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Integrity Advance

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1 Q. The first payment was supposed to be for  
2 December 2012 -- oh, through November 20, 2013. Yeah,  
3 through November 20, 2013, and that payment wasn't made?

4 A. No.

5 Q. Is there a reason it wasn't made?

6 A. Because we would have had to have made more than  
7 \$8 and a half million in that timeframe according to the  
8 net income definition of the asset purchase agreement,  
9 and we did not do that. We didn't expect to do that  
10 either.

11 Q. And are you expecting to receive any funds  
12 through the second payment that's called for?

13 MS. BAKER: When you say "you," you mean Mr.  
14 Carnes again?

15 MS. WEINBERG: You, Hayfield.

16 MS. BAKER: Hayfield, okay.

17 THE WITNESS: Again I have no concept about  
18 whether -- what's going to go on with future payments,  
19 future supplemental payments. I'm no longer with the  
20 company, and I have no idea of what's going on there.

21 BY MS. WEINBERG:

22 Q. Did they give you any accountings?

23 A. If I ask for them.

24 Q. I just have one final question in this section,  
25 and we can move on to something else.

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1 In one of your interrogatory responses, which  
2 was interrogatory 19, the Bureau asked you to identify  
3 all persons to whom Integrity Advance had sold or  
4 otherwise disclosed any consumer data.

5 In your response you stated: "Except as noted  
6 in interrogatory 18," which dealt with the debt sell to  
7 United Debt or Withholdings, I forget the name of the  
8 company, "the company did not sell any consumer data."

9 Did you recall that response?

10 A. I do.

11 MS. BAKER: Do you have a copy of that  
12 interrogatory? It might be easier.

13 THE WITNESS: Is it in here somewhere?

14 MS. BAKER: I think that would be an easier way  
15 to proceed.

16 MS. WEINBERG: This is a very simple question.  
17 I'm not going to spend very long on it.

18 BY MS. WEINBERG:

19 Q. The question is simply: You gave that response  
20 on October of 2013, and the sale to EZCORP had occurred  
21 about a year earlier, on November 2012. Is there a  
22 reason that you didn't disclose that sale of consumer  
23 data to EZCORP?

24 MS. BAKER: You mean Integrity Advance?

25 MS. WEINBERG: Yes.

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1 THE WITNESS: To the CID?

2 BY MS. WEINBERG:

3 Q. Yes.

4 A. My guess is the -- how I read that sale of  
5 consumer data in dealing in this situation was, Did you  
6 take customer data and sell it to marketers to try to  
7 generate profits or something like that, which we never  
8 sold data outside of ourselves to do that, and that's  
9 what I thought the question was asking, not what  
10 happened with EZCORP because I think we've been pretty  
11 upfront about what happened with EZCORP and very clear  
12 about that they -- that Integrity did sell data to  
13 EZCORP.

14 And so I guess the question as answered is  
15 incorrect, and we should amend that to say other than  
16 the sale to EZCORP, but we didn't -- I want to be clear  
17 we weren't selling data to marketers.

18 Q. All right.

19 MS. WEINBERG: I think we're going to switch to  
20 a different line of questioning.

21 (Discussion off the record.)

22 EXAMINATION

23 BY MR. WHEELER:

24 Q. Mr. Carnes, I just have a few more questions  
25 about the sale to EZCORP.

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1 A. Okay.

2 Q. Then we'll move on after that. The asset  
3 purchase agreement required that Integrity be able to  
4 shut down operations; is that correct?

5 A. There were some provisions about what Integrity  
6 Advance had to do outlined in the asset purchase  
7 agreement, yes.

8 Q. And that included shutting down operations?

9 A. It included -- there were a number of clauses  
10 that related to that, but shutting down operations was  
11 one of those.

12 Q. And Integrity Advance did shut down its  
13 operations, correct?

14 A. Yes.

15 Q. What steps were taken to accomplish that?

16 A. Like I said before, we ceased lending in --  
17 there was some date in December, middle of December, I  
18 can't remember exactly what date it was. We ceased  
19 lending, and from then on, we just went into a  
20 collection mode trying to get back what we could that  
21 had been lent out.

22 Q. When you say collection mode, were those HIP  
23 Financial employees who were trying to collect, or was  
24 that a third party vendor?

25 A. So at that point we were using that -- what I



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1 described before as the sort of captive third party  
2 vendor.

3 Q. Okay. What was the name of that vendor?

4 A. Worldwide Analytics. It was listed in the  
5 sheet.

6 Q. I apologize, you may have testified to this  
7 before, but does Integrity Advance still have a license  
8 in Delaware?

9 A. No.

10 Q. When did you -- when did the company surrender  
11 the license?

12 A. The company surrendered the license in July of  
13 2013.

14 Q. Why did the company wait that long from the  
15 asset purchase agreement? That must have been seven  
16 months, eight months.

17 A. It was six -- well, it was close to seven I  
18 guess, but it was -- there was no reason really to do it  
19 passed July 1. But it was -- we tried to surrender it  
20 July 1, and FedEx somehow lost it, which I've never seen  
21 FedEx lose anything, but they lost this, so it took us  
22 just a few more days to figure out where it was or for  
23 them to figure out where it was and get it back to the  
24 State of Delaware to surrender.

25 Q. Does Integrity Advance have any assets at this

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1 time?

2 A. It has a loan book of charge off loans.

3 Q. What's the size of that loan book?

4 A. I'm not positive, but my belief is it's  
5 somewhere between \$17 and 18 million, but again I'm not  
6 sure. That's just a guess.

7 Q. And I guess I want to understand what that \$17,  
8 18 million represents. That's amount consumers owe to  
9 Integrity Advance?

10 A. Yes.

11 Q. So that might include principal, interest, late  
12 fees?

13 A. Yes.

14 Q. Do you know how many consumers that represents?

15 A. I do not.

16 Q. Why is Integrity Advance still holding those  
17 loans?

18 A. We had sold a tranche of debt which we told you  
19 about, and it's in some interrogatories, and we're  
20 considering selling the rest of it, and we just -- we  
21 haven't. We didn't for a variety of reasons. This was  
22 getting into full swing, and we were I guess --

23 Q. I'm sorry, by this, you mean the Bureau's  
24 investigation?

25 A. The Bureau's investigation, and we were kind of

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1 like -- I don't know. There was -- I don't know whether  
2 it was with you guys or your prior attorneys, but it was  
3 with our prior attorneys that there was apparently some  
4 miscommunication about in business, and we just wanted  
5 to make -- we wanted to make sure we were not doing  
6 anything that you weren't aware of or that -- because I  
7 think our prior attorneys made some comment about how we  
8 were out of business or not doing business and we sold  
9 some debt, and I guess there was some negative feedback  
10 from your office about that, and we didn't want any more  
11 negative feedback.

12 Q. Do you have a sense of how much that \$17 to 18  
13 million of debt would be worth on the market?

14 A. You know, once it gets that old, the values  
15 don't change much. Coming from the other tranche we  
16 sold, I would say it was relatively the same in terms of  
17 percentage points. Whether it was 2 percent or some  
18 percent, I can't remember what it was.

19 Q. Does 2.35 percent sound right?

20 A. I would say it's something very close to that  
21 just because they don't -- it's so cheaper that it just  
22 doesn't get any cheaper really.

23 Q. Any other assets that the company is holding at  
24 this time?

25 MS. BAKER: Again your definition of asset, do

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1 you want to just give us a definition so we're talking  
2 about the same thing?

3 BY MR. WHEELER:

4 Q. Anything of value that Integrity Advance owns  
5 today.

6 A. Not that I know of.

7 Q. After the asset purchase agreement was signed,  
8 were you offered a job at EZCORP?

9 A. I was. Actually I want to amend my last answer.  
10 I think there is some cash in a bank account, but it's  
11 not significant, like less than \$10,000 to 15,000 in  
12 assets. It may even be gone now. We may have used it  
13 to pay attorneys, so I'm not sure what's there, but I  
14 just want to make sure I'm not --

15 Q. So we have the \$17 or 18 million in debt and a  
16 relatively small amount in a bank account?

17 A. Extremely small, if even there's any left, yeah.  
18 There may be something there. I just don't want to  
19 misrepresent that there's --

20 Q. It wouldn't be over \$15,000; is that a fair  
21 statement?

22 A. I would say not, yeah.

23 Q. Okay. Anything else?

24 A. No.

25 Q. So back to my question before, were you offered



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- 1 a job at EZCORP?
- 2 A. Yes.
- 3 Q. After the asset purchase agreement was signed?
- 4 A. I was.
- 5 Q. What was that job?
- 6 A. It was president of their online division.
- 7 Q. And you accepted that job?
- 8 A. I did.
- 9 Q. What were your duties as president of the online
- 10 division?
- 11 A. I pretty much ran the online division for them.
- 12 I had reported to -- I ended up having four or five
- 13 different bosses over the year period I was there. They
- 14 were -- that year there was a lot of change going on at
- 15 the company, and I was -- we were just kind of shuffled
- 16 around to different departments, different people, but
- 17 my goal was to run the online division.
- 18 Q. And you said you were there about a year?
- 19 A. I was there a year. Yeah, maybe just a little
- 20 bit under a year.
- 21 Q. When did you start working at EZCORP?
- 22 A. The day the transaction closed in what, December
- 23 18, 20 or something like that? Whatever it was, middle
- 24 of December of 2012.
- 25 Q. Did you receive a salary?

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1 A. I did.

2 Q. What was that salary?

3 A. 400,000.

4 Q. Did you receive any other forms of compensation  
5 other than a salary?

6 A. Benefits, health insurance, 401 K plan, normal  
7 things, nothing other than those things.

8 Q. Did you receive bonuses?

9 A. I guess dental plans. No.

10 Q. Why did you decide to leave EZCORP?

11 A. I was technically fired. I didn't -- I don't  
12 really work very well for other people in the sense of I  
13 never have, and I didn't like being part of a publicly  
14 traded company, all the -- we basically were doing lots  
15 of accounting, and they kind of took the fun out of the  
16 job I guess, and I made that known, and it was actually  
17 better for them if they fired me than me quitting.  
18 So...

19 Q. Why was that better for them?

20 A. I don't know. It was -- they were able to  
21 exercise a piece of the asset purchase agreement in  
22 doing that and still maintain my noncompete that I had  
23 signed for the deal, but it was going to go the other  
24 way either way.

25 Q. Were there other people affiliated with Hayfield

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1 who accepted positions at EZCORP after the asset  
2 purchase agreement?

3 A. They initially hired everybody.

4 Q. When you say everybody, what's that universe of  
5 people?

6 A. They hired everybody at HIP Financial. They  
7 hired everybody -- they hired Edward and myself who were  
8 at Willowbrook Managers. They hired all of the third  
9 party captive call and collection centers, plus we --  
10 yeah, basically that's it.

11 Q. Do you know if any of those people still work at  
12 EZCORP?

13 A. There are.

14 Q. Who?

15 A. I can't give you the entire list, but --

16 Q. To the best of your knowledge.

17 A. Do you want individual names? Do you want  
18 numbers?

19 Q. Names.

20 A. Names? Monica Wilkins, Mark Rondeau, Dalton  
21 Franklin, Jared Snell or Shell will. I can't remember.  
22 Mary -- what's Mary's last name? I can't remember  
23 Mary's last name. But there's a Mary. Eddie Hampton.  
24 Josh Hampton, Tony Hallaba. I believe there are others.  
25 That's who I can come up with off the top of my head.



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1 Q. Does Mr. Foster still work at EZCORP?

2 A. No, he worked there through June 10.

3 Q. Of?

4 A. Actually he worked there through -- last year  
5 when they made the decision with me or we came to that  
6 conclusion, they decided to close the Kansas City  
7 office. At the time they closed the Kansas City office,  
8 they decided to let a bunch of people go out of Kansas  
9 City. They kept a number of the names that I described.  
10 Mr. Foster was one of the people they let go.

11 However, they wanted to rehire him as a  
12 consultant, just not an employee, and they sent him over  
13 to UK to run their UK lending division. He had a  
14 consulting agreement that was up in June, and he didn't  
15 renew it. They hired a full-time president that's in  
16 the UK.

17 Q. When you said they shut down the Kansas City  
18 office. After the asset purchase agreement, did the  
19 location in Kansas City that we talked about before  
20 where some people were essentially working for Integrity  
21 Advance, did that become an EZCORP office after the  
22 asset purchase agreement?

23 A. Yeah. The office that Hayfield employees were  
24 at became an EZCORP office.

25 Q. Let's go back to talking about Integrity Advance



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1 for a little bit, and I want to talk a little bit about  
2 how the company underwrote loans and how they made  
3 decisions on who to lend to. I assume that Integrity  
4 Advance had a set of criteria it used to decide who to  
5 loan to?

6 A. They did.

7 Q. What was that criteria?

8 A. Oh, it's too numerous for me -- I think we gave  
9 you a huge underwriting scheme that you can go through  
10 and see all the different boxes. There are hundreds of  
11 different decision points that you would go through to  
12 underwrite a loan.

13 Q. Let's take a look at tab 7, and it's not on your  
14 copy, I apologize, but the beginning Bates is  
15 INTEG000116, and this is an excerpt. It does not have  
16 all the pages that originally were part of this  
17 document.

18 MS. BAKER: Can you go through just so we have a  
19 record and tell us what the pages are?

20 MR. WELLER: So I believe it starts at 116 and  
21 it goes in sequential order.

22 MS. WEINBERG: You have a Bates stamped copy.

23 THE WITNESS: Before you get into this, I can  
24 tell you that this was never used, and the first time I  
25 actually ever had seen this was at prepping for this

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1 deposition. It was created -- we were trying to figure  
2 out why it was created because we know where it was  
3 created, but it was created at the third party call  
4 center that we ended up at, but it was created way  
5 before we were even there, and the address it has in  
6 there isn't the address of the call -- it's the wrong  
7 address and it's just like, Where did this come from.

8 And we have some speculations as to where it  
9 came from and why we did it, but it wasn't ever used in  
10 reality in terms of the call center, running the call  
11 center.

12 MR. WELLER: Let's look at page 4.

13 MS. BAKER: Is this an exhibit?

14 MR. WHEELER: Yeah, Let's mark it as an exhibit.

15 MS. BAKER: So page 4 then is 116, 117, 118,  
16 119?

17 MR. WHEELER: Well, let's just mark this whole  
18 excerpt as Exhibit 20.

19 MS. BAKER: Okay. But what's the Bates number  
20 for page 4.

21 (Whereupon, Exhibit Number 20 was marked for  
22 identification.)

23 BY MS. WEINBERG:

24 Q. You see Roman III where it says "loan  
25 requirements"?

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1 A. Yes.

2 Q. And then if you turn to the next page, letter B  
3 says "net income of at least \$1,000 per month."

4 A. Yes.

5 Q. Was that a requirement that Integrity Advance  
6 used?

7 A. Integrity Advance used different net income  
8 minimums over its lifetime, and I don't know exactly  
9 where it started and finished, but that could have been  
10 one we used, but I just don't remember. I know it used  
11 higher and lower and over time -- it could have.

12 MS. BAKER: I would like to just ask a point of  
13 clarification. The witness has just testified that this  
14 was produced to you, and notwithstanding the fact that  
15 it was produced to you in response to as part of the CID  
16 sent to Integrity Advance, apparently it was not used by  
17 Integrity Advance. So I understand the reason why it's  
18 here, I'm not questioning that. That makes perfect  
19 sense, but I would like to qualify this line of  
20 questions with that fact.

21 MR. WHEELER: No, I understand they didn't use  
22 this document. I still want to ask about certain things  
23 in here. If they weren't criteria, that's fine. If  
24 they were, let's talk about it.

25 MS. BAKER: Okay. That's --



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1 MS. WEINBERG: Can I ask: Did Integrity have a  
2 policies and procedures manual that it did use?

3 THE WITNESS: We had a training document, and  
4 when I went through and saw this, I was like, Okay, we  
5 gave them the wrong thing because we never used this,  
6 where is the training document, and we haven't been able  
7 to find the training document. With no employees, no  
8 one there, I'm trying to find it and sort through stuff.

9 MS. WEINBERG: Do you mind if I just ask one  
10 thing? When you say training document, are you  
11 referring to a document that you produced to us that's  
12 Bates stamped 10 to 53, which I'm going to hand you just  
13 to look at? Is that what you consider a training  
14 document?

15 THE WITNESS: I've honestly never seen this  
16 either. It may be, I don't know -- I don't know. What  
17 was this supposed to be produced for?

18 MS. WEINBERG: It was -- one of the labels on  
19 the document itself said training. I don't know.

20 THE WITNESS: That would make sense. I don't  
21 know exactly. Again I would have to take this and go --  
22 I would have to take this and go find my person who ran  
23 the call center and say, Is this what you used to train  
24 because I wasn't involved in that nor did I put the  
25 document together, but it would seem logical that's --



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1 you're probably right, but I would have to go and check.

2 MS. BAKER: Can we provide that information to  
3 you in a subsequent follow up, and is this the whole  
4 document, to your understanding, 10 to 53?

5 MS. WEINBERG: That was the entire document that  
6 was produced as one file, and as part of the file name,  
7 and I don't recall the entire file name, it was  
8 training.

9 THE WITNESS: Okay. I'll check on that.

10 MS. BAKER: We will check on that and get back  
11 to you, if that's okay, and we'll try and get back to  
12 you as soon as possible.

13 THE WITNESS: That looks much more plausible  
14 than this because this -- that actually has pictures of  
15 our website.

16 MS. WEINBERG: Was there another policies and  
17 procedures manual or are you testifying that the entire  
18 thing that employees used in dealing with customers was  
19 this, which is Bates stamped 10 to 53, correct?

20 MS. BAKER: I'm not sure he's testified about  
21 that.

22 THE WITNESS: So I'm not testifying anything  
23 about that. What I'm testifying is I'll find out what  
24 that was and was it used. I don't know. I know this  
25 wasn't, and I'm trying to get ahold of the person who

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1 would know and have been unable to do that so far, but  
2 as soon as I do, I'll figure out what they actually used  
3 for training and/or if there was a policies and  
4 procedures manual that we can give you that we used.

5 MS. WEINBERG: Just so I'm clear, you're going  
6 to find out what was Bates marked 10 to 53 was? You're  
7 going to find out if there was a policies and procedures  
8 manual, and if so, you're going to provide that to us?

9 THE WITNESS: If I can get my hands on it.  
10 Again these are people who haven't worked at the company  
11 in a long time. The files are not -- it's not like  
12 there's laptops that you can go and get stuff off of.  
13 It's hard to find this stuff.

14 BY MR. WHEELER:

15 Q. We won't worry about the actual documents that  
16 much on this, but going back to my question about  
17 income, Integrity Advance did have a set of criteria  
18 that considered how much income a consumer had before  
19 loaning money; is that correct?

20 A. We did. We did.

21 Q. And you testified that number varied over time?

22 A. I think -- I believe it did.

23 Q. Who set that number?

24 A. All that -- that number was set by the  
25 underwriting department, analytics department. We

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1 started out -- I think we started out actually a  
2 thousand dollars a month because that's what people did.  
3 That's kind of what the competition was doing I guess.

4 Q. And you think it may have moved over time?

5 A. I know that there were a number of changes over  
6 time of the underwriting. Again I can't tell you  
7 exactly when it moved or how it moved because they were  
8 moving things around all the time to try to make sure we  
9 were getting customers who were going to pay us back and  
10 the right loan to the right customer kind of thing, so I  
11 can't recall exactly how that changed over time.

12 Q. Do you have -- you don't have a sense of whether  
13 or not you started loaning to consumers who had more  
14 income or less income?

15 MS. BAKER: At what period of time?

16 BY MR. WHEELER:

17 Q. At any period of time. You said you started  
18 with a thousand dollars.

19 A. I think we started with a thousand dollars, and  
20 I think -- I mean, like I said, I think we may have  
21 experimented with it a little bit up and down over time.  
22 I can't recall exactly what the numbers were though.

23 Q. Did you require that consumers have direct  
24 deposit of their paycheck?

25 A. At some times. We ended with that requirement,



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1 but there were times in the company's existence that we  
2 didn't require that.

3 Q. For the times when you did have that  
4 requirement, what was the reason for that requirement?

5 A. Because we had a very hard time, when we were  
6 not requiring it, with getting paid back and having  
7 consumers who were confused about the pay dates and  
8 about when their due date was, and it was just -- it  
9 created a lot of confusion.

10 Q. For the times when consumers could take a loan  
11 from Integrity Advance and the company did not require  
12 that that consumer receive direct deposit, for those  
13 consumers, did -- had the company executed -- had the  
14 company executed a document that gave it a right to pull  
15 ACH payments from the consumer's account? Do you know  
16 what I mean when I say that?

17 A. I do. I think I did. Are you meaning an ACH  
18 authorization agreement?

19 Q. Yes.

20 A. Yes.

21 Q. So in those situations where there were  
22 consumers who received an old-fashioned paper check,  
23 maybe someone got confused about when their payments  
24 were due, and Integrity Advance still had the ability to  
25 pull money from their accounts electronically; is that



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1 correct?

2 A. Right. So the concept was -- how we work was on  
3 a normal direct deposit, your paycheck goes in on Friday  
4 and your due date is on Friday, so the ACHs more or less  
5 match up, if you're not overdrawn or if you haven't  
6 moved or your direct is somewhere else and all the ifs,  
7 right? With a non direct deposit customer, what you  
8 would do is you would give them a courtesy day.

9 So you would say, If you are due on Friday,  
10 instead of pulling the money Friday because it wouldn't  
11 be there, they get a paper check on Friday, you're  
12 hoping they take the paper check to the bank and deposit  
13 it in their account, so Monday you can go try and pull  
14 the money out. If they go spend it on the weekend, they  
15 don't put it in their account, then it bounces.

16 Q. At any time did Integrity Advance require that  
17 its consumers be able to be -- receive contact at work?

18 MS. BAKER: Can you repeat that question?

19 MS. WEINBERG: Sorry. I did misspeak a little  
20 bit.

21 BY MS. WEINBERG:

22 Q. Did Integrity Advance have a requirement that  
23 its consumers be available to receive phone calls at  
24 work, at their place of employment?

25 A. No, not to my knowledge. I mean, the only

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1 requirement that we had about work is we had to verify  
2 your employment.

3 Q. Did Integrity Advance require that its consumers  
4 have a checking account?

5 A. At some points it did. At some points it  
6 didn't. Again we were experimenting trying to figure  
7 out who we could make loans to that would be able to  
8 afford it and pay us back, and we tried making savings  
9 account loans, and we couldn't figure out how to make  
10 that work so we stopped doing it.

11 Q. What was the difficult with making savings  
12 account loans?

13 A. We never figured it out about why it didn't work  
14 very well but it didn't. We really wanted to, we  
15 couldn't. Our bounce rates were really high, and  
16 default rates were high.

17 Q. And that's what you meant when you say it didn't  
18 work?

19 A. Yes.

20 Q. Higher than usual default rates and bounce  
21 rates?

22 A. We were able to give people money. We just  
23 weren't able to get it back.

24 Q. Did Integrity Advance ever send loan funds to  
25 consumers via paper check?

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1 A. No, not other than refunds or something.

2 Q. Did Integrity Advance require that its consumers  
3 be paid at least twice a month?

4 A. Yes.

5 Q. Why was that?

6 A. Again back to the experimentation of trying to  
7 get the product to fit the consumers and work for the  
8 consumer's benefit. We tried doing people who were paid  
9 weekly, who were paid monthly, and again we just  
10 couldn't make either one of those work very well. There  
11 are lenders that do, but we couldn't figure it out.

12 Q. When you say you couldn't make it work, you  
13 couldn't figure it out, what does that mean?

14 A. We couldn't -- one, our system wasn't equipped  
15 to do weekly so -- because we were using a third party  
16 software for the loan management system. We -- it  
17 wasn't equipped to pull a weekly payment. Say you had  
18 to treat a weekly customer like a biweekly customer, and  
19 so if you're weekly paid, you're getting a small amount  
20 of money every week.

21 Well, we would have -- how we should have done  
22 it was to have software that would have taken a small  
23 amount of money every week, but our software would only  
24 take two weeks worth every two weeks so we couldn't. It  
25 wasn't good for them, and it didn't really work for us.



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1 Q. As a part Integrity Advance's underwriting  
2 standards, did the company ever consider a consumer's  
3 outside obligations, like rent or mortgage, car payment?

4 A. No.

5 Q. Why not?

6 A. Because to really consider that, you would have  
7 to pull a full credit report on a consumer, and we  
8 thought that was doing consumer injustice. They didn't  
9 need a credit pull on their big three credits from a  
10 payday lender, and we thought that that information was  
11 of certainly a limited value to us, and if we had  
12 requested it -- lots of times we requested consumers to  
13 enter information on the application like income and so  
14 forth.

15 We found that when it came to them entering  
16 things that they knew would affect the amount of money  
17 they might get or something like that, they would  
18 frequently lie.

19 Q. Were you ever concerned that given that you  
20 didn't have an understanding of the consumer's financial  
21 obligations, that they might not be able to repay the  
22 loan that Integrity Advance had granted to them?

23 A. Again it's a -- the product is an online loan,  
24 and it would have been nearly impossible for us to sit  
25 down with each individual consumer and try to figure out

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1 what their -- do a budget for them, for instance, which  
2 is kind of almost what you're saying, What's your  
3 mortgage payment, what's your car payment, what's your  
4 rent and whatever payments, and how much money are you  
5 bringing in, how much can you afford to borrow.

6 We weren't a financial counselor. We were just  
7 trying to make an online payday loan. We were only  
8 trying to make a decision in seconds, not half an hour.

9 Q. What was Integrity Advance's typical fee?

10 A. We only -- at the end we were talking about  
11 experimenting with different fees, but for the majority  
12 of the company's life, it was \$30 per hundred for a new  
13 customer, and \$24 for a hundred for a returning  
14 customer.

15 Q. For a returning customer to receive that lower  
16 rate, would they have had to pay it off their prior  
17 loan?

18 A. Yes.

19 Q. Who selected those fee amounts?

20 A. I don't even know. I don't know. I'm sure I  
21 was part of it. We discussed it. We discussed how much  
22 to offer customers, and as a group we came up with that  
23 it's a 20 percent discount, which was easy to market and  
24 advertise.

25 Q. Did Integrity Advance ever loan to customers who

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1 were self-employed?

2 A. We did at points in the time. Again it was one  
3 of those things that we had a hard time making work.

4 Q. Why did you have a hard time making it work?

5 A. Because when you're self-employed, you don't  
6 have regular income hitting your account, and they  
7 wouldn't be prepared for the payment pulls that was  
8 coming on a regular interval.

9 Q. Did Integrity Advance loan to consumers who were  
10 receiving public assistance?

11 A. No.

12 Q. Why not?

13 A. It was a determination we made. I think it went  
14 along with the Talisman and the military, we didn't loan  
15 the military either. It's just all kind of part of  
16 that.

17 Q. Why didn't the company loan to military?

18 A. Because it was prohibited. We didn't have a  
19 product that would conform.

20 MR. WHEELER: Let's go off the record a second.

21 EXAMINATION

22 BY MS. WEINBERG:

23 Q. Okay. So we're going to switch focus again. I  
24 would like to talk with you a bit about how Integrity  
25 Advance obtained customers, so you said that Integrity



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1 Advance had a website. What percentage of the customers  
2 would you say you obtained through the website?

3 A. Extremely small, if any.

4 Q. Like 5, 10 percent?

5 A. Yes.

6 Q. .05?

7 A. Yeah, I don't know exactly but it was very low.

8 Q. You were shaking your head when I was saying  
9 lots of things. .05 percent, is that what you said?

10 A. I don't know. I said I don't know. It was low.  
11 But are you talking about new customers?

12 Q. Okay.

13 A. Yes. I just want to make sure we're on the same  
14 page. New customers were extremely low, way less than 1  
15 percent.

16 Q. And were -- how were the rest obtained?

17 MS. BAKER: The rest of the customers?

18 MS. WEINBERG: The rest of the customers.

19 THE WITNESS: The rest of the customers were  
20 obtained by buying data from either affiliates who are  
21 producing the data or a company who would be classified  
22 as a lead aggregator, which is how much of those were  
23 done actually.

24 BY MS. WEINBERG:

25 Q. What did you say about the affiliates who were

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1 reducing data?

2 A. Producing, sorry.

3 Q. What did you mean by that?

4 A. So if you go to Google and you type in pay loan,  
5 you're going to get all kinds of results. Some of those  
6 results are going to be lenders. Some of the results  
7 would be what we an affiliate. An affiliate is somebody  
8 who has a website. They're advertising on Google, but  
9 it's not a lender, so that affiliate would have a  
10 website, call it cashcorner.com. You click on that ad  
11 as a consumer, and you go to Cash Corner's website. You  
12 fill out -- the Cash Corner website looking for a loan.

13 Cash Corner takes that data via X amount and  
14 sends it either directly to a lender, which is the one  
15 thing I told you, or the other way is send it to an  
16 aggregator that has all kinds of other affiliates coming  
17 into him as well, and he -- and the aggregator has a  
18 whole slew of lender clients that he shows it to based  
19 upon a variety of factors like price, how much you're  
20 willing to pay for the data.

21 Q. And how would you describe what a lead generator  
22 does as distinguished from what you described as what  
23 the affiliates were doing?

24 A. How would I define a lead generator? I don't  
25 like the term lead generator. I like the term affiliate

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1 which is out generating traffic or aggregator, which is  
2 you're aggregating the traffic to a group of lenders.  
3 Those are the only two people that are really out there.  
4 I don't know you define lead -- what did you say?

5 Q. Lead generator. Well, in Integrity Advance's  
6 financial statements, it talks about -- it uses the  
7 words leads.

8 A. Right.

9 Q. Is that what you are talking about?

10 A. Yes, leads are --

11 Q. When you're talking about leads, you're talking  
12 about money paid to the affiliates?

13 A. To the affiliate or to an aggregator.

14 Q. And there were quite -- I mean, I would like to  
15 direct your attention to the first document after tab  
16 10, which is only -- it was only given -- it was given  
17 to us without a Bates number, but it was called  
18 attachment 5.

19 A. Okay.

20 MS. BAKER: Should we make that an exhibit?

21 MS. WEINBERG: Yes.

22 MS. BAKER: So Exhibit 21, is that where we're  
23 at?

24 THE REPORTER: Yes.

25 (Whereupon, Exhibit Number 21 was marked for



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1 identification.)

2 BY MS. WEINBERG:

3 Q. So there's quite a long list of companies here  
4 that under service it says lead provider, right? So  
5 there's LeadClick, LeadFlash, Leadnomics, Leadpile,  
6 LeadRev, so on and so forth. Do you see what I'm  
7 talking about?

8 A. Uh-huh.

9 Q. In the description that you just gave, are you  
10 calling all of those people affiliates?

11 A. A lead provider would be both an affiliate and  
12 an aggregator. That would encompass both. And you can  
13 probably use your term lead generator to both also.

14 Q. So the term lead generator could apply to --

15 A. Lead provider. You could say lead generator,  
16 lead provider. I, mean, I would -- affiliate and  
17 aggregator are more descriptive about what they really  
18 do, but these terms work.

19 Q. So if I see lead generator, we're on the same  
20 page then?

21 A. Yes.

22 Q. We're talking about all the companies here where  
23 it says lead provider?

24 A. Right, we are talking about people who we  
25 purchase data from. Whether it was directly obtained by

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1    them or indirectly obtained by them, it came from them,  
2    and we paid them money for it.

3           Q.   While we're on this document, let me just ask  
4    you about a couple of other companies that you worked  
5    with.  It says here that you paid Marketing Response  
6    Solutions for a text marketing campaign and short code  
7    provider?

8           A.   Yes.

9           Q.   What is that?

10          A.   It's a text platform, so we would text  
11   consumers.

12          Q.   Were these actual customers or potential  
13   customers?

14          A.   Actual customers.

15          Q.   And what sort of texts were you sending them?

16          A.   Well, actual customers like they might have an  
17   outstanding loan, but they may have had a paid off loan,  
18   and we're trying to see if they want another loan, so  
19   marketing messages to a customer who is in our database  
20   for a new loan or a message about, You filled out the  
21   application, but you have an incomplete signature, is  
22   there something happening, can we help you at the end.

23                We started getting into transactional texts but,  
24   I can't remember how far we got into that with  
25   Integrity.

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1 Q. Incomplete applications, solicitations for new  
2 loans. Did you do any collection activities through  
3 these texts?

4 A. Yes, if someone had a payment balance we would  
5 text them and say, There must have been a problem with  
6 your payment, please call us to help figure it out.

7 Q. Do you have or did you have the actual language  
8 used in each of these texts?

9 A. Do I have it?

10 Q. Did Integrity have that?

11 A. I'm sure it had it.

12 Q. Did Marketing Response Solutions provide that to  
13 Integrity?

14 MS. BAKER: I want to make sure what the  
15 question is. Could you rephrase it?

16 BY MS. WEINBERG:

17 Q. Did the actual language in the text that was  
18 sent to a consumer -- was that written or approved by  
19 Integrity?

20 A. Yes.

21 Q. Okay. And do you recall what the collection  
22 texts said?

23 A. Like I just said, your payment balance -- you  
24 know, I can't remember again exactly. I know there's a  
25 lot of limitations with texts in terms of number of



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1 characters you can send, something about your payment  
2 bounced, how can we help sort this out, please call us.

3 Q. And Brafton, it says here that they were a  
4 marketing content provider. What did they do?

5 A. They wrote content for the website.

6 Q. Are you just referring to the one website that  
7 Integrity used?

8 A. I don't even know if we used Brafton on  
9 Integrity's website. I don't know why Brafton would be  
10 on the list. We used them somewhere else. What Brafton  
11 would do was write content so you would be more easily  
12 searchable, and we weren't trying to optimize  
13 Integrity's websites. We were optimizing other  
14 company's websites, but not Integrity's, so I don't know  
15 why it's on there.

16 Q. What companies' websites were you optimizing?

17 A. Go Cash, Cornerstone, Go Cash UK.

18 Q. Why not Integrity's?

19 A. We had just decided we were going to optimize  
20 the other ones, and at the point we hired Brafton, I  
21 think we were in the process of knowing we were getting  
22 out of Integrity, and they are expensive, we didn't want  
23 to waste a lot of money having them work for Integrity  
24 when we know it was going to go away.

25 Q. What sort of ads were the lead generators using

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1 that would lead them to refer a customer to you? Was it  
2 strictly consumers seeking payday loans or was it other  
3 types of things?

4 MS. BAKER: I don't understand your question.  
5 If you understand it, answer it.

6 THE WITNESS: I understand the question, and the  
7 unfortunate part is I can't tell you the answer because  
8 it's impossible for us to police every affiliate that  
9 was putting data into the tree of the lead aggregator.

10 BY MS. WEINBERG:

11 Q. Generally speaking what was -- why don't you  
12 explain to me how lead generators would obtain potential  
13 customers?

14 MS. BAKER: For Integrity Advance?

15 MS. WEINBERG: For Integrity Advance.

16 MS. BAKER: Okay.

17 THE WITNESS: So a -- I'll give you a good  
18 example you may have heard of. There's an actor named  
19 Montel Williams who was doing ads on T.V. Those ads on  
20 T.V. would send people to a website call  
21 moneymutual.com. People would fill out applications on  
22 moneymutual.com, and some of those applications we would  
23 buy. Does that answer your question?

24 BY MS. WEINBERG:

25 Q. And were all of the lead generators advertising

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1 for payday loans?

2 A. We had certainly hoped so. We again had no way  
3 to control that, but we were very vigilant about when we  
4 would get a consumer on the phone and they would say, I  
5 didn't apply for a payday loan, we would go trace back  
6 through the system and see where it comes from and say,  
7 Why are we getting this data if someone didn't apply for  
8 a payday loan.

9 Q. So then I take it from your response you didn't  
10 review the websites or the advertisements that the lead  
11 generators were using to --

12 A. It would have been impossible. It would be  
13 nearly impossible.

14 Q. And was all of the -- did any of the lead  
15 generators talk to consumers or was this all referrals  
16 through websites?

17 A. Some of the lead generators had programs to call  
18 consumers and do hot transfers. We tried one of those  
19 programs for a couple weeks and didn't like it and quit.

20 Q. What happened? Why didn't you like it?

21 A. We just couldn't make the numbers work in terms  
22 of the -- we would get charged for the call when it got  
23 transferred, and when the people get transferred, we  
24 couldn't convert them into a loan enough to make it  
25 worthwhile from a marketing perspective.



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1 Q. What was the average amount you paid for a lead?  
2 MS. BAKER: Over what period of time.  
3 MS. WEINBERG: Start with 2010.  
4 THE WITNESS: I couldn't tell you.  
5 BY MS. WEINBERG:  
6 Q. How about 2011?  
7 A. All I can tell you is it went up over time.  
8 Every year was more than the prior year.  
9 Q. So by 2012 what were you paying?  
10 A. If you want to take our marketing spend divided  
11 by all loans made or marketing spend divided by what?  
12 How do you want to calculate it?  
13 Q. The amount you paid to any company that says  
14 leads provider in this list.  
15 A. Okay.  
16 Q. So per --  
17 A. Per what?  
18 Q. Let's take the first one, Click Speed Marketing  
19 Corp., do you recall how much it cost to obtain a lead  
20 from them?  
21 A. In 2012 we were probably paying them \$150. We  
22 fired them because we couldn't make those numbers work.  
23 Q. How about D&D Marketing?  
24 A. D&D Marketing we paid -- we had a -- the top  
25 price with them was probably \$180.

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1 MS. BAKER: Again this is 2012?  
2 MS. WEINBERG: Yes.  
3 THE WITNESS: Yes.  
4 BY MS. WEINBERG:  
5 Q. And SIX Media?  
6 A. Similar,  
7 Q. About 180?  
8 A. Yes.  
9 Q. Incent Media?  
10 A. I don't think we bought much of anything from  
11 them so I couldn't tell you.  
12 Q. Let's go through a couple other ones.  
13 LeadClick?  
14 A. We hadn't bought anything from them after  
15 probably 2010 or '11. Certainly we weren't buying -- I  
16 think we quit from them in '10.  
17 Q. What about LeadFlash?  
18 A. Probably 150.  
19 Q. So what was the low range -- what was the  
20 cheapest leads?  
21 A. \$5.  
22 Q. Oh, really?  
23 A. Yeah.  
24 MS. BAKER: At what time?  
25 MS. WEINBERG: In 2012.

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1 THE WITNESS: It was \$5 for all those years. No  
2 one would sell leads for less than \$5.

3 BY MS. WEINBERG:

4 Q. Who did you get a lead from for \$5?

5 A. A number of those same people.

6 Q. So how come some leads were five bucks and  
7 others were 150?

8 A. That's the secret sauce, right?

9 Q. I don't know.

10 A. Right. It's -- so a \$150 lead is a lead who  
11 you're sure is going to convert -- or you think is going  
12 to convert into a loan from the lead, and you have a  
13 very high probability of getting it back. A \$5 lead is  
14 -- you may not think has a high probability of  
15 converting into a loan and has a lower probability of  
16 paying you back.

17 Q. What were those expensive leads doing to give  
18 you that high probability that you're going to be paid  
19 back and so you know it's going to be a good lead?

20 A. What do you mean what were they doing? I'm.

21 Q. How are they vetting the consumer?

22 A. Well, we were vetting the consumer.

23 Q. But you were paying them \$150?

24 A. Right.

25 Q. Did they do any vetting of the consumer in order



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1 to justify you paying \$150 per lead?

2 A. No.

3 Q. So what made their information more valuable?

4 A. The consumer's information.

5 Q. Were they giving you more of it?

6 A. No, they're giving you -- I'm really struggling  
7 here.

8 Q. We're clearly speaking across purposes. All  
9 right. When a lead generator provides you with a lead,  
10 what information from the consumer are they giving you?

11 A. Everything.

12 Q. That means name?

13 A. Everything you want.

14 Q. Income?

15 A. Whatever the consumer states is their income,  
16 yes.

17 Q. On do we have a credit score in there?

18 A. Yes.

19 Q. We have address?

20 A. Yes.

21 Q. We have phone numbers?

22 A. Yes.

23 Q. Anything else?

24 A. Birthday.

25 Q. Birthday?

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1 A. Social Security Number, bank account number,  
2 job, where they worked, their work phone, whether they  
3 have a direct deposit or non direct deposit, what their  
4 pay frequency is, what their next two pay dates are.  
5 Some would give you references. Some wouldn't. That's  
6 all I can think of at the top of my head. If we had an  
7 application in here, you can see what's on there.

8 Q. You would get that exactly same laundry list of  
9 information that you just gave me whether you paid \$5 or  
10 \$150?

11 A. Huh?

12 Q. Both would? So this is what I'm not  
13 understanding. What makes it worthwhile to pay 150  
14 bucks rather than 5 bucks for a lead? What are you  
15 getting in those better leads?

16 A. You're getting a lead that has a likelihood  
17 converting and not going back.

18 Q. Because of higher income?

19 A. No, because it's a better lead?

20 Q. What makes it a better lead?

21 A. Analytics says it's a better lead.

22 Q. Okay. You said that you tried hot transfers for  
23 awhile and that didn't work.

24 A. Short period of time.

25 Q. A couple weeks?

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1 A. Yes.

2 Q. So then how would the lead generators pass on  
3 their information to you?

4 A. Via XML through the Internet. We only would  
5 work with lead generators who would do a secure socket  
6 layer.

7 Q. So where would they send that information?

8 MS. BAKER: Who is they?

9 BY MS. WEINBERG:

10 Q. The lead generators have this XML file that has  
11 Jane Doe's information in it.

12 A. Right.

13 Q. Where are they sending it? Are they sending it  
14 to --

15 A. To us.

16 Q. Where is -- where is that?

17 A. To Delaware.

18 Q. To Delaware? To the call center?

19 A. No, to where our servers are in a -- what do  
20 call it -- a hosting facility. It's a place that they  
21 host servers for people.

22 Q. And where does the information go from the  
23 server in Delaware?

24 A. Well, servers in Delaware for Integrity Advance  
25 would make a decision and send that information, if it



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1 was a positive decision, into the loan management  
2 software, which was hosted by a third party. The loan  
3 management software would then generate the documents  
4 and come back through the same channel to redirect the  
5 consumer's browser to his documents.

6 Q. Let me see if I understand this. So there's a  
7 server in Delaware that Integrity Advance is hosting.

8 A. Yes.

9 Q. And it runs its own analytics --

10 A. Yes.

11 Q. -- on the consumer data you just gave?

12 A. Yes.

13 Q. Got from the lead generator?

14 A. Yes.

15 Q. And then you said immediately it generates --  
16 it's sent to loan management software and generates some  
17 documents. What documents are those?

18 A. The loan documents that the consumer has to  
19 sign.

20 Q. Is that the application or the actual --

21 A. No, the application is -- well, it actually is  
22 part of the documents I think that generates the loan  
23 application and just kind of reiterating what they just  
24 put down in their -- for their -- on the application  
25 that was submitted to us, and I know we gave you an

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1 example of that in the materials. We have the  
2 application in front, and then it has all the loan  
3 documents in terms of all the terms and conditions of  
4 the loan following that with the date, signature or  
5 initial blocks.

6 Q. I want to break that down in some detail later,  
7 but I'm trying to understand the very front end. Is  
8 there any contact with a live person? Once you get this  
9 information, your server says, Thumbs up, this is a  
10 potentially good lead, does any person interact with the  
11 potential customer at that point?

12 A. Yes. Well, again so the servers says thumbs up.  
13 The next thing in realtime, which is less sub second, is  
14 that consumer's browser which we view it as whatever  
15 website he was applying at.

16 Q. He was at Money Mutual.

17 A. Whatever, so he has Money Mutual there, and the  
18 hour glass is going around, and it says, We're searching  
19 for a lender for you, right, and so when we buy the  
20 lead, it sends this redirect to the documents back. We  
21 send it back through the channel to the aggregator and  
22 then Money Mutual's -- there's only one to them, but if  
23 it was an aggregator who had an affiliate, it would go  
24 back all the way to the affiliates.

25 In this case of Money Mutual, the customer's

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1 browser would go from the hour glass turning to our  
2 documents, and it would just redirect to the documents  
3 so he's sitting there watching, and all of a sudden,  
4 Bop, the loan documents are coming up.

5 Q. Do they just get the application at that time?

6 A. They get the whole loan document.

7 Q. They get the application and the loan agreement?

8 A. Yes.

9 Q. And at this point there has still been no  
10 conversation between a live person who either works for  
11 Integrity Advance or one of the third party vendors who  
12 works for a third -- I mean, who works for Integrity,  
13 and the consumer? This is all being done on the web.

14 A. In less than ten seconds.

15 Q. In less than ten seconds, okay. So maybe you  
16 could explain to me the next set of documents?

17 A. What tab?

18 Q. Which is -- we're under tab 10, and the next set  
19 of documents which is INTEGRITY108 through 114.

20 MS. BAKER: Is this one exhibit?

21 MS. WEINBERG: This is one exhibit.

22 BY MS. WEINBERG:

23 Q. If you could take some time to look through it,  
24 because it appears to talk a little bit about how lead  
25 generator -- leads are handled.



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1 MS. BAKER: Is this part of a larger document?

2 MS. WEINBERG: Yes, it is.

3 MS. BAKER: So this is an excerpt of a larger  
4 document?

5 MS. WEINBERG: Yes.

6 MS. BAKER: Okay.

7 (Whereupon, Exhibit Number 22 was marked for  
8 identification.)

9 THE WITNESS: Okay.

10 BY MS. WEINBERG:

11 Q. So I assume that sometimes --

12 MS. BAKER: Have you had a chance to look  
13 through that?

14 THE WITNESS: Yes.

15 BY MS. WEINBERG:

16 Q. Can you explain what this document signifies  
17 about lead generators and what happens with leads?

18 A. Well, it doesn't signify anything about lead  
19 generator.

20 Q. What happens on Integrity Advance's side with  
21 leads.

22 A. Let's finish the story. The consumer gets the  
23 loan document, the application and the loan document in  
24 front of them on their browser. They have -- there's  
25 eight spots on that loan document for them to sign, and

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1 we want to make eight spots because we really want them  
2 to understand the product they're getting because a lot  
3 of our competition have one signature, and we have  
4 eight. Their eyes are stopping every time they have to  
5 stop at the document so they're at least glancing at the  
6 terms, because otherwise if you have one, they scroll to  
7 the bottom and sign it, and lots of people -- we make  
8 them scroll. We make them scroll through it, sign eight  
9 times. Then they hit submit. Our systems time and date  
10 stamp --

11 Q. Can I talk to you there for one second? Let's  
12 look at an actual loan because I think it might be  
13 helpful.

14 A. Yes.

15 Q. Under tab 11, and this is -- again it will be  
16 one document, but it's -- I guess 23. It's an  
17 application and loan agreement for Chadidra Barnes.

18 A. 027472?

19 Q. 027472 that goes through 478?

20 MS. BAKER: And this is Exhibit 23, so it's  
21 INTEGRITY027472 to INTEGRITY027479. Is that the correct  
22 Bates numbers for this document?

23 (Whereupon, Exhibit Number 23 was marked for  
24 identification.)

25 MS. WEINBERG: Yes.

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1 BY MS. WEINBERG:

2 Q. When you said they get one document, is this  
3 what you were talking about?

4 A. It is, although I'll say -- I'll tell you that  
5 the way this printed out isn't how it shows up on the  
6 Internet. I'm not sure why it doesn't show all the  
7 initials and so forth we make them do, so for some  
8 reason converting it from the screen to the paper, it  
9 didn't -- it kept some of the signature blocks but not  
10 all of them.

11 Q. Can we go through this document and tell me  
12 where you would have -- tell me what the person sees  
13 when they're looking at this if we can do this on this  
14 document.

15 MS. BAKER: Have you had a chance to look  
16 through this?

17 THE WITNESS: I have, and I know what it is. I  
18 can't remember the exact points where they're asked to  
19 stop. I would just have to follow up and get you a  
20 better example of what it looks like on the screen.

21 BY MS. WEINBERG:

22 Q. I'll put that down as something you will provide  
23 us.

24 A. Yes. Hopefully I can do that.

25 MS. BAKER: Let me ask you this: You have this



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1 document available in native format. Does that provide  
2 you --

3 MS. WEINBERG: This is the native format.

4 MS. BAKER: Okay.

5 MS. WEINBERG: This is how we received the  
6 document.

7 MS. BAKER: Okay.

8 BY MS. WEINBERG:

9 Q. So any information you can give me about where  
10 the signatures would be on this or you want to print it  
11 out?

12 A. I want to provide it because I think there's one  
13 in payment options. There's one in -- the arbitration  
14 provision has its own. There's a separate ACH  
15 authorization agreement. This is not a complete  
16 document is the problem probably.

17 Q. It's the only one we got.

18 A. There's ACH authorization. I'll follow-up with  
19 the signature blocks.

20 Q. What you'll give us is the actual screen shots  
21 that the consumer would have?

22 A. I don't know if I'll be able to produce that.

23 MS. BAKER: We'll agree to provide you with  
24 whatever we can provide you with, and that is  
25 aspirational, so, in other words, if we can give you a

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1 screen shot, then that's what we'll give you because  
2 that would be the most comprehensive. It just may be  
3 that it's not possible, but if it's possible, we will do  
4 it.

5 MS. WEINBERG: If you can't do a screen shot,  
6 you'll give me a document that designates where the  
7 consumer would have to sign?

8 THE WITNESS: I'll go and give you the best  
9 example that I can. Whatever I can find you, I'll give  
10 you that will make this more clearer.

11 BY MS. WEINBERG:

12 Q. Okay.

13 A. Anyway, we time and date stamp all of the  
14 signatures and IP stamp them, and then from that point  
15 on, it goes into the pending cue, which is what you're  
16 referencing here. It's the pending cue in the call  
17 center.

18 MS. BAKER: I'm sorry to interrupt. Is there a  
19 question pending?

20 MS. WEINBERG: Yes. I had asked him to explain  
21 the document that he was holding in his --

22 THE WITNESS: That's what I was trying to get  
23 to. I had to get from A to B.

24 BY MS. WEINBERG:

25 Q. And the document that he was holding --

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1 A. So this pending agreement.

2 MS. BAKER: What's the exhibit number on that  
3 one just so we're --

4 MS. WEINBERG: Exhibit 22?

5 THE WITNESS: 108.

6 MS. BAKER: I think the exhibit number is  
7 exhibit 23, and it is INTEGRITY108 through 113, and I  
8 believe -- is that the document that you're testifying  
9 about, Mr. Carnes?

10 THE WITNESS: Yes.

11 MS. BAKER: Is that the question that's pending?

12 THE WITNESS: Yes.

13 MS. BAKER: Can we go back to the question and  
14 repeat that question that's pending so we know what Mr.  
15 Carnes responding to?

16 BY MS. WEINBERG:

17 Q. Can you please explain this document?

18 A. Yes. So once all that has happened and the  
19 application shows up in the pending cue of the software,  
20 there was a methodology that the call center reps had to  
21 work an application, and working of an application took  
22 a variety of forms, whether or not the lead had  
23 signatures or not. Sometimes the consumer, if something  
24 happened with their browser, it got closed before it  
25 could get redirected or they got tired of the hour glass

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1 or whatever happened, happened, but every consumer that  
2 got a loan was called and talked to so we understood  
3 what the product was and what they were getting. We  
4 explained how the procedure worked, how the pay down and  
5 payoff procedure worked, how the components of the loans  
6 worked. We asked, Do you have any questions, and then  
7 we would hang up, but this is all looking at pending  
8 application.

9 Q. Can you specifically --

10 MS. BAKER: Before you ask another question, can  
11 we take a five-minute break? I don't want to have a  
12 question pending when we take a break.

13 MS. WEINBERG: Yeah, go ahead.

14 (Whereupon, a brief recess was taken.)

15 BY MS. WEINBERG:

16 Q. I think at the break we were about to talk about  
17 Exhibit 22; is that right, which is the document that  
18 talks about following up on leads so you were about to  
19 explain that.

20 A. Explain what, document 22?

21 MS. WEINBERG: Yes.

22 MS. BAKER: Again you've had a chance to look at  
23 this document?

24 THE WITNESS: Yes. So the document basically  
25 describes how you pull up a pending application and what



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1 you do for a first pass, a second pass and so forth.

2 BY MS. WEINBERG:

3 Q. What is a first pass? What does that mean?

4 A. The first pass would be the first time you try  
5 to call the applicant which hopefully is within ten  
6 minutes of the application being submitted if it's  
7 during working hours.

8 Q. Is this only for applications that were not  
9 filled out correctly?

10 A. No, this is for people you want to give loans  
11 to.

12 Q. So everyone who applied?

13 A. Everyone who applied got a call and talked to.

14 Q. And would this only apply to people who had  
15 applied for a loan or would it also be people who lead  
16 generators had sent you information about but who had  
17 not actually filled out the application?

18 A. I don't understand.

19 Q. So there must be -- were there some people where  
20 the lead generator said Jane Doe, same woman, is a good  
21 prospect but you never get a completed application by  
22 Jane Doe?

23 A. They only send complete applications.

24 Q. Okay. And is the application that they filled  
25 out -- would that be an Integrity Advance application or

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1 a more generic application that would just be on the  
2 lead generator's website that could have gone to a  
3 number of particular lenders?

4 A. Lead generator.

5 Q. So if I can refer -- direct your attention to  
6 part of Exhibit 22, which is INTEGRITY000112?

7 A. What page? My page is covered up. What page is  
8 that?

9 MS. BAKER: I'm going to show you. It's this  
10 one right here.

11 MS. WEINBERG: Each set of application has six  
12 passes.

13 MS. BAKER: Yes.

14 THE WITNESS: Page 59.

15 MS. BAKER: Yes.

16 MS. WEINBERG: Oh, there's page numbers on it.

17 THE WITNESS: Got it.

18 BY MS. WEINBERG:

19 Q. I didn't even see that. Can you explain what  
20 this is describing?

21 MS. BAKER: What is "this?"

22 MS. WEINBERG: This document.

23 MS. BAKER: This pages of this document?

24 BY MS. WEINBERG:

25 Q. This page of this document.

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1 A. So it's again attempting to contact the consumer  
2 because, like I said, we didn't give them a loan unless  
3 we talked to them and we explained it to them, so it  
4 would be a first attempt, a second attempt, and every  
5 time there was an attempt it was notated in the notes  
6 that the attempt was made, so this is just saying how  
7 you do that.

8 Q. So is each potential applicant called six times?

9 A. I don't think every applicant is called six  
10 times. I think it was four.

11 Q. During what period of time were those four  
12 calls?

13 A. Once something hit three days after the  
14 application was received, we stopped working it, and we  
15 send them an adverse action notice.

16 MS. BAKER: And during what time period are we  
17 talking about here?

18 BY MS. WEINBERG:

19 Q. Did this process change during the time that  
20 Integrity Advance --

21 A. Not much.

22 Q. So the four calls would be over three days or  
23 over two days?

24 A. Actually it's probably six. We probably did  
25 three or four the first day, a couple the second day and



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1 one the third day is how probably worked, so six or  
2 seven calls total.

3 Q. And can you explain what the difference is  
4 between new leads and follow-ups in that same page?

5 A. So new lead would be a lead that was received  
6 that day. A follow-up would be a lead that was received  
7 yesterday or prior.

8 Q. So does this document indicate that there would  
9 be six calls the first day and then six calls the second  
10 day?

11 MS. BAKER: You mean this page?

12 THE WITNESS: No. It says if you did call them,  
13 how to notate it. So in one glance, any rep could look  
14 at the screen and know what had happened with that  
15 applicant.

16 BY MS. WEINBERG:

17 Q. So what does that mean at the top where it says  
18 "each set of applications has six passes"?

19 A. It means it's possible to have up to six passes  
20 or attempts to contact on a new lead or a follow-up  
21 lead, and here's what you do, here's how you notate each  
22 of those passes.

23 Q. So when you were explaining about this follow up  
24 that's done with applicants, you said that they would  
25 obtain calls from a call center?

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1 A. Yes.  
2 Q. And where was that call center?  
3 MS. BAKER: During what time?  
4 THE WITNESS: It moved -- it was in varying time  
5 different places.  
6 BY MS. WEINBERG:  
7 Q. Well, where did it --  
8 A. Ending in Delaware.  
9 Q. Where did it start out?  
10 A. It started out in it was -- I believe it was  
11 Clearvox, so it started out and that was in Oakland  
12 Park, Kansas.  
13 Q. For what period of time were these calls being  
14 handled by Clearvox?  
15 A. I can't tell you exactly.  
16 Q. Roughly?  
17 A. I think from nearly the beginning to sometime in  
18 20 -- I can't remember if it was '10 or '11. Either '10  
19 or '11 we moved it to Delaware.  
20 Q. When it was in Delaware, who was staffing it?  
21 Was that another third party?  
22 A. That was sort of as I described earlier -- it  
23 was a captive third party.  
24 Q. And do you remember the name of the captive  
25 third party?

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1 A. Worldwide Analytics.

2 Q. And I believe you testified that the policies  
3 and procedures manual which we looked at as Exhibit 20,  
4 which was Bates stamped INTEGRITY116 to INTEGRITY143,  
5 was used by Clearvox?

6 A. That was never -- that one was never used by  
7 anybody.

8 Q. Why did we get it?

9 A. We inadvertently sent it to you.

10 Q. Where did it come from?

11 A. We have been trying to figure out why we created  
12 it. Like I said, we don't know.

13 Q. But Integrity created it?

14 A. No, it was created for -- well, we got it  
15 from -- it was somebody else's policy and procedure  
16 manual that we were using for some purpose but not for  
17 the call center.

18 Q. What purpose were you using it for?

19 A. We again were trying to figure out why we put it  
20 together. It doesn't have the right address in it.  
21 There a lot of things that are inconsistent about it.  
22 My best guess --

23 MS. BAKER: If you don't know, don't guess. We  
24 want a clear record here.

25 THE WITNESS: I won't guess.



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1 BY MS. WEINBERG:

2 Q. What is your understanding of what this was  
3 created for?

4 A. I don't know. That's what I just said.

5 Q. I'll just refer you to the third page of the  
6 document.

7 MS. BAKER: And what --

8 THE WITNESS: Where are we?

9 MS. BAKER: What document is this?

10 MS. WEINBERG: Policies and procedures, Exhibit  
11 20.

12 (Discussion off the record.)

13 BY MS. WEINBERG:

14 Q. So on page 3 it says, for the script reading in  
15 the middle, "hi, this is blank calling  
16 IAdvanceCash.com." Is that your website?

17 A. It was.

18 Q. "The reason for my call today is," blah, blah,  
19 blah, and it goes on and refers to I Advance Cash  
20 throughout that page.

21 A. Right.

22 Q. But it's your testimony that this was not  
23 created for Integrity Advance?

24 A. We never uses this in the call center.

25 MS. BAKER: This being this manual you're

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1 talking about?

2 THE WITNESS: This manual was created for some  
3 purpose, and I don't know why it was created.

4 BY MS. WEINBERG:

5 Q. So back to the call centers. First you said you  
6 were using Clearvox from Integrity Advance's inception  
7 until 2011?

8 A. Sometime in there.

9 Q. Sometime in there. And after that you were  
10 using Worldwide Analytics?

11 A. Correct.

12 Q. Was that until the closing of Integrity?

13 A. Yes.

14 Q. So there were only two call centers?

15 A. Yes.

16 Q. And unfortunately I had a lot of questions about  
17 this policies and procedures manual. Were there  
18 policies and procedures manuals used by Clearvox?

19 A. It's my understanding we had a how to train  
20 document as did Worldwide, and I think we covered this  
21 earlier with one of your questions. I think we said  
22 we'll try to get ahold of a copy of that training  
23 document.

24 Q. What about scripts, did they have scripts?

25 A. I think in the training documents there would be

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1 scripts I would guess.

2 Q. And what were these -- let's start with

3 Clearvox. What was the call center used for?

4 A. Clearvox was used for collections. I'm sorry,  
5 customer service, only customer service.

6 Q. What does that mean?

7 A. Any kind of outward facing stuff with the  
8 consumer. I mean, that means that when they -- the  
9 application comes in, they call them to talk about the  
10 loan product. They field customer inbound calls if  
11 someone has a question about their loan, that kind of  
12 thing.

13 Q. And collections as well?

14 A. No, collections was outsourced to Integrity  
15 Financial Partners.

16 Q. And did Integrity Financial Partners handle  
17 collections for the entire time Integrity Advance was in  
18 business?

19 A. No. At the end it was handled by Worldwide.

20 Q. When did Worldwide take over?

21 MS. BAKER: Take over what?

22 MS. WEINBERG: Collections.

23 THE WITNESS: They took it over at a different  
24 time than they took over the call center, and I can't  
25 recall what date that was. It was sometime in 2012.



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1 BY MS. WEINBERG:

2 Q. Why did you switch?

3 MS. BAKER: Just so we're clear, switch from  
4 what to what?

5 MS. WEINBERG: From Integrity Financial Partners  
6 doing collections to Worldwide Analytics doing  
7 collections.

8 THE WITNESS: We were paying a margin at  
9 Integrity Financial Partners, and we didn't have to pay  
10 a margin at Worldwide.

11 BY MS. WEINBERG:

12 Q. And what was the margin?

13 A. It was like a captive. It was like 20 percent.

14 Q. So Integrity Financial Partners was paid based  
15 on the amount of collections that they did?

16 A. No, based on the number of employees they had on  
17 it.

18 Q. Why did you switch from Clearvox as a customer  
19 service call center to Worldwide Analytics?

20 A. Same reason, although they had a different -- I  
21 don't know what their markup was but it was different.

22 Q. Did you, meaning Integrity Advance, supervise  
23 the activities of the Clearvox employees?

24 A. No.

25 Q. So you didn't review their scripts?

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1 A. I personally didn't review any scripts. I would  
2 assume that somebody at our company reviewed scripts  
3 that they were using, but I didn't.

4 Q. Who would have done that?

5 A. I'm not sure. Either someone in legal or  
6 marketing.

7 Q. And nobody came to you with --

8 A. I wouldn't have reviewed a script.

9 Q. Why not?

10 A. I think it's something you hire people to do and  
11 it's not something the CEO would have under his purview.

12 Q. Did anybody from Integrity Advance -- do you  
13 know if they recorded calls at Clearvox?

14 A. I doubt it.

15 Q. Do you know if they recorded calls at Worldwide  
16 Analytics?

17 A. I don't think so, but I'm not sure.

18 Q. Did anybody from Integrity review any calls made  
19 by any customer service center?

20 A. No, but I know the customer service center would  
21 both do listen ins on the employees as they were  
22 calling, so they would randomly listen into the call  
23 center, to the customer service people as well as the  
24 collection people would have -- where someone listens in  
25 where the employee -- the caller couldn't tell they were

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1 being listened to.

2 Q. Do you know how Clearvox employees were  
3 compensated?

4 A. Hourly.

5 Q. And was any of their compensation based on --

6 MS. BAKER: Are you talking about those  
7 employees who worked on the Integrity accounts?

8 MS. WEINBERG: Yes, yes.

9 MS. BAKER: Okay. Thank you for the  
10 clarification. Yes.

11 BY MS. WEINBERG:

12 Q. For all these questions I only care about  
13 Integrity Advance.

14 MS. WEINBERG: So could you repeat the question?  
15 (The record was read as requested.)

16 BY MS. WEINBERG:

17 Q. Based on, for instance, the number of people who  
18 they got to apply for loans or fill out the loan  
19 documents or make payments or any other sort of  
20 performance matrix like that?

21 A. I don't know if they were -- had some kind of  
22 bonus situation. I know that over time, most of the  
23 collectors that were on the accounts had some kind of  
24 bonus situation based upon how much money they would  
25 collect.

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1 Q. Is that both for Clearvox and for Worldwide?

2 A. I think any collection department that we had  
3 had some kind of bonus which is --

4 MS. BAKER: When you say "we," who are you  
5 talking about?

6 THE WITNESS: We being Integrity -- well, we  
7 didn't have any collectors, but people we hired that had  
8 collectors I believe had bonus situations for the amount  
9 of money they collected.

10 BY MS. WEINBERG:

11 Q. Do you know generally speaking what percentage  
12 of a call center employee's, who was doing collections,  
13 compensation would be based on bonuses versus salary?

14 MS. BAKER: Well --

15 BY MS. WEINBERG:

16 Q. Do you understand the question?

17 MS. BAKER: What are you talking about and  
18 during what time period?

19 BY MS. WEINBERG:

20 Q. Did you understand the question?

21 A. Well, well, I don't know exactly -- collections  
22 I think would probably have a higher bonus component. I  
23 don't know if there was any kind of bonus component on  
24 customer service people. I just don't know, but I doubt  
25 -- if there was a bonus it wouldn't be a very high



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1 component.

2 Q. So other than the compensation for the Clearvox  
3 employees, do you know if there were performance  
4 measures or goals that they had to meet in order to  
5 remain employed such as getting people to sign loan  
6 documents or getting -- or making payments or other  
7 things related to their job duties?

8 MS. BAKER: For Integrity's.

9 BY MS. WEINBERG:

10 Q. For Integrity's customers?

11 A. I know they had some way of evaluating their  
12 employees, but I don't know how they did it.

13 Q. And same question for Worldwide?

14 A. Again I don't know what they did.

15 Q. Same thing.

16 A. We weren't watching nor were we incenting  
17 anything.

18 Q. So let me just see if I can recap your testimony  
19 to see if we're on the same page, and please correct me  
20 if I'm wrong. You did not review Clearvox's policies  
21 and procedures manuals; is that right?

22 MS. BAKER: Again you meaning Integrity Advance?

23 MS. WEINBERG: Yes.

24 THE WITNESS: Somebody at Integrity Advance I  
25 would believe reviewed their policies and procedures

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1 manuals and scripts. I didn't personally.

2 BY MS. WEINBERG:

3 Q. Okay. But was there anyone at Integrity who was  
4 reviewing the calls?

5 A. No.

6 Q. And to the extent that there was a training  
7 manual that was separate from the policies and  
8 procedures manual, would anybody at Integrity have  
9 reviewed the training manual for either Clearvox or  
10 Worldwide?

11 A. I believe, yes.

12 Q. And that would have again either been someone in  
13 legal or marketing?

14 A. Yes.

15 Q. So I would like to direct your attention to  
16 INTEGRITY000018.

17 A. Tab?

18 Q. We're staying under tab 10?

19 A. 000018?

20 Q. Yes.

21 A. Okay.

22 Q. And can you read the top part?

23 MS. BAKER: This is a separate document, a  
24 separate exhibit? This is part of a larger document I  
25 think.

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1 MS. WEINBERG: It is part of a larger document.

2 It is part of the training manual.

3 THE WITNESS: Procedures manual.

4 BY MS. WEINBERG:

5 Q. No --

6 A. Training manual?

7 Q. The thing we talked about.

8 A. Right, right, we talked about it. I don't know  
9 where it came from. I hadn't seen it -- it does, like I  
10 said, look like we used it.

11 MS. BAKER: What is the Exhibit Number for this  
12 piece of the training manual that -- as you've described  
13 it that we're at now? What's the exhibit that we're at?

14 MS. WEINBERG: This will be the next -- whatever  
15 the next exhibit is.

16 MS. BAKER: 24?

17 MS. WEINBERG: Yes.

18 MS. BAKER: So Exhibit 24, just so we have a  
19 clean record is, INTEGRITY18?

20 MS. WEINBERG: Yes. Just that one page?

21 MS. BAKER: Just that one page? But it's your  
22 understanding, Ms. Weinberg, that that one page is part  
23 of a larger document that is part of a training manual  
24 or something like that?

25 MS. WEINBERG: Yes, that we discussed

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1 previously.

2 (Whereupon, Exhibit Number 24 was marked for  
3 identification.)

4 BY MS. WEINBERG:

5 Q. Going back to this document, can you read the  
6 top text of that document?

7 A. "Finance fees (Integrity Advance)."

8 Q. What does it say under that?

9 A. "Never disclose fees to customers unless  
10 application is received. Go to snapshot to determine if  
11 application has been received."

12 Q. Can you explain that?

13 MS. BAKER: Explain what?

14 MS. WEINBERG: Explain what this means?

15 MS. BAKER: What are you talking about.

16 BY MS. WEINBERG:

17 Q. What does "never disclose fees to customers  
18 unless application is received --" is this referring to  
19 the original finance fee that Integrity charges?

20 A. Yes.

21 Q. It's also -- would it also be referring to the  
22 rollovers?

23 A. No. It would just be the fees that you charge  
24 for the loan, and you wouldn't disclose it because you  
25 wouldn't know what fee you're going to get.



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1 Q. I thought that your testimony before was that  
2 the original loan for a consumer, the fee was already  
3 \$30 on a hundred?

4 A. But you didn't know if it was a new consumer or  
5 returning consumer. How would you know?

6 Q. Okay. Do you think that it would be necessary  
7 to disclose the fees to a returning consumer?

8 MS. BAKER: Are you asking a legal conclusion  
9 when you say necessary?

10 MS. WEINBERG: No, I'm not asking for a legal  
11 conclusion.

12 THE WITNESS: Anybody who had -- they would have  
13 had -- a returning customer may have had an offer in the  
14 mail or an offer that they would respond to that you  
15 could disclose a fee to, an offer, but if you had no  
16 offer, you would just let them apply and say, Here's  
17 what the fee is based on your documents.

18 BY MS. WEINBERG:

19 Q. I think I'm little bit confused. Under what  
20 scenario is it that customers or potential customers  
21 were not supposed to be told about finance fees?

22 A. In any scenario they hadn't submitted an  
23 application.

24 Q. So these would be people who were -- who had  
25 either -- who are either calling into Integrity after

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1 looking at the website, or what other circumstance would  
2 there be times when people would be asking about fees or  
3 could be asking about fees before they had applied?

4 A. I don't know.

5 Q. You had testified before that consumers -- most  
6 of the consumers came from lead generators, and that  
7 after the lead generator and your analytics had approved  
8 a consumer, they would be send a bundle of documents  
9 which would include the application and loan document  
10 itself with some ACH authorizations and other  
11 attachments?

12 A. Right, correct, correct.

13 Q. Would this come to consumers as an Email or just  
14 as a document on the website that you would be looking  
15 at?

16 MS. BAKER: Would what?

17 BY MS. WEINBERG:

18 Q. The package of documents.

19 A. During what point in the process?

20 Q. They're on Money Mutual's web site, the lead  
21 generator. They send it to you as a potential lead.  
22 You've done your analytics through your server, and you  
23 said that the website redirects them to the loan  
24 documents.

25 A. Yes.

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1 Q. So do they appear on the website that the  
2 consumer was looking at?

3 A. Yes.

4 Q. On a Money Mutual or whatever website?

5 A. Yes, it's redirected to a documents page.

6 Q. And who's website is that on?

7 A. It's either on a version of ours or it's on a  
8 version of the third party ALMS vendor, train.com. I  
9 don't know the mechanics of how that worked exactly.

10 Q. And was that always how the process worked, or  
11 could consumers apply for a loan through the phone or  
12 some other --

13 MS. BAKER: Is there a point in time you're  
14 talking about?

15 BY MS. WEINBERG:

16 Q. At any point in time while Integrity was  
17 operating, were consumers always applying for loans  
18 through these lead generator's websites that would  
19 populate the screen, either your screen or their screen  
20 with your documents, or was there another way for  
21 consumers to apply for a loan?

22 A. Like I said before, an extremely small number of  
23 customers would come directly to our website. The rest  
24 of them went to the lead generator websites for new  
25 customers. Returning customers would come back to our

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1 own website most of the time.

2 Q. And then when they did that, when consumers came  
3 to your website, would they see the exact same set of  
4 documents?

5 MS. BAKER: You mean Integrity's website?

6 MS. WEINBERG: Yes.

7 THE WITNESS: When they would come back to the  
8 website, they would see -- well, have they applied?  
9 What are they doing?

10 BY MS. WEINBERG:

11 Q. They're attempting to apply for a loan.

12 A. Are they a returning customer or new customer?

13 Q. New customer.

14 A. Has just come to Integrity's website?

15 Q. Yes.

16 A. And they would see -- if we approved them, they  
17 would see a set of documents.

18 Q. And would it be the exact same set of documents  
19 that you testified would appear when it's through the  
20 affiliates or the lead generators, so it's the  
21 application, the loan docs they receive and everything  
22 else?

23 A. Yes, yes, yes.

24 Q. So they get the exact same package going through  
25 your website?



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1 A. Yes.

2 Q. What is a conversion?

3 A. A conversion is when you take a lead and turn it  
4 into a loan.

5 Q. And were employees either at the call centers or  
6 people who were doing the work of Integrity Advance  
7 through call centers or otherwise compensated for  
8 conversions?

9 A. I don't know how they compensated their  
10 employees.

11 Q. Why was that never tracked?

12 A. Because you would -- we would back into funded  
13 costs per loan for each different affiliate we bought  
14 leads from. And a conversion was -- you could basically  
15 take the lead price, divide it by the conversion  
16 percentage, and you would get the funded cost per dollar  
17 per loan.

18 Q. Okay. I want to direct your attention to a  
19 document that doesn't have Bates stamp. It's two pages  
20 before tab 33. Do you recognize it?

21 A. Yes.

22 MS. BAKER: What is this document? I want to  
23 make sure we're clear.

24 MS. WEINBERG: I'm asking him.

25 MS. BAKER: I know, but I would like a record.

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1 Is this a new exhibit?

2 MS. WEINBERG: It is a new exhibit.

3 MS. BAKER: Can we for the record just identify  
4 the document since we don't -- we won't have the  
5 document in front of us when we read the transcript?

6 MS. WEINBERG: This will be 25.

7 (Whereupon, Exhibit Number 25 was marked for  
8 identification.)

9 BY MS. WEINBERG:

10 Q. What is this?

11 A. This appears to be a page that we printed off  
12 the Wayback Machine that was one of our web pages from  
13 myadvance.com.

14 Q. So you recognize this as a web page that  
15 Integrity used?

16 A. I do, yes.

17 Q. So I would like to direct your attention to the  
18 section that says "how the process works," which is at  
19 the bottom of the page.

20 A. Yes.

21 Q. And it says: "Fill out the application online."  
22 Then it says: "Review the application, supplement and  
23 privacy policy. Type your name in all the signature  
24 boxes. If you are approved, pending your job  
25 verification, your application will appear on your

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1 computer screen."

2 Then they get a call and then they get the funds  
3 in essence. Right?

4 A. Yes.

5 Q. So when they fill out the application, what  
6 document are they seeing?

7 MS. BAKER: They meaning the customer?

8 MS. WEINBERG: The customer, the potential  
9 customer.

10 THE WITNESS: Since they are on this website  
11 reading this, they would fill out our application.

12 BY MS. WEINBERG:

13 Q. And would that just be -- if we're going back to  
14 the loan application that we were looking at before, the  
15 Chadidra Barnes' application, would that just be the top  
16 part?

17 A. It wouldn't look like that. That would populate  
18 that with information. It would look like a normal  
19 application you would find on the Internet when you're  
20 applying for a credit card or whatever. It wouldn't  
21 look like -- with all that legal language and all of  
22 that.

23 Q. Would it just be the top part?

24 A. It would be all the consumer data that they're  
25 entering, all the way down to references.

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1 Q. So it wouldn't include the loan agreement?

2 A. No.

3 Q. So after -- where in this process as described  
4 in this document, which is number 25, does the consumer  
5 get the loan application?

6 A. Number 1.

7 Q. Or the loan agreement?

8 A. 4 or 3 really. 3.

9 Q. So the application is the same as the  
10 application and loan agreement?

11 A. The application and loan agreement would appear  
12 online similar to what you have printed out once they  
13 filled it out and approved -- if they were approved.

14 Q. I guess I'm a little bit concerned. When it  
15 says application then it doesn't mean application. It  
16 means application and loan agreement. Is that your  
17 testimony?

18 A. When it says fill out the application online, is  
19 that what you're asking?

20 Q. Right. Fill out the application online, and you  
21 said that that would be basically the --

22 A. That's just an online application. That's no  
23 loan document, just the application.

24 Q. Okay. And then what is the supplement and  
25 privacy policy?



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1 A. There are links on there for the -- I can't  
2 remember what the application supplement would have, but  
3 it would be just explain loan terms I believe and the  
4 private policies and privacy policies of the website.

5 Q. But it wasn't the loan agreement?

6 A. No. Then they're going to get the loan  
7 agreement.

8 Q. Can you tell me where in this six step process  
9 that's laid out here you get the loan agreement?

10 A. Number 3.

11 Q. Type your name in all the signature boxes?

12 A. By the time they get to the signature boxes, the  
13 loan Agreement is on their screen.

14 Q. So when it says "submit your application," they  
15 get the agreement before they've submitted the  
16 application?

17 A. Yes. They can -- they have the option to close  
18 the window and not submit it or do whatever they want.

19 Q. Was there more than one -- other than the  
20 difference you've described between what might appear --  
21 strike that.

22 Was there more than one loan agreement?

23 MS. BAKER: Do we have a period of time we're  
24 talking about?

25 MS. WEINBERG: From the entire time Integrity

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1 Advance was operating.

2 THE WITNESS: Yes, there was more than one loan  
3 agreement.

4 BY MS. WEINBERG:

5 Q. Generally speaking, what was the first type of  
6 agreement being used? What was the first agreement?

7 A. What's the first loan agreement? The first loan  
8 agreement was used in 2008 when we started lending.

9 Q. What changes were made when you switched to the  
10 second agreement?

11 A. I don't know what changes were made from  
12 agreement to agreement. I can give you an example.  
13 When the Talisman happened, you couldn't loan to the  
14 military anymore. You had to create a whole clause that  
15 they had to check and sign that they're not related to  
16 -- military or related to military, I don't know the  
17 exact language, but that's an example of what was  
18 changed.

19 Q. How many different loan agreements did Integrity  
20 use over the course of its business?

21 A. I don't know.

22 Q. Under six?

23 A. Yes.

24 MS. BAKER: May I ask a point of correction? Do  
25 you mean -- or point of clarification. Did you mean

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1 different loan agreements or different versions of loan  
2 agreements? What are you asking?

3 MS. WEINBERG: I'm not sure what the difference  
4 is between those.

5 MS. BAKER: Well, if there's no difference in  
6 your mind --

7 THE WITNESS: You're talking about different  
8 versions of loan agreements, different verbiage in a  
9 loan agreement.

10 BY MS. WEINBERG:

11 Q. Yes.

12 A. Yes.

13 MS. BAKER: Okay.

14 BY MS. WEINBERG:

15 Q. Do you think there were under three different  
16 versions of the loan agreement?

17 A. I don't know. I know that we had attorneys that  
18 were paid to keep up with changes in the law, and I know  
19 like the Talisman was one. I know there was something  
20 that happened that -- where arbitration should be made  
21 to be opt-in opt-out. Things got changed over time to  
22 comply with whatever laws were being changed over time,  
23 and they were handled by attorneys.

24 Q. There was an "I agree" that appeared on the  
25 loan -- actually strike that. Let me go back to this.

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1 Did any of the agreements reflect changes in the  
2 cost of the loan to the consumer in terms of the finance  
3 charge? Was it always \$30 on a hundred?

4 A. For new customers generally.

5 Q. Or \$24 for returning customers?

6 A. Yes.

7 Q. And was always that. And did all of the  
8 agreements have -- require consumers to sign an ACH  
9 authorization?

10 A. Yes.

11 Q. They had to sign that authorization as a  
12 condition of getting the loan?

13 A. I think -- I can't remember exactly how that was  
14 worded, but I think if they didn't give us  
15 authorization, they had to provide some kind of payment  
16 system so we could get paid back. I don't know what  
17 that meant. I mean, I don't really remember.

18 Q. What other kind of payment system would have  
19 been accepted?

20 A. We accepted credit cards. I can't speak for  
21 sure on the answer to that question.

22 Q. We're going to come back to ACHs anyway. Did  
23 all of the agreements automatically rollover if the  
24 consumer didn't contact Integrity Advance three days  
25 before the payment was due?



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1 A. No. The document said that, but we in  
2 reality -- there was a holdover from days a long time  
3 ago when you had to notify your bank with debit files  
4 two days in advance, you needed the information three  
5 days in advance. In reality when Integrity Advance got  
6 going, a consumer could call up the day before up to  
7 five o'clock and pay down or payoff their loan.

8 Q. But all of the agreements had that same  
9 provision where it said they had to call three days in  
10 advance?

11 A. It did.

12 Q. So you're saying just the practice changed?

13 A. By the time we got to Integrity Advance, we  
14 allowed consumers to payoff the day before, or pay down,  
15 up until the day before, up until the ACH files had run,  
16 and at which point it was too late to change.

17 Q. But all the loan agreements had that same  
18 language that said had you to call three days in  
19 advance?

20 A. Yes.

21 Q. To Integrity Advance?

22 A. Yes.

23 Q. And that didn't change?

24 A. No.

25 Q. And did all of the agreements contain a revision

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1 if the consumer revoked the ACH authorization, that  
2 Integrity could essentially create an electronic check?

3 MS. BAKER: Could you repeat the question? I'm  
4 sorry, could you repeat the question or rephrase the  
5 question? I'm not sure I heard it.

6 BY MS. WEINBERG:

7 Q. Did all of the agreements used by Integrity  
8 contain a provision which allowed Integrity to create  
9 electronic checks if the consumer revoked the ACH  
10 authorization?

11 A. I don't remember that any of them allowed -- I  
12 don't know about electronic checks. I think we were  
13 able to create a demand draft.

14 Q. Demand drafts?

15 A. I don't know if that's what you mean or not.

16 Q. What was the mechanism that you did use to  
17 create a demand draft?

18 A. A printer.

19 Q. A printer? Did all of the agreements entitle  
20 Integrity Advance to seek funds from consumer's other  
21 bank accounts if the bank account that they had  
22 originally set up with Integrity Advance from which  
23 Integrity could withdrew funds was closed?

24 A. We didn't have any provision for that.

25 MS. WEINBERG: Let's go off the record for just

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1 one minute.

2 (Whereupon, a brief recess was taken.)

3 MS. WEINBERG: Let's go back on the record.

4 BY MS. WEINBERG:

5 Q. If a consumer closed his or her bank account  
6 from which Integrity Advance was withdrawing ACHs, what  
7 did Integrity do?

8 A. Try to contact -- well, Integrity didn't do  
9 anything, but one of our third party collection  
10 companies would try to contact them.

11 Q. Would they take any other measures to seek funds  
12 from the consumer other than making a phone call?

13 A. We would Email them. In the end we would text  
14 them.

15 Q. Can you explain why there were a number of  
16 complaints where consumers said that they closed one  
17 account, and then Integrity withdrew funds from another  
18 account?

19 A. I would love to see the complaints. I've never  
20 seen one of those to address it, but we would never --  
21 we can't. They send an ACH authorization for account A,  
22 you can't just -- I mean go to account B. How do you  
23 know what account B even is? If the consumer doesn't --  
24 if the consumer closes their account and they send a new  
25 ACH authorization form with a new account number on it,

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1 you can debit account B, but if they don't do that, how  
2 would you even know that account B exists?

3 Q. What is an express loan?

4 A. Express loan is a loan that a returning customer  
5 calls up the call center and says, Hi, I'm so and so,  
6 I've had a loan there in the past, can I get a loan now.  
7 They say, Sure, and they hit the express loan button,  
8 and all it does is it populates an application and sends  
9 it to the consumer for the consumer -- it sends a link  
10 to the consume's Email.

11 The consumer then goes and clicks on the link  
12 and signs the application to get the loan. It basically  
13 makes it so they don't have to retype all the  
14 information. They just confirm that all the information  
15 is correct and accurate from the last application.

16 Q. When consumers are looking at the loan  
17 agreement, there's an "I agree" button that appears  
18 somewhere on the document; is that correct?

19 A. Not on our application. Maybe at the end of --  
20 when they submit their signature maybe.

21 MS. BAKER: Do you have a sample you want to  
22 show Mr. Carnes?

23 MS. WEINBERG: Again let's look at Chadidra  
24 Barnes, it's after tab 11.

25 MS. BAKER: What is the exhibit number again for



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1 this loan form that we marked?

2 (Discussion off the record.)

3 BY MS. WEINBERG:

4 Q. So on the second page of that where it says  
5 27473, the second page of the document. At the bottom  
6 it says: "By electronically signing the loan agreement  
7 by clicking the I agree button and entering your name  
8 below, you're confirming that you've agreed to the terms  
9 and conditions," et cetera.

10 So that's the I agree button that I was talking  
11 about. Are you familiar with that?

12 A. Not particularly. I know that the customer  
13 enters all these signatures and dates into the  
14 application, and at some point they had to click on the  
15 I agree button, but I don't know where it was and how  
16 many there -- there might have been more than one. I  
17 don't recall.

18 Q. I would like to direct you two pages before that  
19 application, which is Bates stamped INTEGRITY000175.

20 A. Yes.

21 Q. Do you recognize this?

22 MS. BAKER: Is this another exhibit?

23 MS. WEINBERG: It will be.

24 THE WITNESS: Yes, I recognize it.

25 BY MS. WEINBERG:

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1 Q. What is it?

2 A. So each application that comes through that is  
3 signed has a E Sig box. We would call that an E Sig  
4 box, and you'll see there all the signatures of the  
5 application are signed, 1, 2, 3, 4, 5, 6, 7, 8, and one  
6 of the prerequisites for the loan going out the door is  
7 that the signature boxed are checked, so the person  
8 sitting at the computer is the loan rep, would check  
9 this box before sending a loan out because they want to  
10 make sure that they signed all -- their signature is on  
11 all the boxes.

12 Q. Let's mark this.

13 (Whereupon, Exhibit Number 26 was marked for  
14 identification.)

15 BY MS. WEINBERG:

16 Q. Why is it that -- can you explain why four of  
17 those E signature boxes all have the same number, 7999?

18 A. It has to do with what part of the form was  
19 signed. It's some kind of computer code.

20 Q. Does that mean that --

21 A. It doesn't mean anything to me.

22 Q. Does a signature in one place in the document  
23 populate signatures in other places in the document?

24 A. No.

25 Q. So they would have to separately enter

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1 signatures?

2 A. Yes.

3 Q. Did Integrity automatically send out copies of  
4 the loan agreement to the customers?

5 A. Yes. They would Email a copy of the PDF to the  
6 customer along with a welcome page. One of the things  
7 we gave to you in the material that was provided in  
8 terms of customer communication was a welcome page that  
9 explained the terms of the loan and had the loan  
10 agreement attached.

11 MS. WEINBERG: Just off the record for just one  
12 minute.

13 (Discussion off the record.)

14 BY MS. WEINBERG:

15 Q. So I would like to talk a little bit more about  
16 ACHs. Could you describe -- first of all, what was the  
17 process for setting up the payment due date, just the  
18 date?

19 A. So the consumer would fill out their  
20 application, and they would give us their -- it came to  
21 us in a variety of ways from the lead provider. It  
22 would either have specific dates, and our system would  
23 reverse engineer what they were or they would actually  
24 have, I get paid on semi monthly payments on the 1st and  
25 the 15th or biweekly on Fridays or whatever it was.

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1 Q. And how was the repayment date set in relation  
2 to the pay date?

3 A. It was on the payday.

4 Q. It was on the payday. And what ACHs were set up  
5 at the time the consumer signed the loan documents and  
6 obtained the funds?

7 MS. BAKER: Again do you have a timeline you're  
8 talking about here?

9 THE WITNESS: No ACHs were set up to pull when  
10 the consumer signed the documents.

11 BY MS. WEINBERG:

12 Q. When was it set up?

13 A. The night before the pull. That's why we  
14 allowed consumers to call the day before the due date  
15 and pay down or payoff.

16 Q. So at the time the consumer received the money

17 --

18 A. We just sent the money.

19 Q. And there were no achS set up?

20 A. To pull money back?

21 Q. Yes.

22 A. No.

23 Q. And it's your testimony that an ACH is only set  
24 up the day before the money is due, is that your  
25 testimony?



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1           A. In an automated fashion it is. If a consumer  
2   calls to pay down or payoff no matter when they call to  
3   pay down or payoff, it will do what they ask to do. So  
4   if they call up and say three days after they got the  
5   loan, Hey, I want to pay my loan off on my due date, you  
6   just go in -- the customer rep would go in and check the  
7   little box that says payoff on due date.

8           At that point when they would submit it, it  
9   would set the ACH to pay off -- set an ACH up to payoff  
10   on their due date, but that's -- it had to be consumers  
11   calling to do that. Otherwise the system would do it  
12   automatically the night before.

13          Q. So what's the automated process that would  
14   occur? It would -- the day before the loan was due,  
15   your system would automatically set up an ACH to pull  
16   funds?

17          A. Whatever was due, whether it was fee and  
18   principal, fee only, whatever was due from that customer  
19   at the time, that's what it would pull.

20          MS. BAKER: Again for our record what timeline  
21   are we talking about?

22          BY MS. WEINBERG:

23          Q. Did this change over the time period that  
24   Integrity was in the business?

25          A. No, it didn't.

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1 MS. BAKER: Okay.

2 BY MS. WEINBERG:

3 Q. So is it fair to say that most customers did not  
4 pay their loan in full at the first date that it was  
5 due, generally speaking two weeks after they received  
6 the funds?

7 A. Most being -- define most.

8 Q. The majority -- well -- well, again we received  
9 some information from your attorney that said 10 to 15  
10 percent of consumers paid without any rollovers; is that  
11 accurate?

12 A. Yes, yes.

13 Q. So that means that 85 to 90 percent of people  
14 had rollovers; is that also correct?

15 A. Right, but there was also a subset of that group  
16 that had rollovers that didn't make a payment.

17 Q. Okay. Let's stick with just -- when I say  
18 majority, I'm talking about those figures that we  
19 received from your attorneys, the 85 to 90 percent.

20 A. Yes.

21 Q. So in the automated system, assuming that  
22 someone didn't call up -- we'll put them aside for a  
23 second. In the automated system, how many payments --  
24 how many ACHs would be set up that would go through  
25 absent a call from the consumer?

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1 A. It would just depend on the size of the loan.

2 Are you asking me how many ACHs at a time would be set  
3 up?

4 Q. Yes. You said there was an automated system for  
5 ACHs, and someone could call and say, No, I want to pay  
6 off, and then some employee in the call center is  
7 supposed to take care of that?

8 A. Yes.

9 Q. Absent that call --

10 A. Or Email or text, right.

11 Q. Absent contact from the consumer, my question  
12 is: Your agreements called for four rollovers at just  
13 the finance charge; is that correct?

14 A. Yes.

15 Q. Were those five rollovers set up in the amount  
16 of the finance charge as part of the automated process?

17 A. Yes.

18 Q. Then after that, is it fair to say that your  
19 agreement called for the amount of the finance charge  
20 plus an additional \$50 which would be credited towards  
21 the principal?

22 A. Yes.

23 Q. So were those additional payment -- we've  
24 established that the first four payments of the  
25 rollovers were part of the automated process. Was it

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1 also part of the automated process to set up the finance  
2 charge plus the \$50?

3 A. Yes.

4 Q. Okay. So depending on the amount borrowed, the  
5 number of payments that it would take to get someone  
6 down to zero due would vary because \$50 only goes so far  
7 depending on the principal amount of the loan, correct?

8 A. Correct.

9 Q. But each loan was set up with automated  
10 payments, automated ACHs following that formula, four  
11 rollovers, and then rollovers plus \$50; is that accurate  
12 to say?

13 MS. BAKER: When you say each loan, I just want  
14 to quantify it. Are you talking about of the 85 to 90  
15 percent?

16 MS. WEINBERG: I'm talking about -- he's  
17 testified there was an automated process for setting up  
18 an ACH.

19 THE WITNESS: It was a computer process. It  
20 wasn't automated. I should say it was done by an  
21 individual each night and set up. It wouldn't go  
22 through and set up each person individually. The person  
23 would say let's set up the ACHs and the person would do  
24 it. It wasn't just a computer just running by itself,  
25 if that makes sense.



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1 BY MS. WEINBERG:

2 Q. Well, the computer would have to say Jane Doe  
3 took out a loan?

4 A. Right.

5 Q. Then the employee or customer service person  
6 would put Jane Doe in the computer and the program would  
7 be set up. Is that what you're talking about?

8 A. Yes, yes.

9 Q. Back to my question because I'm not sure I have  
10 your answer. Did the computer set up ACHs for each  
11 customer that would be four rollovers, which is four  
12 times taking out the finance charge, and then after that  
13 finance charge plus \$50 until they would get to a zero  
14 balance?

15 A. It would be my understanding -- and again I  
16 can't remember exactly. It was however Delaware  
17 prescribed it, but I think it was a loan payment and  
18 four rollovers. I think it was five payments and then  
19 \$50 pay downs, and each payment when the \$50 started or  
20 after the \$50 started would decrease by \$15 for  
21 returning -- for new customers and by 12 for returning  
22 customers on each subsequent payment.

23 Q. Could you repeat that please?

24 MS. BAKER: Can you read back Mr. Carnes's  
25 testimony, please.

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1 (The record was read as requested.)

2 THE WITNESS: That's the finance -- the finance  
3 fee would reduce each payment, so their payments would  
4 get smaller and smaller and smaller. Their last payment  
5 would be \$65, if they held the loan all the way until  
6 the end.

7 BY MS. WEINBERG:

8 Q. Okay. Was that because the balance had reduced?

9 A. Yes, the finance fee was only being charged on  
10 the amount outstanding, so when the balance is being  
11 reduced, the finance fee is reduced also. Very few  
12 people held their loan all the way through to the end.

13 Q. So let's talk about the customers who I think  
14 you wanted to talk about before who default, so let's  
15 say we have somebody who borrows -- Jane Doe again, she  
16 borrows \$300. She has a \$90 finance fee. She gets the  
17 money. You extend the money to her. She takes it. She  
18 never makes the payment in two weeks, okay, so you  
19 attempt to do an ACH, and there's no money in her  
20 account, okay?

21 A. Okay.

22 Q. How many times do you put an ACH through to  
23 attempt to get money from her?

24 MS. BAKER: You being Integrity Advance?

25 MS. WEINBERG: You Integrity Advance.

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1 THE WITNESS: Why did the first one get  
2 returned?

3 BY MS. WEINBERG:

4 Q. No funds.

5 A. Insufficient funds?

6 Q. Yes.

7 A. So it would depend on whether we got in contact  
8 with her or not. We would call -- try to attempt to  
9 contact with calling, texting and Emailing. If we got  
10 contact with her and she agreed to do some other kind of  
11 form of payment or to resubmit on a different day, we  
12 would do that. If we didn't get in contact, we would  
13 resubmit on the next payday.

14 Q. So in the no contact case, two weeks out which  
15 is the standard repayment period, correct?

16 A. That's right.

17 Q. If you submit an ACH and there's no money in her  
18 account, and how many times at that two-week period do  
19 you submit the ACH?

20 A. So by NACHA regulations, you have three attempts  
21 for each ACH, so we would go by the three attempts per  
22 NACHA regulations, so the next two paydays we would  
23 resubmit, and if we didn't get paid, we would drop it.

24 Q. So the three were not on the same day?

25 A. No. Why would you submit three times on the

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1 same day?  
2 Q. I'm just trying to understand when you resubmit.  
3 A. Oh, no. Future pay dates.  
4 Q. So at two weeks, at four weeks and at six weeks  
5 you do an ACH?  
6 A. Yes.  
7 Q. And each time do you assess an NSF fee?  
8 A. On the bounced ones.  
9 Q. Excuse me?  
10 A. If they bounce it back, we assess an NSF fee.  
11 Q. Your agreement states that you can for each --  
12 A. Back to 27472?  
13 Q. So in the middle of page 27476.  
14 MS. BAKER: This is Exhibit 23, right?  
15 MS. WEINBERG: Yes.  
16 BY MS. WEINBERG:  
17 Q. It says: "You further authorize us to initiate  
18 two additional debit entries, if necessary, to recoup  
19 the outstanding loan balance whenever an ACH transaction  
20 is returned to us for any reason."  
21 So is that your testimony, that those additional  
22 two would be -- assuming she doesn't pay at two weeks,  
23 those additional debit entries would be done at four  
24 weeks and six weeks?  
25 A. That was our standard practice.



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1 Q. Okay. Let's just take by way of an example  
2 someone who had a loan of \$300, so she has a \$90 finance  
3 fee. She makes no payments, right? She's the same  
4 customer we're talking about.

5 A. Okay.

6 Q. So at two weeks, what is the amount of the ACH  
7 debit that you're attempting to collect?

8 A. She'll have -- at two weeks we'll obtain \$90.

9 Q. It will be only for 90?

10 A. That's at two weeks, right?

11 Q. Right. And at four weeks what --

12 A. This is somebody who -- all the payments, we  
13 assume every payment bounces.

14 Q. She hasn't paid a cent.

15 A. And isn't going to.

16 Q. She hasn't. Let's just say she hasn't?

17 A. I'm trying to --

18 Q. You haven't reached her.

19 A. I'm trying to understand your question. For the  
20 purpose of your questions, am I to assume that every  
21 payment bounces?

22 Q. Every payment has bounced and you haven't  
23 reached her.

24 A. Okay.

25 Q. Okay. You've called her, Emailed her. There's

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1 been no contact, okay?

2 A. Yes.

3 Q. So what amount would the ACH be in at four  
4 weeks?

5 A. There would be one ACH for the then due \$90, and  
6 one ACH for the passed due \$90 plus \$25, so 115, so you  
7 have a 115 and a 90 at four weeks.

8 Q. So there would be two at four weeks?

9 A. Yes.

10 Q. And at six weeks what would the amounts be, same  
11 scenario?

12 A. 115, 115 and 390.

13 Q. Because at six weeks you give up, and you're  
14 trying to get the principal?

15 A. We just put it all in so it gets it out of the  
16 system so it doesn't continue to accrue interest.

17 Q. At that point, do you charge off the loan?

18 A. No, we try to collect on it.

19 Q. Okay.

20 MS. BAKER: Is now a good time to take a  
21 five-minute break?

22 MS. WEINBERG: Yes.

23 (Whereupon, a brief recess was taken.)

24 MS. WEINBERG: Back on.

25 BY MS. WEINBERG:

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1 Q. The contract states that the NSF fee was \$25; is  
2 that right?

3 A. Correct.

4 Q. Was that the same in all the contracts?

5 A. Yes.

6 Q. Did it change depending upon the principal  
7 amount of the loan?

8 A. The NSF you're talking about?

9 Q. Yes.

10 A. No.

11 Q. Did it change based upon the amount of the ACH?

12 A. No.

13 Q. What fee was Integrity Advance charged by its  
14 bank or payment process when the ACH didn't go through?

15 A. It varied over time.

16 Q. How did it start? What was it originally?

17 A. I just have to refer to you to the contracts  
18 with Advantage ACH which I think was probably -- they  
19 were the first payment processor we had, and then the  
20 last payment processor we had was Missouri Bank & Trust.

21 Q. Do you remember roughly what it was?

22 A. They were both similar. I want to say it was 10  
23 cents for a transaction and 20 cents for a return.

24 Q. Ten cents for funds?

25 A. Ten cents for push and pull. If it was returned

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1 20 cents. That's roughly what each one would be. It  
2 might have been slightly different than that.

3 Q. And how did Integrity come to charge \$25 for the  
4 NSF fee?

5 A. I don't know. I think we -- I mean how did we  
6 decide \$30 on a hundred? I don't know. It's kind of  
7 the same question.

8 Q. So you have verified -- you said 10 to 15  
9 percent of consumers paid out without any rollovers?

10 A. Yes, ma'am.

11 Q. What percentage of consumers never made any  
12 payments to the loan, let's go with Jane Doe?

13 A. 6 to 8.

14 Q. 6 to 8 percent?

15 A. I think so. It's a ball park guess but it's  
16 close.

17 Q. What percentage of consumers paid NSF fees?

18 MS. BAKER: Do you have a document you're  
19 referring to here?

20 MS. WEINBERG: No I'm asking him a question.

21 THE WITNESS: I don't know. I don't know.

22 BY MS. WEINBERG:

23 Q. If you had to ball park guess it, what would you  
24 say?

25 MS. BAKER: If you know the answer, but don't



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1 guess.

2 THE WITNESS: I can't even guess it. I don't  
3 know.

4 BY MS. WEINBERG:

5 Q. Would you say more than 25 percent?

6 MS. BAKER: Again if you know the answer.

7 THE WITNESS: I don't know. I don't know. I  
8 just don't know. I hate to venture a guess on something  
9 I don't have any idea.

10 BY MS. WEINBERG:

11 Q. Okay. Still under tab 11, towards the back  
12 there's a document that is same, and it is just one  
13 document, 222 to 224. I would likes to have that  
14 marked?

15 A. 2 what?

16 Q. 222 to 224.

17 (Whereupon, Exhibit Number 27 was marked for  
18 identification.)

19 BY MS. WEINBERG:

20 Q. What is this document?

21 A. It appears to be a report of Delaware loans from  
22 Integrity Advance for the period January 1, 2011 to  
23 December 31, 2011.

24 Q. And does this reflect just the loans made to  
25 Delaware consumers?

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1 A. It does.

2 Q. So these would have been all storefront loans?

3 A. Either storefront or online.

4 Q. And it says that Integrity executed 576 loans;  
5 is that right, on page 224?

6 A. I assume that's a 7 or 9.

7 MS. BAKER: Is there a timeline you're talking  
8 about?

9 MS. WEINBERG: It says January 1, 2011 to  
10 December 31, 2011, so I'm assuming the information was  
11 provided by in this case it looks like Mr. Foster  
12 reflected loans during that period.

13 BY MS. WEINBERG:

14 Q. Would that be an accurate assumption?

15 A. That Mr. Foster signed the document?

16 Q. And that this reflects loans during that period?

17 A. To Delaware residents during that period? Yes.

18 Q. Right. When it says loans paid off at maturity,  
19 what does that mean? What is maturity?

20 A. I don't know what maturity means in this case.  
21 My guess -- I shouldn't guess.

22 Q. What's your best understanding of what maturity  
23 means?

24 A. Due date.

25 Q. Due date. Would that be the original date, the

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1 two weeks after the loan was funded?

2 A. No. It would be on a due date.

3 Q. Any due date?

4 A. I'm not sure what this is saying to be honest.

5 It's not something I filled out, and it's not something

6 I would look at.

7 Q. So we'll ask Mr. Foster about that? Was it your  
8 policy to submit consumers who submitted false  
9 information on their application like a false Social  
10 Security to criminal law enforcement officials?

11 MS. BAKER: You mean Integrity Advance?

12 MS. WEINBERG: You meaning Integrity Advance.

13 THE WITNESS: It was impossible for us to be a  
14 hundred percent certain a consumer was reporting a false  
15 Social Security Number. Sometimes things get fat  
16 fingered.

17 BY MS. WEINBERG:

18 Q. What is fat fingered?

19 A. When you're typing on the keyboard, you hit a  
20 two instead of a one. You thought you hit a one but you  
21 hit a two. We did work with law enforcement on a number  
22 of times where people had identity theft, and whenever  
23 that happened, we wrote the loan off and helped to  
24 prosecute the perpetrator with giving the law  
25 enforcement all we had to -- what IP address the

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1 application was signed and so forth, what bank account  
2 the money went to.

3 Q. But other than the ID theft, did you ever report  
4 consumers who you suspected of submitting false  
5 information to law enforcement?

6 A. Like I said, we didn't really have a way to sort  
7 of flag people who were not submitting true information.

8 Q. Were you aware that that provision was in the  
9 loan agreement?

10 MS. BAKER: What provision?

11 MS. WEINBERG: The provision stating -- I refer  
12 to --

13 THE WITNESS: What page?

14 BY MS. WEINBERG:

15 Q. 27476, paragraph 5 at the bottom of the page:  
16 "I understand that submitting false information to  
17 induce you to grant me a loan, i.e., a false Social  
18 Security Number, et cetera, constitutes fraud and may  
19 subject me to criminal penalties. I further acknowledge  
20 that you have disclosed your policy that you will report  
21 such instances of fraud to the appropriate law  
22 enforcement agencies."

23 A. Whenever we had knowledge of any fraud  
24 happening, we would work with law enforcement to let  
25 them know what was going on, but it was really driven by



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1 complaints by consumers, where somebody -- it was mainly  
2 identity theft that came up, but that's how we would  
3 handled it.

4 Q. So it's your statement that that was a statement  
5 about your policy on reporting incidents of identity  
6 theft?

7 MS. BAKER: I don't think that's what he said.

8 THE WITNESS: I'm going to just read it: "I  
9 understand that submitting false information to induce  
10 you to grant me a loan, i.e., a false Social Security  
11 Number, et cetera, constitutes fraud and may subject me  
12 to criminal penalties. I further acknowledge that you  
13 have disclosed your policy that you will report such  
14 instances of fraud to the appropriate law enforcement  
15 agencies."

16 To me that says -- I'm not an attorney. If I'm  
17 a consumer that's putting out false information or in  
18 most cases that this would apply would be identity  
19 theft, in our case, that we would work with appropriate  
20 enforcement agencies, which we did.

21 BY MS. WEINBERG:

22 Q. Okay. A number of consumers reported having  
23 trouble paying in advance. Were you aware of any of  
24 these complaints?

25 A. Complaints?

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1 Q. That they attempted to call Integrity to pay off  
2 their loan in advance of the automatic rollover and had  
3 difficultly doing so.

4 A. No.

5 Q. You're not aware of these?

6 A. I'm aware that there are complaints out there  
7 that people said that, but there again, there are -- one  
8 common complaint that people -- that consumers would  
9 have to try to get out of paying what they owed or  
10 paying less was to say, I didn't understand I was being  
11 -- that these payments weren't going towards principal  
12 and that they were going toward interest only.

13 Those were people who were trying to say that we  
14 misled them somehow, which we didn't. We went every  
15 mile to get them to understand the agreement that they  
16 had in front of them and they signed, from signing eight  
17 places, the welcome letter, the calls, the payment  
18 reminder Emails that would go out between pay dates that  
19 would alert them that a payment was coming, what to do  
20 to payoff or pay down your loan, all those things to  
21 make sure the consumer understood it.

22 So the common complaint was they would call and  
23 say, Well, I didn't understand it. They had their head  
24 buried in the sand and not listen to anything we gave  
25 them or talked to them on the phone. We answered the

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1 phone. We actually had very high -- very high customer  
2 satisfaction, which was evidenced by our returning  
3 customers. People will say anything to get out of  
4 paying, and my guess is some of those complaints were  
5 just that.

6 Q. And so is it your testimony that that was the  
7 most common complaint, people saying they didn't  
8 understand the terms of the loan?

9 A. No. I wasn't tracking complaint to be honest.  
10 I know that complaint came out, but I don't know if it  
11 was common or not.

12 Q. You've testified that 85 to 90 percent of the  
13 customers didn't make -- pay off their loan in one  
14 payment; is that right?

15 A. Correct.

16 Q. And your TILA disclosure discloses the cost for  
17 consumers who would pay off their loan, that 10 to 15  
18 percent of the consumers who did pay off their loan  
19 without any rollovers.

20 MS. BAKER: Your meaning Integrity Advance?

21 MS. WEINBERG: Yes.

22 MS. BAKER: Okay.

23 MS. WEINBERG: I don't think he's making any  
24 personal TILA disclosures, but I don't know, but this is  
25 talking about Integrity Advance.



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1 THE WITNESS: Are you making a statement or  
2 asking a question?

3 BY MS. WEINBERG:

4 Q. Were you aware that a number of consumers read  
5 this disclosure to mean that all of their -- the total  
6 amount that they would be paying would be the amount in  
7 the total of payments box in the TILA disclosure?

8 A. If they paid off the loan in the first payment,  
9 that's exactly what they would pay.

10 Q. And were you aware that other consumers who had  
11 rollovers thought that all of their payments they were  
12 making was going toward -- if we take the Chadidra  
13 Barns, I'm on her because she's in front of us, in her  
14 case she just borrowed \$300, so in her TILA disclosure  
15 it says that the total amount she'll pay is \$390,  
16 correct?

17 A. Yes.

18 Q. For most consumers, that was not the total  
19 amount they would pay, was it?

20 A. No.

21 Q. And in most cases they would pay substantially  
22 more than the amount that's reflected in the total  
23 amounts of payment box; is that right?

24 A. They would pay more. I don't know what  
25 substantially means.

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1 MS. BAKER: Just so we're clear, when you say  
2 TILA box, can you be very specific what you're talking  
3 about?

4 MS. WEINBERG: I'm talking about the federal  
5 truth in lending disclosure document which in the  
6 document that we're looking at starts at the very bottom  
7 of 27472 and goes to 27473, but it was originally called  
8 the Schumer box for most of us who have been around, and  
9 discloses the APR, the finance charges, the amount  
10 financed and the total payments, okay? Are we on the  
11 same page?

12 BY MS. WEINBERG:

13 Q. Did you ever consider doing a TILA disclosure  
14 that disclosed the scenario that 85 to 90 percent of the  
15 consumers would incur where it's not just one payment?

16 A. I had no input on any of that. I was -- I hired  
17 who I thought were the best attorneys. One of them came  
18 from the FTC, and she was -- worked on the documents and  
19 I left it up to people who know the law, not me.

20 BY MS. WEINBERG:

21 Q. Did Integrity have customers who contested ACH  
22 charges that were submitted by Integrity with their  
23 bank?

24 A. Define contested, please.

25 Q. They said to their bank, I don't authorize this

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1 charge?

2 A. Yes.

3 Q. And what percentage of Integrity's customers  
4 would you say claimed that the charges were  
5 unauthorized?

6 A. Extremely low.

7 Q. Can you give me --

8 A. Extremely small fraction of 1 percent, extremely  
9 small. That was tracked by ACH providers and the banks  
10 and you couldn't -- we were I think one of the best in  
11 business in terms of those numbers.

12 MS. BAKER: Is there a timeline that you're  
13 associating with that question?

14 BY MS. WEINBERG:

15 Q. Did it change over the time that Integrity was  
16 in business?

17 A. It did not.

18 Q. Were there consumers, customers of Integrity  
19 Advance who attempted to revoke their ACH authorization?

20 A. Yes.

21 Q. And what percentage of the customers would you  
22 say?

23 A. The same. We would classify a special return as  
24 an RO 7, 8 or 10 which is revoked authorization,  
25 unauthorized or stop pay, and in all those cases we had

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1 extremely low numbers of those that hit our account.

2 Q. I'm sorry, did you give me a number on that?

3 Did I miss that? You said --

4 A. Extremely low. Adding all those up together is  
5 way less -- it was a small fraction of 1 percent.

6 Q. So under 1 percent?

7 A. All together.

8 MS. BAKER: When you say all together?

9 THE WITNESS: If you add up the stop pays or  
10 revoked -- revoked, doc pays and unauthorized totals up  
11 to way less than 1 percent.

12 MS. WEINBERG: Okay. Let's go off the record  
13 one minute.

14 (Discussion off the record.)

15 (Whereupon, a brief recess was taken.)

16 MS. WEINBERG: We're going to switch topics  
17 again, okay?

18 BY MS. WEINBERG:

19 Q. Let's talk about debt collection.

20 A. Okay, okay. Yes.

21 Q. I want to start with just sort of an overview of  
22 how it worked. When somebody didn't pay, what was the  
23 first type of collection effort? I'm going to go into  
24 details, but I just want to start with what in broad  
25 strokes -- like there was an inhouse team or there was a

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1 call center or third parties or --

2 A. We were really, for the majority of the time  
3 you're examining us, were at Integrity Financial  
4 Partners for collection, and that is from -- we did that  
5 from collections on day one, so we were working for  
6 awhile inhouse and then sent it over there, and then we  
7 just send it right over there.

8 So the consumer -- the consumer's loan, the  
9 payment would balance. The first thing that would  
10 happen is an automated Email would go to the system  
11 based on the return code of the bounce. You have the  
12 stack of those automated Emails. I think we included  
13 everything except a payment reminder Email in there, but  
14 we referenced it in there, in the materials.

15 Q. Actually I don't think we do have those.

16 MS. BAKER: I think that's response number 12  
17 that I Emailed to you over the weekend.

18 MS. WEINBERG: That wasn't in there.

19 MS. BAKER: What was not in there?

20 MS. WEINBERG: Attachment 12 contained a number  
21 of letters that happened to have been sent by the  
22 Delaware office.

23 THE WITNESS: Yes.

24 BY MS. WEINBERG:

25 Q. And --



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1 A. Those are system generated letters.

2 Q. Right, but it referred to the in store loans, so  
3 I assumed that those were for collections -- it would  
4 say in the bottom -- I didn't bring the documents with  
5 me.

6 MS. BAKER: I actually have the documents in the  
7 other room. If you would like to go off the record, I  
8 can provide them. They're not marked up. I'm happy to  
9 show them to you, if that facilitates this answer or if  
10 you want to continue.

11 MS. WEINBERG: Sure, if it won't take long.

12 MS. BAKER: It will not take long. Excuse me.

13 (Discussion off the record.)

14 MS. WEINBERG: So we're back on.

15 BY MS. WEINBERG:

16 Q. You were describing Integrity Financial Partners  
17 handling the first stage of the collection?

18 A. The system sent the Emails out, one of those  
19 Emails you're looking at right there.

20 Q. And what is --

21 A. Based upon the return code that came back from  
22 the bank.

23 Q. Can you refer me specifically to which Email?

24 A. Sure.

25 Q. And we will mark it.

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1       A. The first one is what went to -- let's look and  
2     see. Without having the system in front of me, I don't  
3     know what number this was, but there was an insufficient  
4     funds Email that went out to the consumer, so we got  
5     back an RO 1 code on the return, and the system sent  
6     that Email out.

7       Q. Okay. For the record I guess we'll -- you're  
8     not keeping them right. So this will be -- Exhibit 28  
9     is noted as a collection letter-insufficient funds?

10      A. Right.

11             (Whereupon, Exhibit Number 28 was marked for  
12     identification.)

13             BY MS. WEINBERG:

14      Q. You were saying this would be sent out BY  
15     Integrity Financial Partners in the form of an Email?

16      A. No, no. Our system would send that letter out.  
17     So our system handled all the payments, in and out, and  
18     the returns would come back in the system. It would  
19     say, I have a RO 1 return on this consumer. It would  
20     then go into that consumer and pick out those data  
21     fields on that -- where you see those capital letter  
22     things, and it would populate that letter and send out  
23     the Email to the consumer, when the thing went into the  
24     system, when the return went into the system.

25             And we had a different one for different return

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1 codes, one for closed accounts, one for unauthorized,  
2 revoked, et cetera, which are all in this packet.

3 Q. And these are all Emails?

4 A. These are all Emails that went out, yes, ma'am.

5 Q. And these were sent by Integrity Advance or by  
6 Integrity Financial Partners?

7 A. These are sent by Integrity Advance's computer  
8 system.

9 Q. And how many of these Emails would go out to  
10 consumers while this process was still being handled  
11 inhouse so to speak?

12 A. One per bounce, so basically one every two  
13 weeks.

14 Q. Let's go back to sort of the overview, just so I  
15 can have the broad picture of it. First there's  
16 automated Emails that go out inhouse. Then there's  
17 Integrity Financial Partners, and without getting into  
18 any details, what did they do?

19 A. They tried to collect -- well, it depended on  
20 where the loan was in the process, but a first bounce,  
21 they would try to get the consumer back on track by  
22 making up the payment. The consumer might say, Hey, I  
23 can't pay the whole \$90 now, can you split it up for me  
24 and let me pay \$45 payment. They would routinely waive  
25 NSF charges to get the consumer to get caught back up,



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1     trying to make it easy for the consumer to make up that  
2     payment.

3           Q.   And how long would the -- can we just say loan  
4     file? How long would that account stay with Integrity  
5     Financial Partners?

6           A.   It wouldn't really -- it wasn't like they got  
7     sent the file like a normal collection company would.  
8     They actually had a restricted access into the loan  
9     system to where they could get into the loan system and  
10    work from the loan system, so when they received a  
11    payment, they would post the payment to the account, and  
12    so it's easy to keep up with the payments that are being  
13    made so the customer's account is always current,  
14    whether they paid them or us.

15          Q.   How long would Integrity Financial Partners work  
16    an account?

17          A.   Generally if it's -- again if it's bouncing in a  
18    row like the example you brought up earlier, they would  
19    work it through that last bounce, and then maybe give it  
20    a day or two, and that's it, so no more than six weeks  
21    generally.

22          Q.   We are going to go into more detail on what they  
23    actually did, but after six weeks what would happen to  
24    the account?

25          A.   Generally nothing.



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1 Q. Did you have an inhouse attorney who took --

2 A. No.

3 Q. No? Did you have any third party collectors?

4 A. Only what Integrity Financial Partners was  
5 doing.

6 Q. And they only worked the accounts for six weeks?

7 A. Yes. We were known for being very light on  
8 collections.

9 Q. I would have turned to the policies and  
10 procedures manual, but you have already testified that  
11 the policies and procedures manual that was produced was  
12 not used by --

13 A. And I had never seen it until we were going  
14 through the document review.

15 Q. Did Integrity Financial Partners have a policies  
16 and procedures manual or training manual?

17 A. I would imagine they probably did.

18 Q. Did you ever see it?

19 A. No.

20 Q. Did anyone at Integrity review the work of  
21 Integrity Financial Partners in terms of how they dealt  
22 with customers?

23 MS. BAKER: In terms of how Integrity Financial  
24 Partners dealt with customers? Is that the "they?"

25 MS. WEINBERG: Yes.

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1 MS. BAKER: Okay.

2 THE WITNESS: Did anybody at Integrity Advance  
3 review Integrity Financial Partners's work to see how  
4 they dealt with customers, is that the question?

5 BY MS. WEINBERG:

6 Q. Right.

7 A. Yes, in the sense that there was interaction  
8 between the two companies, and any problems were  
9 addressed with consumers that way. I mean, consumer  
10 complaints would generally come through the collection  
11 process, and we would address those complaints as need  
12 be, whoever is working with IFP.

13 Q. Did IFP -- we're talking about Integrity  
14 Financial Partners -- record calls to customers?

15 A. I don't know.

16 Q. Do you know if anybody from Integrity Advance  
17 listened in to calls made by IFP?

18 A. No.

19 Q. You don't know or it didn't happen?

20 A. I don't believe it happened.

21 Q. Okay. Do you know the background of the IFP  
22 partners who -- IFP partner employees who were making  
23 the calls to consumers?

24 MS. BAKER: What do you mean by background?

25 THE WITNESS: In terms of what?

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1 BY MS. WEINBERG:

2 Q. What sort of training did they receive?

3 A. I don't know exactly.

4 Q. Do you know how these people were compensated?

5 A. No.

6 Q. I think you had testified earlier that you  
7 expected that in most debt collection scenarios, that  
8 there was a bonus, a minimum that was attributed to the  
9 amount collected; is that an accurate recollection?

10 A. It is.

11 Q. And were you referring to IFP when you said  
12 that?

13 A. I think bonuses are something very, very common  
14 in the collection business. I assume they probably did  
15 give bonuses to their collectors.

16 Q. Do you know any of the performance standards  
17 these employees might have to meet?

18 A. I know IFP is a giant collection company with  
19 thousands of reps, and they work for the major banks in  
20 the country, and they are PCI compliant and have lots of  
21 checks and balances built into their system in terms of  
22 background screens of employees to drug screens or  
23 whatever. They're very diligent about their process.  
24 We were a very, very small customer of theirs.

25 Q. So right after tab 12, the first document is



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1 INTEGRITY000129. Do you know who Langhorne Law is?

2 A. This is a -- you can delete this whole document  
3 as well.

4 Q. What?

5 A. You can delete this whole document as well.  
6 Yes, this wasn't supposed to -- we didn't do anything  
7 with Langhorne Law. Sorry.

8 Q. All right. What is a no contact Email?

9 A. Can you point me to something?

10 Q. This again came from the policies and procedures  
11 manual right after tab 12, if you look at 000133?

12 MS. BAKER: This is part of the document that he  
13 just testified about that the company never used these  
14 procedures?

15 THE WITNESS: We didn't use those.

16 BY MS. WEINBERG:

17 Q. You didn't use contact Emails?

18 A. No, we didn't have broken promise or last chance  
19 or fraud Emails.

20 Q. Broken promise Emails or last chance or fraud  
21 Emails?

22 A. No.

23 Q. Just to close the loop on this, if you look at  
24 page 130, did Integrity use ACH sneaks? Have you heard  
25 that term?



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- 1 A. How do you define an ACH sneak?
- 2 Q. It's in this manual which you've --
- 3 A. I see it. I don't know what they're referring
- 4 to.
- 5 Q. Okay. Have you heard the term --
- 6 A. I have heard the term.
- 7 Q. What is an ACH sneak?
- 8 A. Again it means different things to different
- 9 people so I don't know. I can't say.
- 10 Q. Did Integrity ever use an ACH sneak?
- 11 A. Like I said, if you tell me what it is, I'll
- 12 tell you whether we did or not. I have a hard time
- 13 knowing what an ACH sneak is. Here's a refi sneak on
- 14 the next page.
- 15 Q. A full sneak and a final sneak?
- 16 A. What does this mean?
- 17 Q. This was given to the Bureau as your policy and
- 18 procedures --
- 19 A. It's our fault. It's our fault. We made a
- 20 mistake.
- 21 Q. So I understand you're saying it's not yours,
- 22 but I'm trying to establish what parts of this, if any,
- 23 reflects the policies and procedures of Integrity
- 24 because Integrity's name is used throughout this
- 25 document.

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1 MS. BAKER: I think he's testified that it was  
2 inadvertently provided and represented to you as the  
3 policies and procedures, but it clearly was not, so to  
4 the extent you can answer questions, go ahead and answer  
5 them, but I would like this line of questions to be  
6 qualified by that.

7 THE WITNESS: I think if you looked at an ACH  
8 sneak being an ACH that the consumer wasn't expecting,  
9 that would -- we had a very clear delineation of our ACH  
10 process of what we did in terms of we went through a  
11 bounced loan and what the payment pulls were that we  
12 did. I don't know that we disclosed to a consumer in  
13 the documentation that if they missed their first  
14 payment, we were going to try to get it on the next pay  
15 date. I don't know -- I'm not sure. I just don't  
16 remember how -- what was said about that.

17 BY MS. WEINBERG:

18 Q. So is that in the industry generally what you  
19 would mean by a sneak?

20 A. I would think of sneaks as trying to be crafty  
21 about when you're going into the consumer's account to  
22 get the money, and all we did was to try to go to their  
23 pay dates to get the subsequent payments, so I think  
24 there's probably different definitions of the word  
25 sneak, and I just don't know what you're thinking or

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1 what these people -- whoever wrote this was thinking.

2 Q. Did you ever employ attorneys to sue consumers  
3 in small claims court or otherwise to obtain funds that  
4 Integrity Advance claimed was due to it?

5 A. No.

6 Q. And so when we looked at what was identified in  
7 the production as document 5, which was Exhibit --  
8 attachment 5, Exhibit 21, which listed all of the  
9 companies that Integrity worked with, do you know what  
10 document I'm looking at?

11 A. Vendor lists?

12 Q. Yes.

13 A. I reviewed the vendor list, yes.

14 Q. There are quite a number of lawyers who are  
15 listed on that vendor list.

16 MS. BAKER: So that vendor list is behind  
17 Exhibit tab 10, tab 10, and it's Exhibit 21, and it was  
18 attachment number 5.

19 MS. WEINBERG: Right.

20 MS. BAKER: Okay. Just so we're looking at the  
21 same list, if you want to take a look at it, Mr. Carnes,  
22 before you answer questions.

23 THE WITNESS: Okay, okay.

24 BY MS. WEINBERG:

25 Q. So what were all of these attorneys doing for



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1 Integrity?

2 MS. BAKER: Let me just caution you about  
3 answering that question. To the extent you can answer  
4 that question without disclosing communications that you  
5 received from those attorneys, you can answer it, so the  
6 fact that you had an attorney representing you is  
7 generally not privileged. There are instances where it  
8 could be, but it's generally not privileged. What an  
9 attorney who represented you said to you is privileged  
10 just so we're clear.

11 BY MS. WEINBERG:

12 Q. Let's get specifically go the list then. On  
13 page 2 of it, the flip side, there's Blackwell Burke,  
14 were they involved in collection at all?

15 A. No.

16 Q. Briol and associates, B-R-I-O-L?

17 A. No.

18 Q. Frans Ward?

19 A. There's a lot of names on this page I've never  
20 even heard of.

21 Q. Husch Blackwell?

22 A. No.

23 Q. Katten we know. Paul Soder?

24 A. No.

25 Q. Ryan Legal Service?



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1 A. No.

2 Q. I assume Troutman Sanders was not involved in  
3 collection?

4 A. No.

5 Q. Underwood and Reiman?

6 A. The name doesn't ring a bell, but we didn't sue  
7 anybody.

8 Q. So all of those were advising the company?

9 A. Advising us on something different, like one was  
10 acquired by another one, and it would be a better  
11 question for Mr. Foster to be honest.

12 Q. Okay. I'm glad we have something left for him  
13 to talk about. Was there any relationship between the  
14 owners and of Integrity Financial Partners and Integrity  
15 Advance, in other words --

16 A. Absolutely none. I know it sounds bizarre, but  
17 there is zero.

18 Q. If we look at Integrity -- on the last page  
19 before tab 14, it's Bates stamped 000046.

20 A. Okay.

21 Q. And it appears to list contacts for recovery,  
22 recovery department?

23 A. Uh-huh.

24 Q. What is the recovery department?

25 A. That would be the collections department.

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1 Q. The collections department.

2 (Whereupon, Exhibit Number 29 was marked for  
3 identification.)

4 BY MS. WEINBERG:

5 Q. WPLTD, is that Willowbrook Partners Limited?

6 A. Yes.

7 Q. What was Willowbrook Partners' role in  
8 collections?

9 A. None.

10 Q. Is there a reason that Tim Madison is listed in  
11 this or are these Emailed addresses -- were those to  
12 collections?

13 A. Collections, there's only one thing on here  
14 talking about collections, and that's the recovery  
15 department.

16 Q. So recovery department is the phone numbers?

17 A. It's just a contact page.

18 Q. I see, okay.

19 MS. BAKER: And do you know, Ms. Weinberg, if  
20 this is part of a larger document?

21 THE WITNESS: I believe it is.

22 MS. BAKER: This page?

23 MS. WEINBERG: It's okay. We're moving on from  
24 this.

25 BY MS. WEINBERG:

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1 Q. Who reviewed the complaints, the consumer  
2 complaints that Integrity received?

3 A. So the collections people, the head of  
4 collections would review the complaints. If they were  
5 something that he thought needed to be escalated, it  
6 would be escalated up to Chris Pickett or to Edward  
7 Foster.

8 Q. Who was the head of collections?

9 A. Over time it changed.

10 MS. BAKER: Are you talking about complaints  
11 just for collections or are you talking generally about  
12 complaints?

13 THE WITNESS: Any complaint?

14 BY MS. WEINBERG:

15 Q. I'm talking about complaints, period.

16 A. That would just be collection complaints.

17 Q. From the head of collections to Pickett to  
18 Foster; is that correct?

19 A. Or just to head of collections to Pickett or  
20 Foster or both.

21 Q. And you were not involved in that process  
22 personally?

23 A. No. And most collection complaints were made to  
24 Pickett or Foster. I mean, it was just -- they got this  
25 worked out at the collection center.

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1 Q. For other types of complaints?

2 A. It would go through the call center and their  
3 staff, and we had extremely few complaints on that side.

4 Q. And was anybody at Integrity Advance involved in  
5 reviewing those complaints?

6 MS. BAKER: Complaints about what, just so we're  
7 clear?

8 MS. WEINBERG: Let's say a consumer complained  
9 about an unauthorized ACH withdrawal.

10 THE WITNESS: That would probably go --

11 BY MS. WEINBERG:

12 Q. That might go under collections?

13 A. Under collections. The only time there are  
14 complaints, I'll just tell you, is something would go  
15 wrong with the system. Something would happen where  
16 everybody's loans didn't go out that night for some  
17 reason that we didn't know about. The system failed in  
18 some way, and so everybody calls the next day, Where's  
19 my money. That's the kind of complaint the call center  
20 would get.

21 Q. Did you get complaints about consumers being  
22 unable to reach Integrity employees when they had  
23 problems?

24 A. No, we had some of the fastest answer times in  
25 the business.



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1 Q. That's interesting just for the record because  
2 we reviewed a lot of complaints where that seemed to be  
3 a topic, and I think we covered this a little bit but  
4 just to make sure that I understood your earlier  
5 testimony.

6 Did you say that Integrity did not send notices  
7 to consumers other than the loan agreement itself, which  
8 set out some of the ACH transactions and how this would  
9 go -- did they send out individual notices to consumers  
10 prior to initiating an ACH?

11 A. Yes.

12 Q. They did?

13 A. Yes, and that's one of the documents we  
14 referenced in the interrogatory, and that's the one we  
15 just gave you when we handed out -- so that the  
16 consumer --

17 MS. WEINBERG: I hate to ask this, but would  
18 you mind, if it's in attachment 12, telling me what that  
19 is.

20 MS. BAKER: That's it right there.

21 MS. WEINBERG: This is a new document.

22 MS. BAKER: It's a new document that we're  
23 adding to the attachment number 12 that was not  
24 previously produced, but it was previously referenced in  
25 one of the interrogatory responses, but we would like

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1 the record to reflect that this was in addition to what  
2 was also provided as attachment 12 previously, so you  
3 can consider that to be another consumer communication.

4 MS. WEINBERG: This was sent by Email?

5 THE WITNESS: Yes.

6 BY MS. WEINBERG:

7 Q. Was this sent -- when was this sent?

8 A. In between their payment dates. I think we did  
9 six or seven days out from their next due date.

10 MS. WEINBERG: Can we mark this 30, please?

11 (Whereupon, Exhibit Number 30 was marked for  
12 identification.)

13 THE WITNESS: That's when you said a consumer  
14 doesn't understand the product, I don't know how many  
15 times you can tell them how it works.

16 BY MS. WEINBERG:

17 Q. What is it your understanding of the phrase in  
18 the loan agreement "you are giving a security interest  
19 in the E check ACH authorization."

20 A. I don't understand that. I know -- I've read it  
21 but I don't know -- I couldn't tell you what it means.

22 Q. Okay. If a consumer opted out of the  
23 arbitration provision in the loan agreement, could they  
24 obtain a new loan?

25 A. Yes.

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1 Q. If they rejected the privacy policy, could they  
2 obtain a new loan?

3 A. Yes.

4 MS. WEINBERG: Can we go off the record for two  
5 minutes.

6 (Discussion off the record.)

7 THE WITNESS: I just wanted to -- I was thinking  
8 about my last answer about if a customer didn't accept  
9 the privacy policy, could they get a loan, I said yes.  
10 But I don't know how they would reject the privacy  
11 policy. I'm not sure how that would affect the system.  
12 I don't know the answer.

13 It wasn't a policy that someone would reject  
14 that we wouldn't give them a loan, but I don't know just  
15 in terms of -- when they go through the process, when  
16 they accept it, if they didn't accept it, what would  
17 happen. I don't know.

18 BY MS. WEINBERG:

19 Q. Any other clarifications you wanted to make?

20 MS. BAKER: I want to make sure you have a copy  
21 of what we marked as Exhibit 30 and you understand what  
22 that document is. We kind of glossed over it quickly.

23 THE WITNESS: Payment reminder Email that was  
24 sent out six to seven days prior to the customer's next  
25 due payment.

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1 BY MS. WEINBERG:

2 Q. I think you already testified to that.

3 MS. BAKER: Thank you very much.

4 THE WITNESS: Thank you.

5 (Whereupon, at 5:19 p.m. the investigational  
6 hearing was concluded.)

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1 DISTRICT OF COLUMBIA )  
2 ) SS:  
3

4 I, Debra L. Maheux, a Court Reporter and/or  
5 Notary Public in and for the District of Columbia, do  
6 hereby certify that the above testimony of JAMES CARNES  
7 was recorded on JUNE 17, 2014, and reduced to writing  
8 under my personal direction.  
9

10 I further certify that I am not a relative or  
11 employee or attorney or counsel of any of the parties,  
12 or a relative or employee of such attorney or counsel,  
13 or financially interested directly or indirectly in this  
14 action.  
15

16 The witness whereof I have hereunder set my hand  
17 and affixed by seal of office at Washington, D.C. on  
18 JULY 8, 2014.  
19

20

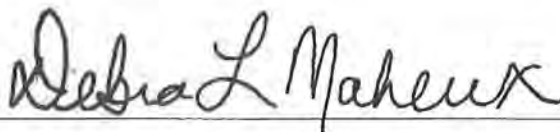
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My Commission expires: 6/1/2018

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1 CERTIFICATE OF WITNESS

2

3

4 I hereby certify that I have read and examined  
5 the foregoing transcript, and the same is a true and  
6 accurate record of the testimony given by me.

7

8

9 Any additions or corrections that I feel are  
10 necessary, I will attach on a separate sheet of paper to  
11 the original transcript.

12

13

14 I hereby certify, under penalty of perjury, that  
15 I have affixed my signature hereto  
16 on the date so indicated.

17

18

19

DATED:

20

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22

23

JAMES CARNES

24

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6/17/2014

1 WITNESS: JAMES CARNES

2 DATE: June 17, 2014

3 CASE: IN RE: INTEGRITY ADVANCE

4 Please note any errors and the corrections thereof on  
5 this errata sheet. The rules require a reason for any  
6 change or correction. It may be general, such as "To  
correct stenographic error," or "To clarify the record,"  
or "To conform with the facts."

7 PAGE LINE CORRECTION REASON FOR CHANGE

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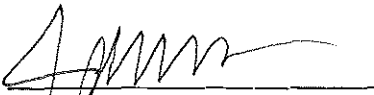
Consumer Financial  
Protection Bureau

1700 G Street NW, Washington, DC 20552

### CERTIFICATION OF WITNESS

In the Matter of: Integrity Advance  
Witness Name: James R. Carnes  
Hearing Date: 6/17/2014  
Bureau Investigator(s): Wendy Weinberg, Alusheyi Wheeler

I, James Carnes, hereby certify that I have read and reviewed the foregoing transcript, and the same is a true, correct, and complete record of testimony given by me. Any additions or corrections, if any, have been noted on the attached errata sheet with a statement of the reasons for making the change, which are incorporated by reference herein.

  
Witness Signature

8/15/14  
Date

Consumer Financial  
Protection Bureau

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## ERRATA SHEET FOR CHANGES TO TRANSCRIPT

In the Matter of: Integrity Advance

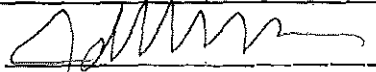
Witness Name: James R. Carnes

Hearing Date: 6/17/2014

Bureau Investigator(s): Alusheyi Wheeler, Wendy Weinberg

Please note any desired changes in the attached transcript and the corrections thereof on this errata sheet. Include a statement of the reason for any change as required by section 1080.9(a) of Bureau Rules Relating to Investigations, 12 C.F.R. § 1080.9(a). An example of a reason for a change includes "To correct a typographical error." Once complete, please forward, as an attachment to the Certification of Witness, to the Bureau Investigator(s) identified above.

Page No.	Line No.	Change/Reason for Change
9	5	change \$170,000 to \$17 million - (correction)
10	22	change No to Yes (correction)
34	17	change Advanced to Advance
86	2	change that it was profitable than not to <del>that it was at a loss</del> <sup>than it was profitable</sup>
95	20	change Willowbrook Management → Willowbrook Marketing
128	16	change rightout → to right now
163	14	Talisman → Talent Amendment
176	18	change yes to no
177	17	change back to bad
193	11	change Oakland Park → Overland Park
208	8	ALMS → change to LMS; change train → tran
215	13	change Talisman - Talent Amendment
216	19	change Talisman - Talent Amendment
218	2	change there to this
5	23	change mediation → to medication

  
Witness Signature

8/15/14  
Date

Revised 11.2.12