for the Redondo Beach location?

12:17 13 A. I don't remember exact number, but it was several  
14 times. Maybe three or four times, maybe five.

12:17 15 Q. And did he ultimately sign a franchise agreement for  
16 the Redondo Beaching location?

12:17 17 A. Yes, he did.

12:17 18 Q. And was that the same location that was being -- that  
19 had been operated at, uh, since 2011?

12:17 20 A. That's correct.

12:17 21 Q. Want you to take a look at what's been marked as  
22 Exhibit 2.

12:18 23 *(Document provided to the witness.)*

12:18 24 THE WITNESS: Yep. I see it.

25

12:18 1 BY MR. HARDEMAN:

12:18 2 Q. Can you tell us what Exhibit 2 is?

12:18 3 A. Yes. It's a receipt for what I call the Offering  
4 Circular -- Franchise Offering Circular. I think they use  
5 different letters for it now, but it used to be "FOC,"  
6 Franchise Offering Circular. It's required by the State to  
7 give to the person 14 days before they sign their franchise.

12:18 8 Q. And can you explain what USSD's policies are for  
9 providing what you call "Offering Circulars" and what I'll  
10 call "FDDs" to perspective franchisees before they sign  
11 franchise agreements?

12:18 12 A. Well, uh, normal practice and procedure is, I usually  
13 give these to the person in person. I mean, I don't  
14 think -- I don't remember. I could've mailed these out, but  
15 not -- I don't remember ever mailing 'em out. I like to  
16 give 'em face-to-face to the person. And then they -- this  
17 is the back page, they sign it saying they got it.

12:19 18 Q. And if you would look further down on Exhibit 2, there  
19 is a printed name. What does it say?

12:19 20 A. "Rinehart."

12:19 21 Q. Is that your handwriting?

12:19 22 A. No.

12:19 23 Q. Whose handwriting is it?

12:19 24 A. It looks like Dr. Rinehart's.

12:19 25 Q. There's a signature above the printed name, do you know

1 whose signature is that?

12:19 2 A. Yeah. That's definitely his signature. He has a very  
3 unique swirl.

12:19 4 Q. And below that it says, "individually and as an  
5 officer, partner or member of" -- um, what does that say?

12:19 6 A. "South Bay Studios of Self Defense, LLC."

12:20 7 Q. Was it your understanding at that time that  
8 Dr. Rinehart was operating the Redondo Beach studio in some  
9 capacity through South Bay Studios of Self Defense?

12:20 10 A. Well, I mean, there's a lotta letters being thrown  
11 around with South Bay and L.A. I always believed that I was  
12 dealing with the person, so -- I know there's several LLCs  
13 involved, but I believe South Bay is, uh, the name that was  
14 on the agreement -- on the franchise.

12:20 15 Q. And I'll refer to that as "SBSSD," as some of the other  
16 attorneys have earlier today.

12:20 17 There's some handwriting on the upper right-hand  
18 corner.

12:20 19 A. Yes.

12:20 20 Q. Who's handwriting is that?

12:20 21 A. That's my handwriting.

12:20 22 Q. And did Dr. Rinehart provide this to you at any point?

12:21 23 A. This receipt?

12:21 24 Q. Yes.

12:21 25 A. Yes. He signed it in front'a me.

12:21 1 Q. And did you give him a franchise disclosure document at  
2 or around the time he signed the receipt?

12:21 3 A. Yes, I had to.

12:21 4 Q. You'll see that the receipt is not dated.

12:21 5 Is it USSD's custom and practice for -- of dating these  
6 things, or is that something that it leaves up to the  
7 franchisee?

12:21 8 A. It's -- sometimes I date 'em and sometimes I don't.  
9 It's -- I don't have an official policy, I mean, especially  
10 when you have a friendship and a close relationship with  
11 someone. Sometimes I date 'em and sometimes I don't.  
12 Sorry.

12:21 13 Q. Did you give Dr. Rinehart a copy of USSD's FDD at least  
14 14 days before he signed the franchise agreement for  
15 Redondo Beach?

12:21 16 A. Yes, I did.

12:21 17 MR. HARDEMAN: Move to exhibit -- admit Exhibit 2.

12:22 18 THE COURT: 2 is received, Counsel.

12:22 19 *(Exhibit Number 2 received in evidence.)*

12:22 20 BY MR. HARDEMAN:

12:22 21 Q. And when was it that Dr. Rinehart signed the franchise  
22 agreement for Redondo Beach?

12:22 23 THE COURT: Now, this is not -- this is not the  
24 Offering Circular? Now you've turned to the franchise  
25 itself?

12:22 1 MR. HARDEMAN: Yes.

12:22 2 THE COURT: And is Exhibit 2 the franchise?

12:22 3 BY MR. HARDEMAN:

12:22 4 Q. Is Exhibit 2 the franchise?

12:22 5 A. Can I see that?

12:22 6 MR. HARRIS: It's the Franchise Circular.

12:22 7 THE COURT: Or is it the Offering Circular?

12:22 8 MR. HARDEMAN: I believe the Offering Circular is

9 what the witness identified in Exhibit 2 -- the receipt of

10 the Offering Circular.

12:22 11 THE COURT: I'm not sure, Counsel. Is this the

12 franchise or the Offering Circular?

12:23 13 BY MR. HARDEMAN:

12:23 14 Q. Was this the --

12:23 15 THE COURT: Let's ask the question.

12:23 16 MR. HARDEMAN: Yes.

12:23 17 BY MR. HARDEMAN:

12:23 18 Q. Mr. Mattera, is this the signed receipt for the -- a

19 true and correct copy of the signed receipt for the

20 Franchise Offering Circular that Dr. Rinehart provided to

21 you?

12:23 22 A. Yes.

12:23 23 MR. HARDEMAN: Move to admit Exhibit 2.

12:23 24 MR. DeCARLO: Your Honor, I would object on

25 foundation grounds because the --

12:23 1 THE COURT: Thank you. Overruled.

12:23 2 "2" is already received, Counsel.

12:23 3 Now I'm getting confused. Okay? Is this the

4 Offering Circular?

12:23 5 MR. HARDEMAN: No.

12:23 6 THE COURT: Is this the franchise?

12:23 7 THE WITNESS: No.

12:23 8 THE COURT: Is this the franchise?

12:23 9 THE WITNESS: No.

12:23 10 THE COURT: What is it?

12:23 11 MR. HARDEMAN: It is the receipt for the Offering

12 Circular.

12:23 13 THE COURT: So what is 2, then, that I just

14 received?

12:23 15 MR. HARDEMAN: This is something that the

16 franchisees sign after they get --

12:23 17 THE COURT: I understand that.

12:23 18 MR. HARDEMAN: -- after they get the Offering

19 Circular.

12:23 20 MR. HARRIS: If I may, Your Honor?

12:23 21 THE COURT: No.

12:23 22 You're -- you're doing the questioning.

12:24 23 When you started with Exhibit 2, you represented

24 it was an Offering Circular, or at least your questions

25 surrounded A Offering Circular signed 14 days before the

1 alleged franchise agreement. So I marked that as "2."

12:24 2 BY MR. HARDEMAN:

12:24 3 Q. Mr. Mattera, is Exhibit 2 the Offering Circular itself?

12:24 4 A. No.

12:24 5 THE COURT: Okay.

12:24 6 BY MR. HARDEMAN:

12:24 7 Q. Is it a receipt for the Offering Circular?

12:24 8 A. Yes.

12:24 9 THE COURT: All right. Thank you.

12:24 10 BY MR. HARDEMAN:

12:24 11 Q. I'd like you to turn to Exhibit 1, Mr. Mattera.

12:24 12 A. Yes.

12:24 13 Q. Mr. Mattera, do you recall Dr. Rinehart signing the  
14 franchise agreement for Redondo Beach?

12:24 15 A. Yes.

12:24 16 Q. Uh, I asked you when.

12:24 17 A. Oh, when?

12:25 18 Q. Yes.

12:25 19 A. September 5th, 2014.

12:25 20 Q. And I'd like you to take a look at page 7 of Exhibit 1,  
21 1-7.

12:25 22 A. Yes.

12:25 23 *(Exhibit displayed.)*

12:25 24 BY MR. HARDEMAN:

12:25 25 Q. You'll see at the top, it says "September 5th, 2014."



12:25 1 A. Yes.

12:25 2 Q. And you'll also see that it identifies "South Bay Self  
3 Defense Studios, LLC." Do you see that?

12:25 4 A. Yes.

12:25 5 Q. Is "South Bay Self Defense Studios" something that  
6 Rinehart, uh, used when referring to SBSSD with you in the  
7 past?

12:25 8 A. Yes.

12:25 9 Q. And you'll see that this is typed up as to both the  
10 date and the identity of the franchisee.

12:26 11 Is that something that USSD normally does?

12:26 12 A. No.

12:26 13 Q. And --

12:26 14 THE COURT: Now, can I suggest to you that we go  
15 to lunch right now -- okay? -- before we get into the  
16 franchise agreement in case we're going into it in detail,  
17 so you're fresh.

12:26 18 MR. HARDEMAN: Very good, Your Honor.

12:26 19 THE COURT: Counsel, how long do you need for  
20 lunch? 'Cause we're gonna go a little late tonight. Give  
21 me a time really quick.

12:26 22 MR. BERLINER: Hour 15?

12:26 23 THE COURT: No. Nonsense.

12:26 24 MR. BERLINER: 45 minutes?

12:26 25 THE COURT: Excellent, Counsel. There's the

1 spirit I love. 45 minutes. We'll see you in 45 minutes.  
2 That means 10 after the hour.

12:26 3 Thank you very much.

12:26 4 **DISCUSSION RE LUIS AUZA**

12:26 5 MR. DeCARLO: Your Honor, Mr. Auza will be here  
6 today.

12:26 7 THE COURT: Okay.

12:26 8 I'm gonna probably -- what time will  
9 Mr. Alga [sic] be here?

12:26 10 MR. DeCARLO: We've told him to be here before  
11 5:00.

12:26 12 THE COURT: That's very kind of both of you.  
13 Thank you very much.

12:27 14 MR. DeCARLO: And --

12:27 15 THE COURT: How about this other -- and let me try  
16 to get these names straight.

12:27 17 MR. DeCARLO: I can answer.

12:27 18 THE COURT: Hold on.

12:27 19 MR. DeCARLO: I can answer.

12:27 20 THE COURT: Let me try here. 'Cause now it's  
21 coming back to me. And I think I assigned this to  
22 Judge McCormick. Noelle Trazzi [sic] -- strike that.

12:27 23 Jessica Gruenberg, who is fictional, who is really  
24 Noelle Trazzi [sic], who allegedly tells Luis Alga [sic]  
25 that Dr. Rinehart has had an affair with -- hold on -- the

1 fictitious Jessica Greenberg [sic].

12:27 2 And "Jessica Greenberg" does not exist. Counsel  
3 is in the unenviable position of -- or, strike that --  
4 Mr. Mattera is in the unenviable or enviable position of  
5 representing to esteemed counsel that there's an affair  
6 going on with Dr. Rinehart, between an underage girl, which  
7 would then cause the loss of a franchise or license,  
8 whatever Dr. Rinehart is existing under. And it turns out  
9 that Noelle Traji [sic] is then called to -- in to  
10 Magistrate Judge McCormick.

12:28 11 We're going to go back and look at the transcripts  
12 again, but I was alerted to this initially a year and a half  
13 ago. And Judge McCormick conducts a hearing, and there's a  
14 reference to "Matt." But "Matt" doesn't exist either.  
15 "Matt" allegedly is Josh George.

12:28 16 I mean, this is wonderful stuff, Counsel. You  
17 can't make this up.

12:28 18 And meanwhile Luis Alga [sic] is representing that  
19 the affair is going on with Dr. Rinehart. Those  
20 representations are made through an affidavit by the witness  
21 Mr. -- or Dr. Mattera [sic] to the Court. And then we have  
22 this hearing in front of Judge McCormick, and he comes to  
23 the conclusion that there is no Jessica Greenberg [sic],  
24 fictional; that Luis Alga [sic] apparently disowns Luis --  
25 or Noelle Taraji [sic], and somehow the testimony stops at

1 that point, and the magistrate judge can't make a  
2 determination except that there's nobody, and that  
3 somebody's lying.

12:29 4 Now, you summarize this for me, Counsel.

12:29 5 Mr. Mattera, sit down for a moment.

12:29 6 THE WITNESS: *(Complies.)*

12:29 7 THE COURT: And let's find out where we are in  
8 this. I want to hear this again because, of course, if  
9 there's no link to Mr. Mattera, then these are just  
10 allegations made to the court on good-faith belief of  
11 counsel, getting this from your client, who gets this from a  
12 Mr. Alga.

12:30 13 And I'm curious why Mr. Alga, who allegedly has  
14 some kind of relationship with Dr. Rinehart, would suddenly  
15 run to Mr. Mattera, who then makes these representations to  
16 you, who then makes these representations about a fictional  
17 affair with Dr. Rinehart to put in an affidavit to this  
18 Court. So I'm just fascinated.

12:30 19 Counsel, can you help me?

12:30 20 And then that's used in a conference for  
21 settlement purposes or to frighten the other side, as you  
22 launch and state to counsel, *Hey, there's an affair going on*  
23 *with your client, and if we go on with this, basically*  
24 *here's what's gonna happen.*

12:30 25 Help me. I think I've got it.

12:30 1 MR. BERLINER: You have most of it --

12:30 2 *(Simultaneous speaking.)*

12:30 3 THE COURT: -- year and a half ago and I gave it

4 to Judge McCormick.

12:30 5 MR. BERLINER: I do not have -- other than what I

6 said before, speculating. I do not have evidence of who

7 initially created this fraud other than Luis Auza.

12:31 8 THE COURT: Okay. So we all admit that this is a

9 fraud.

12:31 10 MR. BERLINER: Yes.

12:31 11 THE COURT: We're past this point; correct,

12 Counsel?

12:31 13 MR. BERLINER: Yes, yes.

12:31 14 THE COURT: And I'm not finding fault. But this

15 fraud is related to you by your client, Mr. Mattera.

12:31 16 MR. BERLINER: At -- yes.

12:31 17 THE COURT: Okay. And you in good-faith sign an

18 affidavit, submit -- no. Hold on. No. Wait. You're not

19 under the gun yet.

12:31 20 MR. BERLINER: I understand.

12:31 21 THE COURT: Okay. You're not under the gun yet.

12:31 22 How does Mr. Mattera come into contact with

23 Mr. Alga [sic]?

12:31 24 MR. BERLINER: Okay. Mr. Auza is a franchisee.

12:31 25 THE COURT: So they would have a normal

1 relationship.

12:31 2 MR. BERLINER: And Mr. --

12:31 3 THE COURT: Hold on. And Mr. Alga just comes to  
4 Mr. Mattera and says, *Guess what? Mr. Rinehart's having an*  
5 *affair with an underage girl.*

12:31 6 MR. BERLINER: Yes.

12:31 7 THE COURT: And that's where our investigation  
8 ends?

12:32 9 MR. BERLINER: No.

12:32 10 THE COURT: What do you do then?

12:32 11 MR. BERLINER: We were given --

12:32 12 THE COURT: 'Cause I can just imagine imparting  
13 this to opposing counsel. This must'a been done with --

12:32 14 MR. BERLINER: We were given --

12:32 15 THE COURT: -- a glint.

12:32 16 MR. BERLINER: I'm sorry for interrupting,  
17 Your Honor.

12:32 18 THE COURT: No. My apologies.

12:32 19 MR. BERLINER: Mr. Auza gave to Mr. Mattera a  
20 file. In that file contained an audiotape -- like an audio  
21 recording of an interview between a male interviewer and a  
22 female who identified herself as "Jessica Gruenberg."

12:32 23 THE COURT: Who doesn't exist.

12:32 24 MR. BERLINER: Correct.

12:32 25 THE COURT: The interview takes place -- it's

1 what? 10 minutes?

12:32 2 MR. HARDEMAN: 13.

12:32 3 MR. BERLINER: 13 minutes -- these guys all know  
4 it off -- like, the seconds -- in which the male "interview"  
5 asked the female "Jessica Gruenberg" a series of questions.

12:32 6 THE COURT: And who's the male?

12:32 7 MR. BERLINER: The male in this audiotape --

12:32 8 THE COURT: Is this Matt?

12:32 9 MR. BERLINER: No. This male is not identified in  
10 the audio.

12:33 11 Collectively, all of the persons who know Luis  
12 Auza's voice -- which is Mr. Mattera, Dr Rinehart,  
13 Mr. Murakami, Mr. Curren -- Archie Curren (*phonetic*), who's  
14 so far --

12:33 15 THE COURT: -- quiz 'em --

12:33 16 (*Simultaneous speaking.*)

12:33 17 MR. BERLINER: -- all will identify him as Luis  
18 Auza, the --

12:33 19 THE COURT: Hold on.

12:33 20 MR. BERLINER: -- interviewer on the tape.

12:33 21 THE COURT: So Luis Alga [sic] is interviewing the  
22 nonexistent Jessica Gruenberg, who is really Noelle  
23 Taragi [sic].

12:33 24 MR. BERLINER: Yes.

12:33 25 THE COURT: And getting this information and

1 taking this --

12:33 2 MR. BERLINER: To Mr. Mattera.

12:33 3 THE COURT: Helter skelter to Mr. Mattera.

12:33 4 MR. BERLINER: But here's -- and this is where we  
5 have to bounce backwards and forwards.

12:33 6 In deposition, the first deposition, which we  
7 have -- we're suing Mr. Auza in a different case. He has  
8 admitted under -- in Superior Court to an RFA, that he lied  
9 in his first deposition in this case.

12:33 10 THE COURT: Okay. Now, just a moment.

12:33 11 MR. BERLINER: Yeah.

12:33 12 THE COURT: This is over in Superior Court?

12:33 13 MR. BERLINER: Yes.

12:33 14 THE COURT: So I don't have a record of that in  
15 federal court, and my --

12:33 16 MR. BERLINER: You're gonna have it.

12:33 17 THE COURT: Hold on.

12:33 18 -- and my magistrate judge --

12:33 19 MR. BERLINER: Yeah.

12:33 20 THE COURT: -- stopped at some point finding that  
21 these were fictional characters --

12:33 22 MR. BERLINER: Uh-huh.

12:33 23 THE COURT: -- finding that fraud had been  
24 committed on the Court, but couldn't discern up to that  
25 point who committed the fraud.



12:34 1 MR. BERLINER: Correct.

12:34 2 THE COURT: And Mr. Alga [sic] then has some  
3 motivation to fabricate because now you say he's a -- lied  
4 in Superior Court. This underage, allegedly illicit affair,  
5 which, of course, would be damaging to the license  
6 agreement.

12:34 7 MR. BERLINER: Um-hm.

12:34 8 THE COURT: And you've conveyed that information,  
9 as you receive it from your client, in affidavit form to  
10 opposing counsel.

12:34 11 MR. BERLINER: You're -- you're mostly correct,  
12 Your Honor. The -- I think I confused you with the Superior  
13 Court action.

12:34 14 Here's the point: We were given this package of  
15 information, which also contained, I think, some alleged  
16 text messages. This is when we first got the information --

12:34 17 THE COURT: Hold on. So we have more fraud now.  
18 We have alleged text messages?

12:34 19 MR. BERLINER: Yes.

12:35 20 THE COURT: Okay.

12:35 21 MR. BERLINER: The tape, the text messages were  
22 all fake. I mean, they were real in the sense I held them,  
23 but they were fake in terms of their content.

12:35 24 THE COURT: And who's making up this fraud?

12:35 25 MR. BERLINER: Okay. No one has come to admit

1 it --

12:35 2 THE COURT: Well, we're having a legal evening  
3 session now.

12:35 4 MR. BERLINER: -- that it's --

12:35 5 THE COURT: I'munna ask again: Who is making up  
6 this fraud? Because this is fraud basically on the Court,  
7 submitted in affidavit form -- and I'm not finding fault  
8 with counsel. You got this from your client. But it is a  
9 little odd that Mr. Alga runs to Mr. Mattera, who then makes  
10 these representations to you. And we get into -- a year and  
11 a half ago, when I discovered that Noelle Taraji [sic]  
12 didn't exist -- strike that -- Jessie -- Jessica  
13 Greenberg [sic] doesn't exist. And we didn't even know the  
14 name of the person at that time -- and, by the way, you were  
15 very helpful supplying that. I'm not --

12:35 16 MR. BERLINER: Okay. I wasn't involved at this  
17 time, Your Honor. I came -- I was late to the party.

12:35 18 THE COURT: Okay.

12:36 19 MR. BERLINER: I came in to "sweep."

12:36 20 THE COURT: Hold on. That's why you're not  
21 involved. I remember going through this questioning a year  
22 and a half ago, or so. And it was fascinating. And because  
23 it would require somewhat of a hearing, I referred it to  
24 Judge McCormick.

12:36 25 MR. BERLINER: I can explain what I believe was

1 Luis Auza's motivation at that time to create the fake  
2 allegations against Dr. Rinehart.

12:36 3 THE COURT: Let's speak to Luis Auza because he's  
4 coming in tonight.

12:36 5 MR. BERLINER: He, Your Honor, says that he didn't  
6 make this up.

12:36 7 THE COURT: That he did not make this up?

12:36 8 MR. BERLINER: No. Through two depositions.

12:36 9 THE COURT: Okay.

12:36 10 MR. BERLINER: -- okay? -- and multiple interviews  
11 that we have recorded between Dr. Rinehart's private  
12 investigator and Luis Auza, his story on how he came to know  
13 the girl, Jessica Gruenberg, and then who we later find  
14 out -- we all find out is "Doa" -- his story changes from --  
15 Luis Auza testified at deposition that he met the girl,  
16 Jessica, through a college friend of his.

12:37 17 THE COURT: Okay.

12:37 18 MR. BERLINER: Okay?

12:37 19 THE COURT: That's a lie.

12:37 20 MR. BERLINER: That's a lie in the deposition. We  
21 will depose him again later on. He finally "admit" [sic]  
22 that that's a lie, and he says, well, I made'er [sic] -- I  
23 met'er through --

12:37 24 *(Court reporter requests clarification for the*  
25 *record.)*

12:37 1 MR. BERLINER: I'm sorry.

12:37 2 He testifies that -- that he met her through some  
3 other source. That's a lie.

12:37 4 In interviews which were legally taped by  
5 Dr. Rinehart's private investigator, Doc -- uh, Luis comes  
6 up with another story about how he met the girl.

12:37 7 THE COURT: Of course, Dr. Rinehart has to be  
8 concerned if he's falsely accused of having sex with an  
9 underage girl because that's gonna take him outta business.

12:37 10 MR. BERLINER: Yes.

12:37 11 THE COURT: I mean, the licensee board's gonna  
12 take his two, whatever, martial arts studios, and he's outta  
13 business --

12:37 14 MR. BERLINER: Yes.

12:37 15 THE COURT: -- for morale turpitude.

12:37 16 MR. BERLINER: Yes. And, Your Honor, may I say  
17 I -- you know, as a counselor, I've gotten to know  
18 Dr. Rinehart. I am -- I am -- I feel bad. I am upset on a  
19 personal level that these allegations were leveled at him;  
20 that somebody defrauded us.

12:38 21 THE COURT: Just a moment. You're late to the  
22 party.

12:38 23 MR. BERLINER: Yeah.

12:38 24 THE COURT: So don't be concerned. We're trying  
25 to find out what happened.

12:38 1 So let's go back. So far, okay? And now we have  
2 fraud. We have an affidavit, though, from your client to  
3 the Court of making these accusations.

12:38 4 Counsel gets busy with a private investigator.  
5 And finally Mr. Alga [sic] apparently comes clean in  
6 Superior Court, not in front of my magistrate judge, that he  
7 lied.

12:38 8 MR. BERLINER: Not exactly, Your Honor.

12:38 9 The affidavit you keep referring to was -- was an  
10 affidavit that Auza gave us --

12:38 11 THE COURT: Oh?

12:38 12 MR. BERLINER: -- from Jessica attesting to the  
13 veracity of her relationship with Dr. Rinehart.

12:38 14 MR. DeCARLO: It's Exhibit 510, Your Honor.

12:38 15 THE COURT: Well, no --

12:38 16 MR. BERLINER: Mr. Mattera, in response to the  
17 defendant's Motion to Pierce the Attorney Privilege  
18 submitted a declaration regarding his waning confidence in  
19 the story Mr. Auza was giving him. That's what Mr. DeCarlo  
20 claims Charley Mattera lied about: That, when did he  
21 begin'a suspect that Auza was a fraud. Okay?

12:39 22 The unsigned affidavit was given -- I mean, it  
23 was -- it was an affidavit given to us purportedly by  
24 "Jessica" substantiating the fraudulent claims. So that's  
25 the affidavit that Mr. DeCarlo's talking about.

12:39 1 On that affidavit were three signatories -- three  
2 made-up people.

12:39 3 THE COURT: Made-up people?

12:39 4 MR. BERLINER: Yeah. Well, one of 'em --

12:39 5 THE COURT: Well, let's go over those made-up  
6 people because we know that "Jessica Gruenberg" is false.

12:39 7 MR. BERLINER: Yep.

12:39 8 THE COURT: We know "Matt," who signed this, is  
9 false?

12:39 10 MR. BERLINER: Yeah.

12:39 11 THE COURT: Okay. And who else?

12:39 12 MR. BERLINER: There's -- there's, I think, a  
13 woman's name, and then a name of a person, Alejandro [sic]  
14 Corrales.

12:40 15 THE COURT: Help me, Counsel.

12:40 16 MR. DeCARLO: It's on your screen.

12:40 17 THE COURT: Who made this affidavit up?

12:40 18 MR. BERLINER: We -- we don't know.

12:40 19 MR. DeCARLO: It's on your screen, Your Honor.

12:40 20 MR. BERLINER: I can tell you who I -- and I think  
21 most everyone in this room -- believes made it up, which is  
22 Luis Auza.

12:40 23 THE COURT: Just a moment. And Mr. Alga [sic]  
24 will be here at what time tonight?

12:40 25 MR. DeCARLO: Uh, he -- we believe he's gonna be

1 here before 5:00. He's also relayed, through a conversation  
2 with Dr. Rinehart, that Noelle Doaiji has left the country.

12:40 3 THE COURT: Well, I don't find that surprising.

12:40 4 MR. BERLINER: I don't find it believable.

12:40 5 THE COURT: You go to lunch, Counsel. This is  
6 just fascinating.

12:40 7 We'll see this gentleman at 5:00 o'clock. Should  
8 I advise him of his Fifth Amendment rights?

12:40 9 MR. BERLINER: Um, yes.

12:40 10 THE COURT: I think -- I think it's incumbent upon  
11 the Court that he has counsel. And I will give him time to  
12 get counsel.

12:40 13 MR. BERLINER: He has counsel, Your Honor.

12:40 14 THE COURT: Okay. Well, you might invite counsel  
15 to come with him, as a courtesy.

12:41 16 And I think it's incumbent upon the Court, since  
17 he's already admitted apparently that this was fictitious  
18 and false and fraud, that, uh, we advise him of his rights.  
19 And so it may be a very short hearing. I'm not sure.

12:41 20 But I'd like to have a record in my court, because  
21 I've got a division apparently of some rulings made where  
22 the magistrate judge found that these were fictitious  
23 people, fraud had been committed, and the trail ends then.

12:41 24 My simple question is this: If this is a  
25 fraudulent speculative act by Mr. Alga [sic] because there's

1 some kind of, let's say, "beef" or disagreement with  
2 Mr. Rinehart, and he comes to your client in good faith, and  
3 your client then either submits this to the Court in an  
4 affidavit form -- I don't know what to think about that --  
5 but it's a little speculative at the time, but this was  
6 under penalty of perjury.

12:42 7 Then, the other option is -- and that may be no  
8 harm/no foul. The other option is, if there's link to your  
9 client...

12:42 10 MR. BERLINER: Even -- I understand, Your Honor.

12:42 11 THE COURT: You understand?

12:42 12 MR. BERLINER: I understand.

12:42 13 THE COURT: So let's find out under oath in my  
14 court if Mr. Alga's willing to answer these questions.  
15 Okay?

12:42 16 Now, you have now 25 minutes -- actually, 30  
17 minutes. How we doing?

12:42 18 MR. BERLINER: We're doing wonderful, Your Honor.

12:42 19 THE COURT: I'd go have lunch.

12:42 20 See you at 10 after.

12:42 21 *(Lunch recess held at 12:42 p.m.)*

01:12 22 *(Proceedings resumed at 1:12 p.m.)*

01:12 23 THE COURT: All right. Then we're back in  
24 session. All counsel are present.

01:12 25 MR. DeCARLO: No. All counsel aren't present.



1 Your Honor, shall I go out and try to find  
2 Counsel?

3 THE COURT: Oh, if you would be kind enough. If  
4 anybody would be kind enough to get them.

5 Thank you so much.

6 Sir, would you retake the stand.

7 Thank you.

8 **CHARLES ANTHONY MATTERA, CALLED BY THE PLAINTIFF,**

9 **PREVIOUSLY SWORN, RESUMED THE STAND**

10 THE COURT: All right. Then we're back in  
11 session. All counsel are present. The parties are present.

12 Counsel, if you'd like to continue your  
13 examination, please.

14 **DIRECT EXAMINATION**

15 BY MR. HARDEMAN:

16 Q. Okay. Mr. Mattera, if you could get back in front of  
17 you page 7 to Exhibit 1.

18 Before we took a break, I believe you were testifying  
19 about the typed portions of page 7 of Exhibit 1 and "South  
20 Bay Self Defense Studios, LLC," being typed in there.

21 A. Yes, that's correct.

22 Q. And was that USSD's ordinary practice for execution of  
23 franchise agreements at that time?

24 A. No.

25 Q. Why was it different this time?

01:15 1 A. Well, because I knew that the first Friday was coming  
2 up and I had spoken with Dr. Rinehart about him coming in,  
3 so I had it all typed up and nice and neat and tidy.

01:15 4 Q. And did you type that up?

01:15 5 A. No. My secretary did.

01:15 6 Q. Who's your secretary?

01:15 7 A. At the time her name was Tammy.

01:15 8 Q. And when Dr. Rinehart signed this agreement, where were  
9 you?

01:15 10 A. In my office.

01:15 11 THE COURT: And this exhibit number, once again,  
12 is exhibit number? -- just refresh my recollection.

01:15 13 MR. HARDEMAN: This is Exhibit Number 1.

01:15 14 THE COURT: Thank you.

01:15 15 MR. HARDEMAN: Page 7.

01:15 16 THE COURT: Thank you.

01:15 17 BY MR. HARDEMAN:

01:15 18 Q. Was anyone else there?

01:15 19 A. No. Just me and him.

01:15 20 Q. What was happening on September 5th, 2014?

01:16 21 A. It was the first Friday meeting and workout. It was a  
22 lot of activity, training, and lotta people coming and  
23 going, talking.

01:16 24 Q. Now, before getting into more details, do you have a  
25 custom and practice regarding franchisees signing their

1 franchise agreements with United Studios of Self Defense?

01:16 2 A. Yes, I do.

01:16 3 Q. Can you tell me what that is.

01:16 4 A. Okay. So I take two franchise agreements, identical,  
5 put 'em beside me. I turn page 1, 1, 2, 2, and go over it  
6 and write in any things that need'a be addressed on the  
7 agreements. And then I usually sign one and I -- two  
8 agreements -- I pass 'em to the franchisee for his  
9 signature. We ask, *Is there any questions* and everything.  
10 There were no questions. So Mr. Rinehart had both  
11 agreements to sign.

01:17 12 Q. When you say "agreements" is that two copies of the  
13 same agreement?

01:17 14 A. Exactly.

01:17 15 Q. And was the process that you just described followed on  
16 the day that Dr. Rinehart came to USSD on September 5th,  
17 2014?

01:17 18 A. Yes. It's always the same.

01:17 19 Q. And can you describe what happened.

01:17 20 A. Well, um, I saw him take the pen, and he was signing  
21 the back and, uh, after he signed -- I saw him signing both  
22 agreements -- and he gave one of 'em back to me, so I kept  
23 one off to my right, and he kept the other one.

01:17 24 THE COURT: So he signed -- he had two copies and  
25 he signed both copies; is that correct?

01:17 1 THE WITNESS: He signed both copies.

01:17 2 Well...

01:17 3 BY MR. HARDEMAN:

01:18 4 Q. Can -- can I have you take a look at page 28 of

01:18 5 Exhibit 1. So that'll be 1-28.

01:18 6 *(Document provided to the witness.)*

01:18 7 *(Exhibit displayed.)*

01:18 8 BY MR. HARDEMAN:

01:18 9 Q. You'll see there at the bottom it says "page 22."

01:18 10 A. Yes.

01:18 11 Q. And then, on the following page, Exhibit [sic] 29 of

01:18 12 Exhibit 1 is Exhibit A, and then page 1-30 is the addendum

01:18 13 to the franchise agreement.

01:18 14 A. That's correct.

01:18 15 Q. On the franchise agreement that Dr. Rinehart signed

01:18 16 that day, what was immediately following page 22?

01:19 17 THE COURT: Page 22?

01:19 18 MR. HARDEMAN: Page 22. And that would be page 28

01:19 19 of Exhibit 1.

01:19 20 THE COURT: Okay.

01:19 21 THE WITNESS: Oh, I believe that was the signature

01:19 22 page.

01:19 23 BY MR. HARDEMAN:

01:19 24 Q. And you -- did you see him sign that?

01:19 25 A. I saw him signing the agreements, yeah.

01:19 1 Q. And you believe that he signed the signature page, as  
2 well, based on that?

01:19 3 A. Yes.

01:19 4 Q. Did you discuss the terms of the agreement?

01:19 5 THE COURT: Just a moment.

01:19 6 Was Exhibit A also as part of this agreement, with  
7 the addendum page?

01:19 8 BY MR. HARDEMAN:

01:19 9 Q. Was Exhibit A --

01:19 10 THE COURT: -- 1-30 attached at the same signature  
11 time?

01:19 12 BY MR. HARDEMAN:

01:19 13 Q. Was Exhibit A that appears on 1-30 also part of the  
14 agreement that Dr. Rinehart signed that day?

01:20 15 A. I have it as "1-29" on my exhibit here.

01:20 16 MR. HARDEMAN: Yeah. It's 1-29.

01:20 17 THE WITNESS: Okay. I believe so.

01:20 18 THE COURT: Okay. Now, turn the page to 1-30.

19 No, not "I believe so." Was it or not?

01:20 20 THE WITNESS: Oh, that's the addendum.

01:20 21 THE COURT: That's right.

01:20 22 THE WITNESS: I'm sorry. I thought you were  
23 talking about 'zibit -- Exhibit A.

01:20 24 No. The addendum was 1-30. Yes, that was there.

01:20 25 THE COURT: What was Exhibit A?

01:20 1 THE WITNESS: *(No response.)*

01:20 2 THE COURT: What was Exhibit A?

01:20 3 THE WITNESS: I don't know. I believe it was  
4 supposed'a be a map of the territory maybe. I'm not  
5 positive.

01:20 6 THE COURT: You drew these documents; is that  
7 correct?

01:20 8 THE WITNESS: I didn't create the franchise.

01:20 9 THE COURT: No. You drew these documents, didn't  
10 you? You're the one who brought them.

01:20 11 I'm gonna ask again: What was Exhibit A?

01:20 12 THE WITNESS: I don't know.

01:20 13 THE COURT: All right.  
14 Counsel.

01:20 15 MR. HARDEMAN: I think I might be able'a help you  
16 out here.

01:20 17 BY MR. HARDEMAN:

01:20 18 Q. Mr. Mattera, if you could turn to page 1, dash, uh --  
19 page 8 of Exhibit 1, 1-08.

01:21 20 A. Yes.

01:21 21 Q. And Section 3.8 of this agreement.

01:21 22 A. Yes.

01:21 23 Q. "Protected Territory."

01:21 24 A. Yes.

01:21 25 Q. You'll see that it says,

01:21 1 "During the below-defined term of this  
2 agreement and so long as franchisee is  
3 not in default of this agreement,  
4 franchisor shall not open or operate any  
5 other studio within the geographic area  
6 set forth on the map attached as  
7 Exhibit A."

01:21 8 A. Right.

01:21 9 THE COURT: Thank you.

01:21 10 MR. HARDEMAN: And then --

01:21 11 THE COURT: Okay.

01:21 12 MR. HARDEMAN: -- a sentence later, it says that  
13 the parties --

01:21 14 "In the event that the parties neglect  
15 to attach a map as Exhibit A, then the  
16 protected territory shall be deemed to  
17 be two and a half air miles surrounding  
18 the franchise location."

01:22 19 BY MR. HARDEMAN:

01:22 20 Q. So having seen that before you, uh, does that refresh  
21 your recollection as to why -- what Exhibit A was supposed  
22 to be for?

01:22 23 A. Yes, it does.

01:22 24 Q. And was there a geographic map as part of this  
25 agreement?

01:22 1 A. No.

01:22 2 Q. Turn to page 30 of this exhibit.

01:22 3 THE COURT: You said, "no?"

01:22 4 THE WITNESS: "No." No --

01:22 5 MR. DeCARLO: Object --

01:22 6 THE WITNESS: -- there was no map.

01:22 7 MR. DeCARLO: Objection. Move to strike.

01:22 8 BY MR. HARDEMAN:

01:22 9 Q. Mr. Mattera, in the agreement that Dr. Rinehart signed  
10 on September 15, 2014, following Exhibit A, was there any  
11 map that was included as part of the agreement?

01:22 12 A. No.

01:22 13 Q. Looking at page 30 of Exhibit 1, it says "Addendum to  
14 the Franchise Agreement." There's a signature for United  
15 Studios of Self Defense.

01:23 16 Whose signature that?

01:23 17 A. That's my signature.

01:23 18 Q. There's a signature for franchisee --

01:23 19 A. Yes.

01:23 20 Q. -- and there's a printed name.

01:23 21 Whose name is that?

01:23 22 A. Kristopher Rinehart, MD.

01:23 23 Q. Is that Kristopher Rinehart's printed name?

01:23 24 A. Yes.

01:23 25 Q. And what appears immediately above that?



01:23 1 A. His signature.

01:23 2 Q. That's his signature?

01:23 3 A. I believe so, yes.

01:23 4 Q. Um, did you talk to Dr. Rinehart about this addendum at  
5 the time that he signed the franchise agreement?

01:23 6 A. Nope. Not at all.

01:23 7 Q. Did you say anything to Dr. Rinehart at any point  
8 before he signed this franchise agreement, uh, to the effect  
9 that USSD would not enforce it?

01:23 10 A. No.

01:23 11 Q. What happened after Dr. Rinehart signed the agreement  
12 that day?

01:24 13 A. Well, we were pressed for time. I think he stayed  
14 another 10 minutes. We were just talkin' about general  
15 stuff, and then he left with the agreement.

01:24 16 Q. When you were talking afterwards did --

01:24 17 THE COURT: Well, just a moment.

01:24 18 He left with his copy of the agreement; is that  
19 correct?

01:24 20 THE WITNESS: Yes, that's correct.

01:24 21 THE COURT: And you had a copy also; is that  
22 correct?

01:24 23 THE WITNESS: Yes. Yes, I did.

01:24 24 THE COURT: All right. Thank you.

25

01:24 1 BY MR. HARDEMAN:

01:24 2 Q. And when you were having a conversation with

3 Dr. Rinehart afterwards, was the -- were the terms of the

4 agreement discussed?

01:24 5 A. No, no.

01:24 6 Q. The agreement that USSD kept a copy of, do you know

7 whether or not it included the signature page?

01:24 8 A. I didn't look at it.

01:24 9 Q. Did you at any point notice that signature page was

10 missing?

01:25 11 A. Yes.

01:25 12 Q. When was the first time you noticed that?

01:25 13 A. Right around the time we filed the lawsuit, when we

14 had'a go into the file and get documents.

01:25 15 Q. Was that May 2018?

01:25 16 A. It coulda been. I believe it was right around there,

17 yeah.

01:25 18 THE COURT: Just a moment.

01:26 19 All right. Counsel, thank you. Please continue.

01:26 20 BY MR. HARDEMAN:

01:26 21 Q. So I think you had just testified, Mr. Mattera, that

22 you kept one'a the copies that Dr. Rinehart signed of this

23 agreement that day?

01:26 24 A. Yes.

01:26 25 Q. What did you do with that signed copy afterwards?

01:26 1 A. Afterwards, I put it -- I have a file cabinet. It's a  
2 black file cabinet in the conference room. I keep all the  
3 franchise agreements in. I put it in there and locked it  
4 up.

01:26 5 Q. Did you keep the signed copy of that agreement?

01:26 6 A. Well, at the time I put it in there, I didn't look at  
7 the back. I just put it in a file.

01:26 8 Q. Was it your understanding at that time that you put it  
9 in the file that Rinehart had signed the whole thing?

01:27 10 A. Yes, I did believe that.

01:27 11 Q. And where's that file located?

01:27 12 A. In the conference room --

01:27 13 Q. And --

01:27 14 A. -- my headquarters, 9 Hubble --

01:27 15 *(Court reporter requests clarification for the*  
16 *record.)*

01:27 17 THE WITNESS: 9 Hubble, H-U-B-B-L-E, in Irvine.

01:27 18 BY MR. HARDEMAN:

01:27 19 Q. And did it stay there after that to your knowledge?

01:27 20 A. To my knowledge, yes.

01:27 21 Q. Was there any particular storage unit that it was being  
22 stored in, like a cabinet?

01:27 23 A. It was a black, metal cabinet.

01:27 24 Q. Is that where you store all of the signed copies of  
25 your franchise agreements?

01:27 1 A. I used to, yes.

01:27 2 Q. Has that changed?

01:27 3 A. Yes.

01:27 4 Q. Why?

01:27 5 A. I lost the key to the file cabinet, so I had'a smash it  
6 open to get it, uh -- get into the files. And so I bought a  
7 new file cabinet.

01:27 8 Q. Okay.

01:27 9 A. The new one's brown. It's in my office instead'a the  
10 conference room.

01:28 11 Q. When did you lose the key?

01:28 12 A. Probably over a year ago.

01:28 13 Q. Was it after this lawsuit was filed?

01:28 14 A. No. I think it was before --

01:28 15 Q. Okay.

01:28 16 A. -- 'cause I had'a access a document.

01:28 17 Q. All right. Did you transfer what was in that cabinet  
18 that you had to smash open to the new receptacle for your  
19 franchise agreements?

01:28 20 A. Yes. I put everything in the new file cabinet.

01:28 21 Q. And those have been there ever since?

01:28 22 A. Yep. Yes, ever since.

01:28 23 Q. After you placed the signed copy of the franchise  
24 agreement in your office in September 2014, did anyone have  
25 access to that file cabinet after that?

01:28 1 A. The only person had access to my office was my son,  
2 Matthew.

01:29 3 Q. And he had access to that office in 2014?

01:29 4 A. Yes.

01:29 5 Q. Did he ever stop having access to that office?

01:29 6 A. Yes, he did.

01:29 7 Q. When was that?

01:29 8 A. When he quit, um, Bushido. I believe it was 2015 or  
9 early -- I think it was 2015.

01:29 10 MR. HARDEMAN: Your Honor, move to admit  
11 Exhibit 1.

01:29 12 THE COURT: Received.

01:29 13 *(Exhibit Number 1 received in evidence.)*

01:29 14 BY MR. HARDEMAN:

01:29 15 Q. Looking at Exhibit 1, Mr. Mattera -- as I think Counsel  
16 pointed out in opening -- uh, none of the portions where  
17 there are franchisees' initials on this agreement are --  
18 appear to be initialed.

01:29 19 What is your custom and practice for having franchisees  
20 initial this portion of USSD's franchise agreement?

01:30 21 A. What is the purpose?

01:30 22 Q. Well, what is the custom and practice?

01:30 23 A. Oh, custom and practice.

01:30 24 Sometime we initial 'em; sometimes we don't. I think  
25 it's a function of timing. That was the first Friday.

1 First Fridays are always very hectic, so we have to get  
2 people in and out.

01:30 3 When it's more of a relaxed setting, then I do take the  
4 time to try to initial every page.

01:30 5 *(Live reporter switch at 1:30 p.m.)*

01:31 6 *(Further proceedings reported by Deborah Parker in*  
7 *Volume III.)*

01:31 8 -oOo-

-oOo-

CERTIFICATE

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

Date: November 6, 2019

/s/ Debbie Gale

DEBBIE GALE, U.S. COURT REPORTER  
CSR NO. 9472, RPR, CCRR

**Certified for Kristopher Rinehart, MD  
Debbie Gale, CSR 9472, RPR, CCRR  
Federal Official Court Reporter**