

# EXHIBIT B

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UNITED STATES OF AMERICA  
Before the  
CONSUMER FINANCIAL PROTECTION BUREAU

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In the Matter of :  
: Administrative Proceeding  
INTEGRITY ADVANCE, LLC : File No. 2015-CFPB-0029  
and JAMES R. CARNES, :  
Respondent. :

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REPORTER'S OFFICIAL TRANSCRIPT OF PROCEEDINGS  
HEARING (Volume II of III)

Washington, D.C.  
Wednesday, July 20, 2016

BEFORE:  
HONORABLE PARLEN L. MCKENNA, ADMINISTRATIVE LAW JUDGE

1 **APPEARANCES:**

2 **For the Agency:**

3 Alusheyi J. Wheeler, Esquire  
4 Wendy J. Weinberg, Esquire  
5 Vivian W. Chum, Esquire  
6 Craig A. Cowie, Esquire

7 **For the Respondent:**

8 Allyson B. Baker, Esquire  
9 Peter S. Frechette, Esquire  
10 Danielle R. Foley, Esquire  
11 Andrew T. Hernacki, Esquire  
12 Hillary S. Profita, Esquire  
13 Venable, LLP, Washington, D.C. 20004

14 **On Behalf of Mr. Edward Foster**

15 Gerald S. Sachs, Esquire

16 **ALSO PRESENT:**

17 For the Administrative Law Judge:  
18 Heather MacClintock, Esquire  
19 Lauren S. Staiti, Esquire

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21  
22 Jeannie A. Milio, RPR  
23 Official Court Reporter  
24 ALJ Office, Baltimore, Maryland 21202-4022  
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T A B L E O F C O N T E N T S

**ENFORCEMENT COUNSEL'S WITNESSES:**

	DIRECT	CROSS	REDIRECT	RECROSS
Edward Foster	II-5	II-46	--	--
James Carnes	II-48	II-62	II-86	II-99
Robert Hughes	II-110	--	--	--
Joseph Baressi	II-165	II-183	II-192	--

<b>ENFORCEMENT COUNSEL</b>	<b>IDENTIFICATION</b>	<b>ADMITTED</b>
Exhibit No. 81	--	II-122
Exhibit No. 102	II-156	II-162

1 may financially perform and that would have taken into  
2 consideration Integrity Advance performance, that's  
3 what I recall.

4 Q. Were you involved in those Hayfield  
5 projections?

6 A. I do not recall being involved in those  
7 detailed projections.

8 Q. Do you recall reviewing those projections?

9 JUDGE MCKENNA: And that's as EVP.

10 THE WITNESS: Right. I do not recall  
11 reviewing those as EVP.

12 BY MR. WHEELER:

13 Q. We have talked a little bit about the loan  
14 agreement, Mr. Foster, who wrote Integrity Advance's  
15 loan agreement?

16 A. I'm sorry. My pause is I'm trying to make  
17 sure that anything I am discussing about that -- trying  
18 to determine what is protected by the attorney/client  
19 privilege.

20 I think what I safely can say is that no one  
21 at the Hayfield group of companies, including myself  
22 or Mr. Carnes, were consumer lawyers or experts in  
23 consumer law. So the strategy of the company was to  
24 always have highly compensated, highly acknowledged  
25 and reputable consumer law counsel, outside counsel,

1 to provide the counsel and guidance on those matters.

2 Q. So is it your testimony that outside counsel  
3 wrote the loan agreement?

4 A. I don't believe that would be violating the  
5 attorney/client privilege to say that all agreements  
6 were written by outside counsel.

7 Q. Did you review the loan agreement that outside  
8 counsel drafted?

9 MS. BAKER: I'm just going to caution you --

10 JUDGE McKENNA: I understand. And the next  
11 question is the one that will be problematic for you  
12 possibly.

13 MS. BAKER: Can I just register for the record  
14 --

15 JUDGE McKENNA: Yes.

16 MS. BAKER: -- my concern?

17 I just want to caution you, Mr. Foster, to not  
18 disclose communications that would be a violation of  
19 the -- or disclose the attorney/client privileged  
20 communications, violation of any privilege.

21 THE WITNESS: Yes, I acknowledge and recognize  
22 that.

23 Any answering of that question about loan  
24 agreements and legal advice from outside counsel would  
25 involve discussions that would infringe upon the

1 attorney/client privilege.

2 BY MR. WHEELER:

3 Q. Mr. Foster, I'm not asking about discussions.  
4 I'm asking did you review the loan agreement that  
5 outside counsel drafted?

6 MS. BAKER: And I would give the same  
7 admonition to the extent it was done in his capacity  
8 as general counsel. Whether or not he did something  
9 would be a disclosure of privilege and work product.

10 MR. WHEELER: I'm just asking did he review  
11 it. Not did he do anything to it. Just did he review  
12 it?

13 JUDGE McKENNA: Did he review it as executive  
14 vice president?

15 THE WITNESS: I did not review any contracts  
16 as executive vice president.

17 BY MR. WHEELER:

18 Q. Did you review it as general counsel?

19 MS. BAKER: Same objection and admonition.

20 JUDGE McKENNA: Duly noted.

21 THE WITNESS: That would be discussions that  
22 for me to talk about here would be violating the  
23 attorney/client privilege.

24 BY MR. WHEELER:

25 Q. Again, I'm not asking about discussions. I

1 was asking did you review it as general counsel?

2 MS. BAKER: Same admonition and objection.

3 THE WITNESS: Again, I believe any discussions  
4 or testimony involving that subject matter would  
5 violate the attorney/client privilege.

6 JUDGE McKENNA: Can we move on?

7 MR. WHEELER: Yes, Your Honor.

8 BY MR. WHEELER:

9 Q. Mr. Foster, to your knowledge did Mr. Carnes  
10 ever review the loan agreement?

11 MS. BAKER: Same objection and admonition to  
12 the extent that --

13 JUDGE McKENNA: Sustained.

14 MS. BAKER: Thank you.

15 THE WITNESS: I cannot answer that question  
16 without violating the attorney/client privilege.

17 BY MR. WHEELER:

18 Q. Mr. Foster, did Integrity Advance receive  
19 consumer complaints?

20 A. Yes, Integrity Advance did receive consumer  
21 complaints.

22 Q. Did someone at Integrity Advance have the  
23 responsibility for monitoring those complaints?

24 A. Yes.

25 Q. Who was that?

1 A. The first -- it was a multi-faceted, I would  
2 say or multi-layer. Obviously, from the call center  
3 the initial people that took the phone call, the CSRs  
4 had ability to receive and resolve those complaints.  
5 If they felt that they could not or needed escalation,  
6 it would escalate, it's my understanding, to a manager  
7 in the call center.

8 And then beyond that ultimately to, I believe,  
9 the person that was in charge of collections, what we  
10 called collections and workouts. And then if it needed  
11 further attention, it could not be resolved beyond  
12 that, it came to the attention of the legal group in  
13 Kansas City.

14 JUDGE McKENNA: All right.

15 A. And then ultimately my responsibility because  
16 the legal group reported to me.

17 JUDGE McKENNA: For the record. CSR stands  
18 for call center representative?

19 THE WITNESS: Customer service representative.  
20 Thank you. I apologize for using that acronym.

21 BY MR. WHEELER:

22 Q. Did Integrity Advance track these complaints  
23 in any sort of way?

24 A. Yes.

25 Q. How so?

1 extent legal matters or complaints could be determined  
2 as problems. The answer would be yes.

3 Q. Did Integrity Advance's loan product change  
4 over time?

5 A. I don't recall a significant change in the  
6 product.

7 Q. Did Integrity Advance's loan agreement change  
8 over time?

9 A. My recollection is, in fact, I'm sorry, it's  
10 not my recollection, I feel confident that the  
11 company's outside counsel reviewed the agreement of  
12 Integrity Advance on a regular basis as did the  
13 Delaware Banking Commission through its annual  
14 licensing process and the exams it received all  
15 reviewed the agreement.

16 And to the extent that there was advice and  
17 guidance given that would require a change, I feel  
18 confident that the company would have followed that  
19 advice and counsel from the outside.

20 Q. So is it your recollection that the loan  
21 agreement changed?

22 A. There would have been some changes in the loan  
23 agreement over time.

24 Q. Would you classify those changes as  
25 significant?

1 A. As to the loan product itself, no.

2 Q. Are you familiar with loan agreement templates  
3 that Integrity Advance used?

4 A. Can you define what you mean by a template?

5 Q. Essentially a loan agreement that wasn't  
6 filled out. Sort of like the base application and loan  
7 agreement but without a consumer's information.  
8 Something that could be filled in by a consumer.

9 A. Yes, then I am familiar and remember that  
10 template, yes.

11 Q. Do you remember who approved the use of the  
12 template?

13 MS. BAKER: I just want to caution Mr. Foster  
14 to the extent that that question could be answered or  
15 must be answered by disclosing the contents of a  
16 communication that would have otherwise been  
17 privileged, please don't disclose that privileged  
18 information.

19 MR. WHEELER: The fact that a loan agreement  
20 template was approved is not protected information.

21 MS. BAKER: That's my admonition and objection  
22 to this question.

23 If it can be answered otherwise.

24 THE WITNESS: Yes. So I think I would say is  
25 that you asked me that I recall similar or if not the