

<p>1 2 3 May 25, 2006 4 9:53 a.m. 5 6 Videotaped deposition of SAM 7 CHAN, held at the offices of Alston & 8 Bird, LLP, 90 Park Avenue, New York, 9 New York, pursuant to Notice, before 10 Philip Rizzuti, a Notary Public of the 11 State of New York 12 13 14 15 16 17 18 19 20 21 22 23 24 25</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>Page 2</p> <p>1 2 A P P E A R A N C E S: 3 4 ALSTON & BIRD, LLP 5 Attorneys for Plaintiff 6 90 Park Avenue 7 New York, New York 10016 8 BY: ROBERT E. HANLON, ESQ. 9 BROOK A. CLARK, ESQ. 10 11 DAVID J. HOFFMAN, ESQ. 12 Attorney for Witness 13 29 Broadway, 27th floor 14 New York, New York 10006 15 16 ALSO PRESENT: 17 JOSH LIPSON, Videographer 18 STEHANIE LIU, Interpreter 19 NICHOLAS CHAI, 20 21 22 23 24 25</p> <p>TSG Reporting - Worldwide 877-702-9580</p>
<p>Page 4</p> <p>1 2 IT IS HEREBY STIPULATED AND AGREED, 3 by and between counsel for the respective 4 parties hereto, that the filing, sealing and 5 certification of the within deposition shall 6 be and the same are hereby waived; 7 IT IS FURTHER STIPULATED AND AGREED 8 that all objections, except as to the form 9 of the question, shall be reserved to the 10 time of the trial; 11 IT IS FURTHER STIPULATED AND AGREED 12 that the within deposition may be signed 13 before any Notary Public with the same force 14 and effect as if signed and sworn to before 15 the Court. 16 17 18 19 20 21 22 23 24 25</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>Page 5</p> <p>1 2 Chan 3 THE VIDEOGRAPHER: This is the 4 start of tape number 1 of the videotape 5 deposition of Sam Chan in the matter of 6 Entral Group versus YHCL. Today's date 7 is May 25, 2006 at approximately 9:53 8 a.m. 9 Will counsel please introduce 10 themselves and who they represent. 11 MR. HANLON: Robert E. Hanlon for 12 Entral Group International LLC, plaintiff 13 in this matter. 14 MS. CLARK: Brook Clark with 15 Alston & Bird for plaintiff Entral Group 16 International LLC. 17 MR. HOFFMAN: David Hoffman for 18 Sam Chan and the North American Karaoke 19 Works Trade Association Inc. 20 I should say we have the same 21 objection. We will permit the 22 videotaping subject to the same 23 objections that we had for Mr. Yim's 24 deposition, and subject to the same post 25 deposition application for the destruction of the tape.</p> <p>TSG Reporting - Worldwide 877-702-9580</p>

<p style="text-align: right;">Page 22</p> <p>1 Chan 2 is ASIC design, A-S-I-C. It stands for 3 Application Specific Integrated Circuit. 4 And later on I moved to what is 5 called, another area RFID technology, it is 6 called Radio Frequency Identification 7 Technology. At that time I was relocated to 8 Hawthorne research. Then I started my 9 research career right there, and that is my 10 experience.</p> <p>11 Q. Before 1989 when you were in your 12 master's degree program were you also employed 13 then?</p> <p>14 A. No, I was a student.</p> <p>15 Q. And before your masters program 16 when you were an undergraduate were you 17 employed then?</p> <p>18 A. No. I was a student. I withdraw 19 that.</p> <p>20 Undergraduate -- between 21 undergraduate and graduate I was working a 22 research project that offered from the school, 23 working with Mount Sinai Hospital with the 24 three dimensional reconstruction imaging 25 system.</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>	<p style="text-align: right;">Page 23</p> <p>1 Chan 2 Q. Do you have any other employment 3 aside from your work at IBM presently? 4 A. No. Just a -- it just the karaoke 5 business that I was getting involved, and also 6 the NAKWTA, non-profit organization that I 7 also get involved.</p> <p>8 Q. We will talk about those in a 9 minute? 10 A. Okay.</p> <p>11 Q. Is your employment at IBM 12 full-time? 13 A. Yes.</p> <p>14 Q. Let's just take the karaoke 15 business at this point. What karaoke business 16 are you involved in; I am not talking about 17 NAKWTA now, I am talking about actual karaoke 18 business? 19 A. It is an entertainment business 20 when I am seeing it. It is a bar where we 21 sell beer and wine, that is it, no hard 22 liquor. And offering people to come in and 23 drink beer and sing along with whatever they 24 like to sing.</p> <p>25 So basically this is the business</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>
<p style="text-align: right;">Page 24</p> <p>1 Chan 2 that I get involved in with right now. 3 Actually I am learning this right now. 4 Q. You said it is a beer and wine 5 business only? 6 A. Yes. Beer and wine business. 7 Q. What is the name of this bar? 8 A. Galaxy 45. 9 Q. Where is it located? 10 A. In 45 Mott Street. 11 Q. What is the business name or the 12 corporation that operates Galaxy 45? 13 A. ABC Target Corporation. 14 Q. Are you a principal of ABC Target; 15 are you -- withdrawn. 16 Are you an owner of ABC Target? 17 A. I am one of the shareholder, not a 18 hundred percent. 19 Q. Are you a majority shareholder, a 20 minority shareholder? 21 A. I am a majority shareholder, yes. 22 Q. Who are the other shareholders? 23 MR. HOFFMAN: I think you agreed 24 to have the answer also held attorney's 25 eyes only yesterday to the same question,</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>	<p style="text-align: right;">Page 25</p> <p>1 Chan 2 or excuse me, Tuesday, with Mr. Yim. 3 MR. HANLON: You want Mr. Chai to 4 leave the room for that? 5 MR. HOFFMAN: Sure. 6 (Mr. Chai left the room). 7 (The following portion has been 8 deemed attorney's eyes only.)</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>

<p>1 Chan - attorney's eyes only 2 3 4 5 REDACTED 6 7 8 9 10 11 (Continued in non-attorney's 12 eyes only portion of transcript.) 13 14 15 16 17 18 19 20 21 22 23 24 25</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>Page 26</p> <p>1 Chan 2 (Mr. Chai reentered the room) 3 Q. Mr. Chan, are you also an employee 4 of Galaxy 45, and let me and try clarify what 5 I mean by that. I realize that if you are -- 6 if you are a shareholder you might receive 7 payments in the form of dividends or something 8 of the sort as a shareholder. That is not 9 what I am asking, what I am asking is -- 10 profits and so on. 11 What I am asking is are you an 12 employee, meaning do you have a position that 13 has some formal duties and for which you 14 receive a salary, and that is usually 15 evidenced by either receiving a W-2 form at 16 the end of the year or a 1099 form or 17 something of the sort? 18 A. No. 19 Q. So you don't receive -- 20 A. I don't receive anything. 21 Q. You don't receive salary in that 22 form? 23 A. Yes. 24 Q. Approximately how often do you 25 visit Galaxy 45?</p> <p>TSG Reporting - Worldwide 877-702-9580</p>
<p>Page 28</p> <p>1 Chan 2 A. Not quite often, maybe two times a 3 week, sometimes three times a week. Usually I 4 stay there maybe like one or two hours, I just 5 come to visit my employees, greeting them up, 6 saying hey, how are you doing, make them feel 7 better. I try to be a good boss. I try to 8 buy them some lunch, maybe dinner. 9 Q. You are giving my colleagues 10 ideas, then they are going to think that I am 11 going to have buy them lunch or dinner and 12 that is not a good thing. 13 A. That is a good thing. 14 Q. You are a better boss than I? 15 A. I am not quite sure on that. You 16 are better than me on some other stuff. 17 Q. Approximately how many employees 18 does Galaxy 45 have? 19 A. We have four full-time employees 20 and two part-time. Total about six. 21 Q. And what do the full-time people 22 do? 23 A. Full-time means like they work 40 24 hours a week. 25 Q. I'm sorry, my question was not</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>Page 29</p> <p>1 Chan 2 clear. What kinds of jobs do they have, that 3 is what I meant? 4 A. Waiter or bartender. We have one 5 bartender and three waiter. 6 Q. Is there a manager there other 7 than yourself? 8 A. No. 9 Q. When did you first become involved 10 with Galaxy 45? 11 A. I believe on the end of 2005. 12 Q. End of 2005? 13 A. No. End of 2004, beginning of 14 2005, yes. Actually I think -- withdraw that. 15 Either January or February of 2005. 16 Q. Before you became an owner then 17 did you work in that club at any time? 18 A. No. 19 Q. Have you ever worked in a 20 karaoke -- withdrawn. 21 Other than this relationship of 22 ownership of Galaxy 45 have you ever been 23 involved with a karaoke bar? 24 A. No, not at all. That is what I am 25 saying before, I am still learning how to run</p> <p>TSG Reporting - Worldwide 877-702-9580</p>

<p style="text-align: center;">Page 42</p> <p>1 Chan 2 MR. HOFFMAN: Excuse me, what time 3 do we have? 4 THE COURT REPORTER: I have 10:32. 5 MR. HOFFMAN: Would you note that 6 on the record. 7 Q. Who are some of the sources of the 8 videos you have in your club? 9 A. Taiwanese songs -- 10 Q. Start with the Cantonese songs? 11 A. Yes. 12 Q. Where do you get Cantonese songs 13 from? 14 A. The Cantonese song we got is 15 original come from one of the guys, they send 16 us the whole list of the songs that we have. 17 And later on Nicholas Chai, EGI, came to tell 18 me that, hey, this is -- this is our licensed 19 song. Most of the song that we play in our 20 karaoke premises is licensed by EGI. So that 21 I say, is it true; yes. He proved to me it is 22 true. And then whatever it is a true 23 statement, so we signed a contract with EGI. 24 Q. That covers most of the songs that 25 are in your system now?</p> <p style="text-align: center;">TSG Reporting - Worldwide 877-702-9580</p>	<p style="text-align: center;">Page 43</p> <p>1 Chan 2 A. For Cantonese, yes. 3 Q. What about Mandarin? 4 A. Mandarin we have a bunch of 5 Mandarin song. Some of them is not original 6 ones. Some of them is people, just cartoon in 7 the background, some people mix it for special 8 song, or for special purpose for people if 9 they really like it. 10 Q. The ones that are with the 11 original artists, are those also from EGI 12 primarily? 13 A. No. EGI doesn't have any license, 14 as far as I know so far, EGI doesn't have any 15 Taiwanese songs that he has the license for. 16 Q. I was asking about Mandarin? 17 A. Well, Mandarin, that is different. 18 I am saying that he also has some license for 19 Mandarin song because some artists in Hong 20 Kong also sing Mandarin song. I am saying 21 that for Taiwanese, that publishing those 22 songs, that we have in our system. 23 Q. Where did you -- do you have any 24 licenses for the Taiwanese songs? 25 MR. HOFFMAN: What does that have</p> <p style="text-align: center;">TSG Reporting - Worldwide 877-702-9580</p>
<p style="text-align: center;">Page 44</p> <p>1 Chan 2 to do with this? 3 Q. You can answer the question. 4 MR. HOFFMAN: Can we move on; is 5 there any question about EGI, NAKWTA, 6 some Taiwanese songs, that is not part of 7 the case, is it; is it part of the case? 8 Q. You can answer the question? 9 A. I want to take -- 10 Q. Your lawyer has not instructed you 11 not to answer the question. 12 MR. HOFFMAN: I want to know what 13 this has to do with the subpoena? 14 Q. You can answer the question. 15 A. We actually, you know, the song 16 that we got from -- the Taiwanese song that we 17 got from the persons, we talked about this 18 persons, if those songs have a license right 19 to play in here, he said you are supposed to 20 get those licensed song, but no one is 21 representing Taiwanese publishing company in 22 North America. So even though we are willing 23 to pay it, and no one actually taking money. 24 Q. When you became involved with 25 Galaxy 45, I think you said it was in January</p> <p style="text-align: center;">TSG Reporting - Worldwide 877-702-9580</p>	<p style="text-align: center;">Page 45</p> <p>1 Chan 2 or February of 2005? 3 A. Yes. 4 Q. Was the material that -- when I 5 say EGI you understand I mean Entral Group 6 International, the plaintiff in this case? 7 A. I understand. 8 Q. Let me start the question again. 9 When you became involved with 10 Galaxy in January or February of 2005 was the 11 material that EGI said it holds the license 12 for already on the equipment at the club? 13 A. Yes. 14 Q. Since then have you added any more 15 material from EGI to the equipment at the 16 club? 17 A. Some of the songs that we add to 18 it is not -- some of the song that we would be 19 playing, some of the song has the same title 20 and same artist singing, but because of 21 different versions so we replace that on to 22 our system. Like if a publishing for -- if 23 a -- if there is a song they make in 1999 and 24 then later on the same song, they remake it in 25 2000, and then we using the same title, same</p> <p style="text-align: center;">TSG Reporting - Worldwide 877-702-9580</p>

1 Chan
 2 don't go to the bar, they want to go to
 3 karaoke.
 4 How we can promote that, how we
 5 can educate the customer, how to educate
 6 people outside the karaoke business, or how to
 7 educate people that doesn't know karaoke. So
 8 we want to send this message to everybody that
 9 we have a karaoke, and not each -- not a
 10 traditional karaoke fashion, is it maybe a
 11 next step of the karaoke fashion.

12 Q. On the press release one of the
 13 purposes of NAKWTA listed under item D is to
 14 provide free resources and supports to members
 15 of the karaoke business or industry.

16 What type of free resources?

17 A. Resources, we just provide
 18 something like how to apply a liquor license
 19 and how to not violate any violations for the
 20 Health Department and how to select better
 21 server component, so to make sure that the
 22 server has a more robust, that it is supposed
 23 to be so the downtime will be close to zero.

24 And also, we also provide like
 25 lawyer. At that moment we tried to get a

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1 Chan
 2 making a video, VCD is a very, very hard --
 3 first of all you have the right skilled
 4 people. Even though I know -- I know how to
 5 make it, but if I make it I will be totally
 6 off for the quality for a synchronization for
 7 the music together.

8 So you have to have a very
 9 specific skill of people, know how to make and
 10 create this kind of karaoke works. And so I
 11 told them it is not ease okay, but I am
 12 concerned to find out. So we asked a lot of
 13 people inside our members and tell them does
 14 anyone have any related, you know, friends or
 15 cousins, whatever, that have this specific
 16 skills.

17 So we just spread the message out
 18 to our members at that moment, and during a
 19 couple of meeting that we talked about. And
 20 also we tender in the meantime -- also in the
 21 meantime during the meeting I told them saying
 22 that, you know, everybody have to comply,
 23 require the license to play your own video
 24 works in your premises.

25 As for example EGL, okay, if you
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1 Chan
 2 legal consultant for our club. So I tell them
 3 if we get one of these and everybody, if they
 4 have a legal problem, they can call this legal
 5 counselor to represent to our club. So that
 6 is resources that we like to give. Actually
 7 it is more.

8 Q. When you met with the members or
 9 people who were going to become members back
 10 before December did you offer to get them new
 11 karaoke works from a new source?

12 A. No. At that time we didn't even
 13 think about how we put together with these
 14 resources. All we just focussed before
 15 December 8th, we just know what -- actually we
 16 talk about how we can help them out in another
 17 way. So that, you know, everybody would be
 18 happy about, and also people also bring up the
 19 questions of how can they reduce the cost.
 20 That is really important to people doing
 21 business, how can we reduce costs.

22 And so first of all they thinking
 23 about, is anyway that we can produce our own
 24 karaoke works, and I told them there is a way,
 25 but it is a very hard way to do it because

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1 Chan
 2 don't have any alternative way to commercially
 3 play this karaoke works and all you have to
 4 do -- I mean I am not saying audio -- I am not
 5 saying all -- let me withdraw.

6 Only for the publishing, Hong Kong
 7 record -- only for the Hong Kong record
 8 company publishing, and the works you guys
 9 have to buy licenses from EGL. So I told
 10 them, the message is really clear to my
 11 members saying that don't play any
 12 non-licensed copyright song in your premises,
 13 okay. So make sure you guys comply with all
 14 the licenses you are required.

15 And then, you know, people just
 16 saying, well, this is so expensive. I said
 17 well, expensive is expensive, if you cannot
 18 pay for license, then you have to talk to EGL,
 19 hopefully he can help you out to make an
 20 installment payment plan, whatever it is, and
 21 maybe EGL can help you out to give you a
 22 little bit of discount, and if you signed a
 23 little bit longer license agreements,
 24 something like that I suggested to them.

25 They said well, then they said,
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<p>1 Chan 2 well, it is still expensive. I said, putting 3 this way, our club, they are trying to help 4 everybody out, but in the legal way, not in an 5 illegal way. So -- 6 Q. Make sure you got that. 7 A. Then everybody said okay, they 8 understand. So, you know, this karaoke 9 business people is very, very -- they are not 10 really highly educated people like you, Mr. 11 Hanlon. They are very like middle class 12 people and their mind is -- 13 Q. I am a pretty middle class person? 14 A. You are very highly intelligent 15 people. Anyway so I am saying that when you 16 deal with these karaoke owners or managers, 17 they are not a -- normal person that you can 18 deal with. They say this is funny language, I 19 don't understand sometimes. Finally I 20 understand it, as long as we get along. 21 So to put it in short form, 22 finally we say okay, and then eventually I 23 believe on June -- actually we tried to 24 locate -- okay, supposedly EGI can -- let me 25 withdraw, there is no suppose. TSG Reporting - Worldwide 877-702-9580 </p>	<p>Page 70</p> <p>1 Chan 2 I think I tell the member if EGI 3 can go to get those license from Hong Kong 4 publishing company and he got seven of them by 5 the time that we have license agreement, I 6 believe that maybe there is some other Hong 7 Kong publishing company that have their own 8 artists, that EGI have no license agreement 9 with them. So, but I don't know who and I 10 don't know where. 11 So we told our members, is anybody 12 knew, anyone knew about this industry, and 13 then somehow Ray -- 14 MR. HANLON: Excuse me, 15 Mr. Hoffman, please take your feet off 16 the furniture. 17 MR. HOFFMAN: I don't have my 18 shoes on. 19 MR. HANLON: I really don't care. 20 Please take your feet off our furniture, 21 I have asked you now three times. 22 MR. HOFFMAN: Ask your next 23 question. 24 MR. HANLON: Mr. Hoffman, take 25 your feet off our furniture. TSG Reporting - Worldwide 877-702-9580 </p>
<p>Page 72</p> <p>1 Chan 2 MR. HOFFMAN: Ask your next 3 question. Or what; ask your next 4 question. I am bored to tears with this. 5 MR. HANLON: You are going to 6 persist and not take your feet off the 7 furniture, is that what you are telling 8 me? 9 MR. HOFFMAN: I don't think I am 10 doing anything wrong. 11 MR. HANLON: This is my office and 12 you are here as a guest in our offices, 13 and it is highly inappropriate and 14 unprofessional of you to put your feet up 15 on our furniture. In the last deposition 16 you put your feet on the furniture with 17 your shoes on and I asked you to take 18 them off, and you now have your feet on 19 the furniture again. I really don't care 20 whether your shoes are on or off, your 21 feet do not belong on our furniture, and 22 I ask you to take them off. 23 MR. HOFFMAN: If this is what you 24 want to spend your deposition time -- 25 MR. HANLON: Are you refusing to TSG Reporting - Worldwide 877-702-9580 </p>	<p>Page 73</p> <p>1 Chan 2 do that, sir? 3 MR. HOFFMAN: I am not refusing or 4 not refusing -- 5 MR. HANLON: But you are keeping 6 your feet on the furniture? 7 MR. HOFFMAN: I am not refusing 8 or not refusing. 9 MR. HANLON: But you are leaving 10 your feet on the furniture. 11 MR. HOFFMAN: I am not refusing 12 or not refusing. 13 MR. HANLON: I note for the record 14 that your feet remain on the furniture 15 and we will deal with that at a later 16 time with the court. This is really 17 outrageous behavior. 18 Q. I am sorry, Mr. Chan. 19 A. So that members still complaining, 20 you know, anyway we can reduced the cost. So 21 that is the end of our discussions in one 22 session. Actually a couple of meeting that we 23 have, still going around same question, how 24 they reduce the cost for running the karaoke 25 business. And I believe in -- I think in TSG Reporting - Worldwide 877-702-9580 </p>

<p style="text-align: right;">Page 74</p> <p>1 Chan 2 March that Ray, around the time, timeframe, 3 March, April, Ray Yim is our vice president 4 and he went to Hong Kong, talk to the CASH 5 people, the CASH is like ASCAP here, and also 6 talk to IFPI, I believe that is Ricky Fung, I 7 forget the name of the CASH people, so you can 8 find in the web-site.</p> <p>9 So that he talked about how we 10 contact other Hong Kong publishing company 11 that have no license agreement with EGI. And 12 then the question come back is, very briefly 13 answer our questions, answer Ray's question 14 is, that is Ray told me that afterward, he 15 come back from Hong Kong, he said, you know, 16 they don't give us any hints or point of where 17 we can locate those Hong Kong, other Hong Kong 18 publishing companies that have no license with 19 EGI.</p> <p>20 So then I said okay, then we have 21 to go -- then I said why don't we -- that is 22 during the meeting.</p> <p>23 Q. That is during a meeting? 24 A. Then I said why don't we, all the 25 members, why don't we go to another way, maybe</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>	<p style="text-align: right;">Page 75</p> <p>1 Chan 2 this is hard way and maybe take a much longer 3 time to have our own creative works, okay. 4 The question is none of us know, none of us 5 has expertise on that. As I said before you 6 have to have a real specific skill to create 7 those karaoke works.</p> <p>8 So that is why I keep asking 9 people. I know one of our members and now his 10 business already closed down because I don't 11 know how he runs the business, and now he went 12 back to China to open another karaoke business 13 in China, and I am sure he opened up 14 successfully or not, but that is the last I 15 heard.</p> <p>16 Then his name is Jimmy, and he has 17 a connection with a guy, I don't know the 18 name, everybody called him Cheng.</p> <p>19 Q. The name that we were, that 20 Mr. Yim gave us we phonetically are writing in 21 English as C-H-E-N-G, does that sound close to 22 the English version?</p> <p>23 A. Because is -- he really pronounce 24 in Mandarin way, so I pronounce --</p> <p>25 Q. You pronounce Cheng?</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>
<p style="text-align: right;">Page 76</p> <p>1 Chan 2 A. Cheng. 3 Q. Cheng? 4 A. Like cleaning, as in my 5 prospective, in Cantonese way we call 6 cleaning, Cheng. 7 Q. If we are spelling it as C-H-E-N-G 8 is how we spelling it now? 9 A. Yes. 10 Q. I think we will know who are 11 talking about. We are going to use that word 12 just to keep track of it. 13 Let me back up and see if I 14 understand. Jimmy is not Mr. Cheng; Jimmy is 15 someone who new Mr. Cheng? 16 A. Yes. Jimmy knew Mr. Cheng. 17 Q. Do you know what Jimmy's last name 18 is? 19 A. We always call him Jimmy, I don't 20 know. 21 Q. Do you know what club he was 22 connected with? 23 A. His business only run very 24 briefly, he just closed down. He just came to 25 the meeting a couple of times. He said oh, I</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>	<p style="text-align: right;">Page 77</p> <p>1 Chan 2 know this guy, maybe he help you out. I said 3 that is great. And then he said, he said how 4 we contact this guy and he said, well, then he 5 contacted this guy and then talked to Ray. 6 And then -- at same time Ray, I believe Ray 7 also has a trip to Hong Kong and in June or 8 July I believe, I don't remember the time 9 frame. 10 And then we say if you are on the 11 way there why don't you pay a visit for this 12 guy and see how he works. Is he -- is he 13 capable of doing it. Then Ray called me back, 14 he said, Sam, looks like this guy is very -- 15 had skill for that. And then I say, well, ask 16 him can we -- what kind of stuff we can 17 provide him so that they can willing to 18 provide these karaoke works at minimum cost, 19 because our owners are very, very poor. We 20 don't have that much money. 21 So because we were newly formed in 22 less than a year at that time. So the guy 23 said, well, you know, that guy has a very 24 friendly attitude. He said oh, all they need 25 is a hardware. And then he said, hardware,</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>

<p style="text-align: right;">Page 78</p> <p>1 Chan 2 what kind of hardware, specify. Well, he said 3 any PC would be fine. I said are you sure any 4 PC would be fine, and he said yes. 5 Then Ray called me back, he said, 6 Sam, you know, is anyone in our organization 7 have any used computer, so send it back to 8 Hong Kong now. But no one has it. And then I 9 asked again, Jimmy, anyone in China that you 10 have a connection. He said well, you know, 11 there is maybe one guy in Hong Kong named 12 Danny, and then he has, I believe a music, a 13 certain music record store. It is like a 14 medium size, then he tell us that -- Jimmy 15 talked to him.</p> <p>16 Q. Please go ahead?</p> <p>17 A. Then Jimmy said, maybe he will 18 help you out, I said great. Let's talk to 19 Danny then, is any, maybe he can donate to us. 20 And at the same time his company just changed 21 to another new equipment, so they have a bunch 22 of old PC equipment. And then I said, wow, 23 that is great. We just need any PC that will 24 run, any piece that runs, Intel based, and 25 then can use it, yes. Can we have a good use</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>	<p style="text-align: right;">Page 79</p> <p>1 Chan 2 for this old computer. Can we have a good use 3 for this computer, he said yes, go ahead, we 4 donate to this organization. 5 So then Ray going to pick up the 6 computer and bring it over to the Cheng, and 7 Cheng said okay. 8 MR. HANLON: Stop there for a 9 minute. We have a tape issue. 10 THE VIDEOGRAPHER: Time is 11:31, 11 we are going off the record. 12 (Recess taken.) 13 THE VIDEOGRAPHER: The time is 14 11:36. This is the start of tape number 15 2 of the videotape deposition of 16 Mr. Chan. 17 Q. Mr. Chan, we were talking about 18 your dealings or the organization's dealings 19 with Mr. Cheng in China. Did Mr. Cheng 20 then -- withdrawn. 21 Did Mr. Cheng tell you -- let me 22 try it one more time. I will get it right if 23 I keep trying. 24 Did you ask Mr. Cheng, you or 25 Mr. Yim on your behalf, did you ask Mr. Cheng</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>
<p style="text-align: right;">Page 80</p> <p>1 Chan 2 to create a certain number of karaoke works? 3 MR. HOFFMAN: Objection. 4 A. I can answer this. I didn't talk 5 to Mr. Cheng directly because at that time it 6 was Ray talking to him. And he just called 7 back us to see does anybody have the used 8 computer they can donate and for this guy to 9 do it. But from my understanding when Ray 10 comes back, I asked him, can he actually do it 11 for us, he said yes, he said, quote, Ray said, 12 Ray actually told me that he just is doing 13 whatever he can --</p> <p>14 Q. He is going to do whatever he can? 15 A. He is going to do whatever he can 16 produce, and we never asked him how many he 17 did or how many we want, because this is for 18 free services, and this is a really nice guy 19 in China who is willing to do it. But one 20 agreement is, if he finished all this work, I 21 don't know how many piece, maybe ten or four 22 or 20, then he said he would keep those and 23 use the computer for good. I said no problem, 24 those computer, we cannot use it anyway. We 25 cannot bring it back to the U.S., it is used</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>	<p style="text-align: right;">Page 81</p> <p>1 Chan 2 computer and we don't want it, keep it in 3 China. 4 So that is why the guy -- really 5 nice, so we don't pressure time, take your 6 time. Since, you know, we don't have money to 7 give to you, but you are welcome to keep those 8 computer in a good use, we don't like -- even 9 old, the computer can still be used. 10 Q. Now, it was your understanding 11 that he was going to create a few, you said 12 four or ten -- 13 A. No, I am not saying that. I 14 saying that -- you said did we ask him how 15 many of them? 16 Q. Yes. 17 A. I said we never asked him to do -- 18 Q. You said as many as he could? 19 A. Yes. 20 Q. You mentioned four or ten -- 21 A. I mentioned, I think, even though 22 he is making some, like four or five for us, 23 that is good, so we can see how good his 24 quality is, how good it is. That is what I am 25 saying. I didn't talk to him at all.</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>

<p style="text-align: right;">Page 82</p> <p>1 Chan 2 Q. As I understand what you are 3 saying is that he was going to make several, 4 you thought he would make several songs, 5 samples so you can see the quality? 6 A. Yes. 7 Q. And in exchange he was going to be 8 able to keep the computers? 9 A. Yes. 10 Q. Did he make samples and send them 11 to you? 12 A. Yes. Actually he make samples and 13 bring it back from another guy that 14 actually -- we have a couple of friends back 15 and forth in China. They came back with a 16 disk, CD, a couple of song there. Then I 17 looked into it and I called a meeting together 18 with all the members and saying this is what 19 Cheng did that, okay, is everybody acceptable, 20 and everybody said it looks good, but still it 21 is not very good because the background is 22 scenery, not either scenery or animals, fish, 23 something like that. 24 Q. Now, you showed the sample, CD to 25 the members? </p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>	<p style="text-align: right;">Page 83</p> <p>1 Chan 2 A. Yes. 3 Q. When you say a CD, this is not 4 just an audio CD, this is a VOD? 5 A. Yes. 6 Q. Which shows audio images as well 7 as audio; correct? 8 A. Yes. 9 Q. What happened to that CD? 10 A. The CD I have it in one of -- 11 where did I put it. I don't know, I just have 12 it and maybe it is in -- because I need to 13 show it to the members, and I have it in a CD 14 that maybe in my shelf, I am not sure -- 15 sorry. 16 THE VIDEOGRAPHER: The time is 17 11:41. We are going off the record. 18 (Recess taken.) 19 THE VIDEOGRAPHER: The time is 20 11:42. We are back on the record. 21 RQ Q. Mr. Cheng, we would ask that that 22 CD be produced, it was previously requested in 23 the document production, and we ask that it be 24 produced as soon as possible? 25 A. No problem. </p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>
<p style="text-align: right;">Page 84</p> <p>1 Chan 2 Q. You can produce either the 3 original CD or make a true copy so long as you 4 can attest to the fact that it is a true copy? 5 A. Sure. 6 Q. Did you then contact Mr. Cheng and 7 tell him that the quality was acceptable and 8 that you would like him to make more karaoke 9 videos for you? 10 MR. HOFFMAN: Objection. 11 Q. You can answer? 12 A. No, I cannot answer -- 13 MR. HOFFMAN: If I object you can 14 answer. I am objecting to the form. If 15 you don't understand the question you can 16 ask him to explain it. 17 A. We didn't ask him to do it. I 18 said if you have -- if you appreciate our 19 donation of the computer and if you have a 20 free time you are welcome to make more of 21 these things for us, if you can, that is what 22 we asked him. He said yes, that is what we 23 asked for. We never asked him how many of 24 them or when we can have them, we never asked 25 him. </p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>	<p style="text-align: right;">Page 85</p> <p>1 Chan 2 Q. Did Mr. Cheng say that he would 3 make more? 4 A. He didn't directly say yes or no. 5 He just said, well, he said what can he do. 6 We said okay, no problem. Then later on I 7 don't know what it is, there was a dialog with 8 Ray from Cheng, and then Ray said, Cheng 9 actually has a couple, you know, song. I said 10 a couple, I said how many, and then Ray said 11 it looks like he is able to make 8,000 song, 12 all different songs, not only Cantonese song, 13 but some Taiwanese song, a variety. 14 So I don't know how -- I never see 15 those -- let me rephrase that. He has a 16 dialog with Cheng, that Cheng told him that, 17 you know, they have some songs or that Cheng 18 makes it, uses the computer, and Ray said, you 19 know, okay, how many. And then Ray told me 20 that like 2,000 each hard drive and he said 21 probably have 8,000 songs at that moment. 22 He said, well, that is great, I 23 think the timeframe is the end -- is end of 24 the year before I take my trip to Hong Kong. 25 Q. Now, when Mr. Cheng was going to</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>

<p>1 Chan</p> <p>2 make these songs, make these karaoke videos,</p> <p>3 what was your understanding about how he was</p> <p>4 going to make them; was he obtaining a singer?</p> <p>5 A. When I look at the demo that he</p> <p>6 made for one of the sings, I knew this guy</p> <p>7 really know how to make a karaoke song, I</p> <p>8 understand how to make a VCD, based on what I</p> <p>9 understand how to make the VCD. What he do</p> <p>10 is, he has very clear pictures, background,</p> <p>11 clear pictures meaning scenery or animals or</p> <p>12 fish. Those kind of background very clear and</p> <p>13 then he super impose with the lyrics, and it</p> <p>14 is very -- the lyrics are kind of small</p> <p>15 because he typed into it. That is how you</p> <p>16 make the VCD, and then this is okay, this is</p> <p>17 acceptable, the quality.</p> <p>18 Then he has to synchronize, even</p> <p>19 though synchronize you have to have color.</p> <p>20 You have color to synchronize the sing so that</p> <p>21 you know where the character is sung, so you</p> <p>22 keep going down.</p> <p>23 Q. Mr. Chan, who is the singer who is</p> <p>24 singing the songs on the work that Mr. Cheng</p> <p>25 prepared?</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 Chan</p> <p>2 MR. HOFFMAN: Objection.</p> <p>3 A. The one that he give to me, I</p> <p>4 forget who it is. It sounds to me -- I am not</p> <p>5 speech expert.</p> <p>6 Q. I understand.</p> <p>7 A. So I listened it through the</p> <p>8 computer and stuff, it looks like to me is an</p> <p>9 original singer to me. To me is original</p> <p>10 singer, but I don't know.</p> <p>11 Q. Did Mr. Cheng tell you who the</p> <p>12 singer was?</p> <p>13 A. Yes, he write down a piece of</p> <p>14 paper.</p> <p>15 Q. Do you have that piece of paper?</p> <p>16 A. No, not a piece of paper, actually</p> <p>17 when the karaoke comes up they have artist</p> <p>18 saying the name, so you know what it is.</p> <p>19 Q. It is your understanding that the</p> <p>20 person whose name is there is the person who</p> <p>21 is singing the song on the vocals?</p> <p>22 MR. HOFFMAN: Objection.</p> <p>23 A. I am not sure, because I am not a</p> <p>24 speech expert.</p> <p>25 Q. I understand.</p> <p>TSG Reporting - Worldwide 877-702-9580</p>
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<p style="text-align: right;">Page 90</p> <p>1 Chan 2 to make it is first of all you have, take a 3 video source, any video source like you can go 4 out to make the video yourself like using a 5 video recorder, or you can using existing any 6 video pictures, okay.</p> <p>7 Q. Okay. 8 A. So first of all you have a video 9 source. You can obtain the video source from 10 different sources. Then you have to have a 11 song --</p> <p>12 THE VIDEOGRAPHER: The time is 13 11:52. We are going off the record. 14 (Recess taken.)</p> <p>15 THE VIDEOGRAPHER: The time is 16 11:54. We are back on the record.</p> <p>17 A. Okay, saying how to make this 18 video, MPEG 1 video, you need a video source, 19 I tell you how to obtain the video from 20 various way. Second of all you have to obtain 21 a song with the singer who sings the song with 22 the music, music code. And then second part 23 is you need to have a lyrics.</p> <p>24 Then first of all you have to type 25 in the lyrics into digital format on the</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>	<p style="text-align: right;">Page 91</p> <p>1 Chan 2 paper, turn into digital format. Then once 3 you turn it into digital -- transfer it into 4 digital format, then you can play your music. 5 When you play the music and you try to 6 synchronize now, very hard work, try to 7 synchronize the singer singing each word and 8 then using a color to highlight which 9 character was sung. And then once you have 10 that, that is a very difficult part. Once you 11 have that this would be multi irritation, you 12 have to do it multi times --</p> <p>13 Q. I think you mean multi iteration. 14 A. Yes. So you have to do sometime 15 do it too fast, sometimes too slow and most of 16 all is if you don't -- if you not familiar 17 with the song that will even make it more 18 difficult.</p> <p>19 Q. Now, to create -- 20 A. That is how to create the videos.</p> <p>21 Q. About how long would you estimate 22 it takes to create one of these songs? 23 MR. HOFFMAN: Objection. 24 A. Because I never see a very 25 skilled, specified skilled people to make song</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>
<p style="text-align: right;">Page 92</p> <p>1 Chan 2 by myself, in my own eyes, I cannot answer 3 your questions. Because it really depends 4 on -- if you very, very familiar with the 5 song, you can listen to the song, you can sing 6 along yourself. But if the song is totally 7 not familiar, but you have to -- oh, too fast, 8 or sometimes too slow and you think you are 9 singing, actually not singing, pausing. Then 10 you have to redo it again. So that is why I 11 can't answer the question.</p> <p>12 Q. Let's go back to the WAV files 13 that are part of the materials, the samples 14 that Mr. Cheng gave you. Did the samples that 15 he gave you have two tracks, one with vocals 16 and one without vocals?</p> <p>17 A. Yes.</p> <p>18 Q. Where did Mr. Cheng get the 19 recordings for those samples?</p> <p>20 A. I believe in China.</p> <p>21 Q. Did Mr. Cheng arrange for those 22 recordings to be made, or did he obtain the 23 recordings from an existing source?</p> <p>24 MR. HOFFMAN: Objection.</p> <p>25 A. Can you rephrase your question, I</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>	<p style="text-align: right;">Page 93</p> <p>1 Chan 2 didn't get it.</p> <p>3 Q. Sure. Is it your understanding 4 that Mr. Cheng obtained recordings that had 5 already been made, or did whether Cheng 6 arrange for a new recording to be made?</p> <p>7 MR. HOFFMAN: Objection.</p> <p>8 A. I have no idea about that.</p> <p>9 Q. Did Mr. Cheng tell you that?</p> <p>10 A. He never told me.</p> <p>11 Q. Did Mr. Yim tell you what 12 Mr. Cheng said?</p> <p>13 A. Not that I know.</p> <p>14 Q. When you were told that Mr. Cheng 15 had an additional 8,000 songs what was your 16 response?</p> <p>17 A. My response, well, that is great. 18 Okay. That means like that he did a lot of 19 progress to have these songs come out and 20 naturally can give it to us for free so we can 21 have a good use for it. Even though it is a 22 very experimental, variation copy, and still 23 is to me is acceptable.</p> <p>24 Q. Mr. Chan, you said it was free.</p> <p>25 Why would Mr. Cheng create 8,000 karaoke works</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>

<p>1 Chan</p> <p>2 and give them to you for free?</p> <p>3 MR. HOFFMAN: Objection.</p> <p>4 A. Well, as I said, they really,</p> <p>5 because, you know, one thing I can understand</p> <p>6 is, I am not quite sure I am saying this</p> <p>7 right, but I think because, you know, they can</p> <p>8 produce this song to sell on their own, okay,</p> <p>9 using our equipment for free. You understand</p> <p>10 what --</p> <p>11 Q. The equipment is that one used</p> <p>12 computer that was not worth much you said?</p> <p>13 A. Yes.</p> <p>14 Q. So you gave him one used computer</p> <p>15 that is not worth much and he then turned</p> <p>16 around and gave you 8,000 karaoke works that</p> <p>17 took him a lot of time and effort to create?</p> <p>18 A. And don't forget, he got the</p> <p>19 master for that too, so he can sell that in</p> <p>20 China because he create that song by himself.</p> <p>21 So he has a total right for license. He can</p> <p>22 license to anyone.</p> <p>23 Q. Mr. Chan, it seems as if Mr. Cheng</p> <p>24 didn't need you to create the 8,000 works?</p> <p>25 MR. HOFFMAN: Objection.</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 Chan</p> <p>2 MR. HANLON: Can I finish my</p> <p>3 question?</p> <p>4 MR. HOFFMAN: It is an argument,</p> <p>5 it is argumentative. Ask him what he</p> <p>6 did, where he went, who he talked to.</p> <p>7 Q. Mr. Chan, it seems that Mr. Cheng</p> <p>8 didn't need you to create the 8,000 works,</p> <p>9 that he -- that once he had the computer he</p> <p>10 could have created them himself and then sold</p> <p>11 them to whoever he wanted; why wouldn't he</p> <p>12 charge you a fee like he would charge other</p> <p>13 people a fee?</p> <p>14 MR. HOFFMAN: Objection.</p> <p>15 A. I can answer. Because at the</p> <p>16 beginning we say if you can have a good use of</p> <p>17 computer and produce songs, and then you can</p> <p>18 keep the computer, and just give whatever you</p> <p>19 guys have, that is it.</p> <p>20 Q. What do you estimate the computer</p> <p>21 was worth?</p> <p>22 MR. HOFFMAN: Objection.</p> <p>23 A. I didn't look at the computer</p> <p>24 myself, so I cannot tell you.</p> <p>25 Q. Was it a standard PC?</p> <p>TSG Reporting - Worldwide 877-702-9580</p>
<p>Page 96</p>	<p>Page 97</p>

<p>Page 98</p> <p>1 Chan 2 Q. Did Mr. Cheng give you a business 3 card? 4 A. Yes. I asked him do you have any 5 business to make this karaoke work, he said 6 no, I have a bunch of people, that we are in a 7 consortium, kind of like NAKWTA, they have 8 people that -- they claim themselves is an 9 expert on making video, VCD. 10 Q. You said he gave you a business 11 card? 12 A. No. He never. 13 Q. Did he give you any piece of 14 paper? 15 A. No, he just said thank you for the 16 hardware that you donate to us and this is a 17 hard drive. That is all the data that we 18 make. I hope you enjoy it, that is it. I 19 never look at the data at the time that I take 20 it because I have no computer on hand. 21 Q. How many hard drives did he give 22 you? 23 A. Four at the moment that I have. 24 Q. So you gave him a computer and he 25 gave you back four hard drives filled with</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>Page 99</p> <p>1 Chan 2 data? 3 A. Not like -- 4 Q. I understand. Previously you gave 5 him a computer? 6 A. Yes. 7 Q. And in exchange he gave you four 8 hard drives back filled with data? 9 A. Yes. 10 Q. Did you pay him for the hard 11 drives? 12 A. I pay the hard drives. Actually 13 Ray, when he was there, they asked him -- that 14 is why I said they need hardware, computer, so 15 the hard drive, we paid for the hard drive. 16 Q. You paid for the hard drives? 17 A. Yes. 18 Q. What type of hard drives were 19 they? 20 A. At the time that we have, because 21 we don't want to carry that many hard drives, 22 so we said the biggest hard drive that they 23 could buy in PRC. At that moment so the 24 biggest hard drive is 250 gigabytes. So we 25 bought 250 gigabytes hard drives, that is the</p> <p>TSG Reporting - Worldwide 877-702-9580</p>
<p>Page 100</p> <p>1 Chan 2 biggest one that we had. 3 Q. What type? 4 A. ISA type. Regular type, not like 5 a SCSI type. 6 Q. What did Mr. Cheng tell you about 7 the rights to the video that he was giving 8 you? 9 A. Yeah, he told me, I asked him, 10 okay, very particular I asked him did you 11 create this video from the ground zero. Then 12 he said yes, he created the video from ground 13 zero. I said okay, good, then you have your 14 right to use it. 15 Q. What do you mean when you say from 16 ground zero? 17 A. Ground zero means like they have 18 their own video source from some other source 19 they have it, maybe they videotape outside or 20 they have their own, you know, video copy, and 21 they buy some of the CD. When you buy you can 22 use it in your home, wherever you want to do 23 it. Then they type the lyric themselves, and 24 then they put everything together and fill the 25 computer equipment to generate and create this</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>Page 101</p> <p>1 Chan 2 MPEG 1 VCD. 3 Q. Let me see if I understand. When 4 you say ground zero, you mean they obtain 5 video, they take it themselves or they obtain 6 it somewhere? 7 A. Yes. 8 Q. They then get a CD of recorded 9 music? 10 A. Yes. 11 Q. They combine the video with the 12 CD, and they add the lyrics and they 13 synchronize all those things into one combined 14 file? 15 A. Yes. Now, I give you extra 16 information is, VCD is one layer, okay, 17 everything. When you synthesize it, that is 18 called synthesize, that means like the picture 19 and the lyrics, when the lyrics and pictures 20 come together, they synthesize it, it becomes 21 one single picture and you cannot -- never can 22 separate the video and the lyrics, it is 23 sticking in one panel. 24 Only you can extract like you said 25 like audio. So that is why you know if you,</p> <p>TSG Reporting - Worldwide 877-702-9580</p>

<p>Page 102</p> <p>1 Chan 2 like you said, you want to take out the audio 3 and inject another thing, the lyrics cannot be 4 taken out. There is no way.</p> <p>5 Q. I understand. 6 A. That is why I believe them. When 7 I look at their video work, I believe that 8 they make it from ground zero. When I come 9 back here to look at the tape.</p> <p>10 Q. And you looked at it? 11 A. When I come back here.</p> <p>12 Q. As you understood it they took 13 prerecorded CDs, they combined them with new 14 video and new lyrics?</p> <p>15 MR. HOFFMAN: Objection.</p> <p>16 A. Yes.</p> <p>17 Q. They may have typed them in 18 themselves, but --</p> <p>19 A. You have to.</p> <p>20 MR. HOFFMAN: Objection.</p> <p>21 Q. You said you thought he -- 22 withdrawn.</p> <p>23 You said you thought Mr. Cheng 24 either took the videos or arranged to have the 25 videos taken. What about the music, what was</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>Page 103</p> <p>1 Chan 2 your understanding about the music that 3 Mr. Cheng was using?</p> <p>4 A. The music to me is acceptable way, 5 and I tell you that I don't know is originally 6 singer, really hard. Even though someone 7 bring a CD to you, hey, this is a singer by 8 Bon Jovi, even though you are Bon Jovi fan, 9 you can't even tell -- I am saying that if 10 someone is a Bon Jovi fan, and even though he 11 just listen to Bon Jovi song, he won't be able 12 to identify this is original it is Bon Jovi's 13 song, because when you go through digital he 14 can do a lot of pitching, lower the voice, 15 change the frequency, and match what the 16 singer is, the sounds like.</p> <p>17 I can match Mr. Hanlon's voice if 18 I have original voice, I put inside and have 19 another singer sing it, I can synthesize the 20 whole thing based on your pitch and signs. I 21 can change your whole entire dialog range so 22 that no one actually can listen to you unless 23 you are a speech expert or you have the 24 equipment to tell this is the reproduction of 25 the audio. It is not original singer.</p> <p>TSG Reporting - Worldwide 877-702-9580</p>
<p>Page 104</p> <p>1 Chan 2 Q. I don't think you want to 3 reproduce my singing?</p> <p>4 A. Just an example.</p> <p>5 Q. Did Mr. Cheng tell that you the 6 recordings, that the audio recordings were the 7 original artists?</p> <p>8 A. I didn't ask him.</p> <p>9 Q. Did he tell you that they were not 10 the original artists?</p> <p>11 A. He didn't tell me that. By the 12 time, we have dinner together, I said these 13 are the hard drives. We didn't really -- the 14 time I met him we didn't talk about business, 15 we just talked about social stuff, like how, 16 how many karaoke business in this area and 17 like do they -- do you have any good food 18 around, specialty food, like social.</p> <p>19 Q. Social stuff?</p> <p>20 A. We don't get into business, 21 personal, no need to.</p> <p>22 Q. Did Mr. Cheng give you any 23 documents concerning ownership of the hard 24 drives?</p> <p>25 A. Ownership of the hard drives; no.</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>Page 105</p> <p>1 Chan 2 He never give me that.</p> <p>3 Q. Did he give you any documents 4 concerning rights to the content of the hard 5 drive?</p> <p>6 A. No.</p> <p>7 Q. Did he ask for any payment, any 8 additional payment for the creation of the 9 works?</p> <p>10 A. No, not at all.</p> <p>11 Q. Did he say that he wanted some 12 payment in the future?</p> <p>13 A. Not even that.</p> <p>14 Q. Did he indicate that he was going 15 to continue to make more karaoke works?</p> <p>16 A. Yes. He intended to say that he 17 make more karaoke works because he want to -- 18 using a new technique that they come out, 19 because they are writing their own software. 20 So that they have to have -- making or 21 creating more VCD so that to -- like a 22 testing, because they only debug their 23 software.</p> <p>24 I sensed that it is not they told 25 me, but since I am a professional on</p> <p>TSG Reporting - Worldwide 877-702-9580</p>

<p>Page 106</p> <p>1 Chan 2 electrical engineering, by the information he 3 told me, he said that he need to -- I said why 4 you want to make such huge amount of data. He 5 told me we have new software that will make -- 6 to help people make karaoke much more easier, 7 to bring them to next stage, okay, not the 8 traditional that I know of.</p> <p>9 So I said wow, that would be 10 great. I said well, even though a high school 11 kid can produce this quality VCD in no time. 12 That is what he said to me. So for my 13 understanding, I am guessing, is that he needs 14 a lot of data to test, okay, his software. 15 That is why I believe he keep making all this 16 new video.</p> <p>17 Q. Did you and Mr. Cheng discuss 18 obtaining any licenses from any rights 19 holders?</p> <p>20 A. I did discuss -- he asked me, do 21 we have any license; I mean do anybody in New 22 York charging licensing fees. I tell him yes, 23 EGI for example, they are charging license fee 24 for Hong Kong publishing songs. Then I told 25 him, he said okay, he said that means that we</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>Page 107</p> <p>1 Chan 2 can do the same thing here because I create 3 it.</p> <p>4 I said yes, sure, you can sell 5 this to people or you can just give it free to 6 people and charging them no license, whatever 7 it is, because you have your own work. That 8 is why we have discussion with the license 9 right at that moment. We briefly discussed 10 it.</p> <p>11 Q. Did he tell you that he had 12 obtained rights from anyone?</p> <p>13 A. What does that mean, obtaining --</p> <p>14 Q. Did he tell you that anyone gave 15 him a license or gave him rights?</p> <p>16 A. No, he didn't say that. He didn't 17 tell me anything about that.</p> <p>18 Q. You now have the hard drives.</p> <p>19 A. Yes.</p> <p>20 Q. Did you bring them back to New 21 York?</p> <p>22 A. Yes.</p> <p>23 Q. What happened then?</p> <p>24 A. The hard drive, we bring it back 25 to New York, then we try to share with our</p> <p>TSG Reporting - Worldwide 877-702-9580</p>
<p>Page 108</p> <p>1 Chan 2 member. Tell them, hey, now we try to reduce 3 the costs, now we have a set of video that I 4 believe, when I told Mr. Cheng saying that 5 they created, so that means that they have a 6 right. So then we have the right that they 7 give us to use it. And then I told all my 8 members that you can use it, you can use it in 9 good use or not use it.</p> <p>10 If you are going to use it in a 11 commercial you have to have to comply all the 12 license rights. For example I said you have 13 to pay license fee for ASCAP because ASCAP 14 owns the musical and lyrics right. So that -- 15 I said even though you are not using our work, 16 ASCAP have to have the -- to pay to the 17 license because you are using EGI song, it 18 doesn't matter what song you are playing, as 19 long as you are playing musical and lyric and 20 singing, you have to pay license to ASCAP if 21 you want to play commercial. Publicly.</p> <p>22 Q. When was this told to the members, 23 at a meeting?</p> <p>24 A. In one of the meetings, yes.</p> <p>25 Q. Approximately when?</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>Page 109</p> <p>1 Chan 2 A. I don't remember. Actually every 3 meeting they bring up the license right, I 4 told them, because I have to educate them, 5 because their mind set everything is free. I 6 said no, nothing is free. We are dealing 7 legal stuff in here, nothing is free. Please 8 go to buy ASCAP license.</p> <p>9 Q. Did you tell them that if they got 10 an ASCAP license, then they were allowed to 11 play video?</p> <p>12 MR. HOFFMAN: Objection.</p> <p>13 A. I didn't tell them to play video. 14 I said one thing you guys have to pay the 15 license fee. What I know of is ASCAP, and 16 other license fee that you need to pay that I 17 don't know, because you have to based on your 18 judgment. It is not my judgment or my call to 19 say that you feel free to use it without 20 consulting any license right or whatever.</p> <p>21 But, you know, for the video, 22 video work, I mean the video work that the 23 Cheng do it, I took Cheng's word that he 24 created it. That he created the whole thing.</p> <p>25 I told my members Cheng created that. So that</p> <p>TSG Reporting - Worldwide 877-702-9580</p>

<p style="text-align: right;">Page 110</p> <p>1 Chan 2 you guys have the right, that what Cheng's 3 work is for playing in public. That is what I 4 relate Cheng's work, that is -- but, okay, 5 make sure go out to find, okay, go out to find 6 out if any license that have to be complied 7 before you guys play commercially.</p> <p>8 Q. Did you tell them that they needed 9 a separate license for Cheng's work?</p> <p>10 A. Yes. ASCAP.</p> <p>11 Q. Did you tell them that ASCAP was 12 the only license that they needed for Cheng's 13 work?</p> <p>14 A. No. I said you guys -- besides 15 ASCAP you guys have to go out to find any 16 other license compliance, to comply to play 17 the video in the public.</p> <p>18 Q. Did you make copies of the hard 19 drives to give to members?</p> <p>20 A. Yes, based on their request, yes.</p> <p>21 Q. How many members did you make 22 copies for?</p> <p>23 A. I believe 100 Fun, Melody and what 24 is it, I believe there is one more. What is 25 this guy's name. I have to look at the</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>	<p style="text-align: right;">Page 111</p> <p>1 Chan 2 record.</p> <p>3 Q. Was it YHLC?</p> <p>4 A. Yes.</p> <p>5 Q. Black Swan?</p> <p>6 A. Yes, thanks for reminding me.</p> <p>7 Q. Is there another club beyond those 8 three?</p> <p>9 A. I believe that is it.</p> <p>10 Q. Did you install Cheng's content --</p> <p>11 A. We never installed --</p> <p>12 Q. Let me finish the question. Did 13 you install Cheng's content in Galaxy 45?</p> <p>14 A. No.</p> <p>15 Q. Do you believe that these clubs 16 needed additional licenses from other sources 17 aside from ASCAP to use Cheng's work?</p> <p>18 MR. HOFFMAN: Objection.</p> <p>19 A. I am still in the discovery period 20 for my club -- for this non-profit 21 organization. And I am -- that is why I have 22 Mr. Hoffman, our legal consultant to see, you 23 know, if any license right that we need 24 besides ASCAP to play in public. But for our 25 club we never using it for any public use. In</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>
<p style="text-align: right;">Page 112</p> <p>1 Chan 2 our club just like a repository. We just 3 collect it, put it in the basement and sit 4 there. We never use it.</p> <p>5 Q. Do you copy it?</p> <p>6 A. What?</p> <p>7 Q. Have you copied it?</p> <p>8 MR. HOFFMAN: Objection.</p> <p>9 A. We have one master copy.</p> <p>10 Q. Have you ever made copies from 11 that master copy?</p> <p>12 A. Yes. We copy it to, as I said, A 13 100 Fun, YHLC and Melody.</p> <p>14 Q. So you made copies and you 15 distributed it to these three companies?</p> <p>16 A. Based on the request, yes.</p> <p>17 Q. But you have never, you meaning 18 you, Sam Chan, nor NAKWTA has ever obtained a 19 license from any other source authorizing you 20 to make copies or distribute these works; is 21 that correct?</p> <p>22 A. Yes. You are correct.</p> <p>23 Q. When did you give YHCL copies of 24 the work?</p> <p>25 A. I believe it is beginning of --</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>	<p style="text-align: right;">Page 113</p> <p>1 Chan 2 beginning of this year.</p> <p>3 Q. Mr. Chan, I missed something, let 4 me back up. I want to make sure we are not 5 confused about the time. This trip that you 6 made to Hong Kong and then to meet Mr. Cheng, 7 when was that trip?</p> <p>8 A. I think it was mid December to end 9 of December, in that timeframe.</p> <p>10 Q. Did you come back during that 11 period as well, back to the United States?</p> <p>12 A. Yes.</p> <p>13 Q. And when did you tell the club 14 members -- the NAKWTA members that you now 15 have these works for distribution?</p> <p>16 A. I am not saying that we have for 17 distribution. I said we obtained this -- we 18 have this four hard drive on hand. I said it 19 was after I come back, I think a couple of 20 days later I called a meeting. Usually a 21 response to my members when I have new news, I 22 call a meeting to say I have the hard drive.</p> <p>23 I told them I have not looked at 24 the quality yet, but I believe based on the 25 demo that that may be good, that is it. Next</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>

<p style="text-align: right;">Page 126</p> <p>1 Chan 2 with ASCAP is. 3 Q. How many E-mails did you send to 4 ASCAP? 5 A. I think only one, and they never 6 respond to me. 7 Q. Did you send an E-mail to anyone 8 else about this material? 9 A. Yes. I think I cc'd to Ray Yim I 10 believe. 11 Q. Did you send E-mails to any other 12 organization aside from ASCAP? 13 A. No. That is the only one. 14 RQ MR. HANLON: We would ask that the 15 E-mails to ASCAP be produced. 16 MR. HOFFMAN: What category does 17 that fall under; he said the subject 18 matter of that E-mail was that he wanted 19 to have NAKWTA appointed as a person to 20 collect royalties on Cantonese songs. It 21 has nothing to do with karaoke works per 22 se. It certainly has nothing to do with 23 your client's rights. 24 MR. HANLON: The record relates to 25 the development, production or TSG Reporting - Worldwide 877-702-9580 </p>	<p style="text-align: right;">Page 127</p> <p>1 Chan 2 distribution of any karaoke work by you. 3 That relates to the distribution of 4 karaoke works. The E-mail is called for. 5 Q. Mr. Chan, produce the E-mails? 6 A. I can produce the E-mail, no 7 problem. Very, very simple E-mail, asking can 8 we have this. 9 Q. Did you tell Mr. Yim that you were 10 going to get in touch with publishers to 11 discuss rights? 12 A. Publisher -- no. 13 Q. Publishers to discuss obtaining 14 rights from the publishers? 15 A. Well, I told him, I told him to 16 talk to CASH and IFPI to -- 17 Q. I am not being clear, let me try 18 again. Did you talk to any publishers about 19 obtaining rights? 20 A. No. 21 Q. Did you tell Mr. Yim that you were 22 going to? 23 A. I only tell him that I am going to 24 talk to one of the publishers as from PCTW, 25 the record company label called Music Nation. TSG Reporting - Worldwide 877-702-9580 </p>
<p style="text-align: right;">Page 128</p> <p>1 Chan 2 The chairman of the Music Nation is called 3 Robert Chan, the last name same as mine, 4 C-H-A-N. 5 Q. Did you speak to the publisher -- 6 did you speak to Mr. Chan? 7 A. Yes, personally. 8 Q. About obtaining rights? 9 A. About obtaining the license 10 rights, yes. 11 Q. Did you enter into a license with 12 Music Nation? 13 A. They are still considering it 14 right now. We don't have any concrete 15 statement from them. 16 Q. Did you -- where is Music Nation 17 located? 18 A. Hong Kong. 19 Q. Are you distributing any of Music 20 Nation's works now? 21 A. No. 22 Q. Have you spoken to Cheng since you 23 have brought back those hard drives; Mr. Cheng 24 in China? 25 A. Cheng? TSG Reporting - Worldwide 877-702-9580 </p>	<p style="text-align: right;">Page 129</p> <p>1 Chan 2 Q. Cheng? 3 A. No. 4 Q. Mr. Chan, I am showing you a 5 document that has been marked as Plaintiff's 6 Exhibit 22. 7 A. Yeah. 8 Q. Can you tell me what this document 9 is? 10 A. This is a document, this is the 11 song list. 12 Q. What song list? 13 A. A song list is a list of the songs 14 and also the author, the singer. 15 Q. What songs is this a list of? 16 A. This list is what Cheng give to me 17 at the time that I pick up the hard drive, and 18 he said, you know, this is a song book that 19 you guys know, you need it, because before 20 this song book it is really hard to recognize 21 the hard drive song, because the song hard 22 drive data is a number, is not in naming. It 23 is numbering. 24 So based on that, I said what was 25 this for, he said without this you cannot put TSG Reporting - Worldwide 877-702-9580 </p>

<p style="text-align: center;">Page 130</p> <p>1 Chan 2 the song in the system. I said okay, how to 3 use this. Then after he explained to me how 4 to use it, then I know how to use it. Because 5 every karaoke system have their own server 6 technology and have their own different 7 database. This is considered database, this 8 is what he told me.</p> <p>9 So you have to give this to 10 whoever need to use the karaoke song and ask 11 their technicians, whatever it is, ask the 12 technician to put this database in the system 13 in order they can play the data in hard drive 14 like a VOD system.</p> <p>15 Q. And so you have given this song 16 list to the members of the organization?</p> <p>17 A. Yes? When they asked me did they 18 have a copy for the song, yes, I gave that to 19 them, yes.</p> <p>20 Q. Have other members asked for 21 copies of this list as well?</p> <p>22 A. No. Only people that request for 23 the hard drive.</p> <p>24 Q. So you have given this out to 25 three or four different clubs now?</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>	<p style="text-align: center;">Page 131</p> <p>1 Chan 2 A. Yes, 100 Fun and Melody and 3 also --</p> <p>4 Q. YHCL?</p> <p>5 A. Yes.</p> <p>6 Q. So YHCL has been given this list?</p> <p>7 A. Actually I gave it to IUG.</p> <p>8 Q. You gave it to IUG, a third-party, 9 they are not a member of the club?</p> <p>10 A. Yes.</p> <p>11 Q. They are an outside vendor, an 12 outside company that distributes?</p> <p>13 A. Yes, because YHCL told me that 14 they don't know anything about the database 15 because the system is maintained by IUG. So 16 that they told me, give to them to have a good 17 use.</p> <p>18 Q. So you gave this to IUG so they 19 can deal with entering it into the VOD system?</p> <p>20 A. Yes.</p> <p>21 Q. Did you give IUG any special 22 instructions when you gave them the list?</p> <p>23 A. No. Cheng told me this is the 24 database, so I -- they are, they know the VOD 25 system, they know exactly.</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>
<p style="text-align: center;">Page 132</p> <p>1 Chan 2 Q. But you didn't give them any other 3 instructions or told them there was any 4 limitations?</p> <p>5 A. No. I said this is the database, 6 go use it.</p> <p>7 Q. They were free to use it as they 8 needed to?</p> <p>9 MR. HOFFMAN: Objection.</p> <p>10 A. I didn't say that.</p> <p>11 Q. You didn't tell them that they 12 couldn't use it?</p> <p>13 A. I told them only use it for the 14 system conversion for the YHCL, yes.</p> <p>15 Q. Are all of the songs that are on 16 this list on the hard drives?</p> <p>17 A. No, of course not. If we have 18 this it would be great. The problem is, Cheng 19 told me this is a database that they intended 20 to make, and he said, you know, that is only 21 part of it, they give to us. It is not all of 22 them, like that.</p> <p>23 Q. And so in order -- if you have the 24 hard drives in order to be able to find any 25 songs on the hard drives you have to have this</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>	<p style="text-align: center;">Page 133</p> <p>1 Chan 2 list, right?</p> <p>3 A. Yes.</p> <p>4 Q. It is not possible to figure out 5 which songs are which without this list?</p> <p>6 A. No way.</p> <p>7 Q. Is it your expectation that you 8 will get the rest of these songs from 9 Mr. Cheng at some point in the future?</p> <p>10 A. I have no idea. If the guy is 11 nice enough he will produce more. If not, 12 then we are just stuck with the four hard 13 drives.</p> <p>14 Q. Is there any indication on this 15 list as to which songs are on the hard drive?</p> <p>16 A. Then you have to specify. You 17 have to look at the data and match the number.</p> <p>18 Q. My question is not clear. In just 19 looking at this list can you figure out which 20 of the songs in this list are already on the 21 hard drives?</p> <p>22 A. I don't know, I told you I never 23 looked at the data myself.</p> <p>24 Q. But there is no marking on this 25 list that says that this song has already been</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>