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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CONSUMER FINANCIAL PROTECTION BUREAU,

Plaintiff,

v.

CASHCALL, INC., WS FUNDING, LLC, DELBERT SERVICES CORPORATION, and J. PAUL REDDAM,

Defendants.

CASE NO.: 2:15-cv-07522-JFW (RAOx)

PLAINTIFF'S EXCERPTED DEPOSITION TESTIMONY OF DELBERT MEEKS SUPPORTING MOTION FOR PARTIAL SUMMARY JUDGMENT

Date: August 1, 2016
Time: 1:30pm
Court: Hon. John F. Walter
Courtroom 16

EXCERPTED DEPOSITION TESTIMONY OF DELBERT MEEKS

20:21-25

21 **Q. Okay. Do you know why it was created?**

22 A. Yes.

23 **Q. Can you tell me that?**

24 A. To service loans that were charged off by

25 CashCall and other third-party entities.

21:19-25

19 **Q. Can you tell me who created Delbert**

20 **Services Corporation?**

21 A. It was created -- it was owned by Paul

22 Reddam, and it was created by the executive team of

23 CashCall.

24 **Q. Are you part of that executive team?**

25 A. Yes.

37:23-38-23

23 **Q. Can you tell me, generally speaking, how**

24 **that balance changed?**

25 A. As Western Sky began originations, their

38

1 originations were small compared to the

2 CashCall-originated loans. As Western Sky grew

3 their program and originated more loans, we

4 purchased more loans, and it became at a point

5 larger than CashCall-originated loans.

Q. Okay. Do you know what loan products Western Sky originated?

A. Yes.

Q. Can you tell me what those were?

A. They had products of 850, 1500, 2600, 5,000, and I believe 10,000.

Q. Do you know whether they had those products through the entire time frame in which CashCall was purchasing loans from Western Sky?

A. Not the entire, no.

Q. Do you know how it changed, whether it started with one and grew out to more or vice versa?

A. It originally started with the 26, the 5, and the 10, I believe.

Q. Okay.

A. And the two other products were added later.

40:15-22

Q. Okay. Do you know who determined the terms -- and by "terms," I mean, again, interest rate, origination fee, other fees, and repayment length -- for the Western Sky loans?

A. Western Sky would have underwriting guidelines, but CashCall would only buy those loans which met our criteria that we determined on these

22 loans.

41:15-16

15 **Q. Who directed the advertising at CashCall?**

16 A. Paul Reddam.

46:11-15

11 **Q. Who comprises the executive team?**

12 A. Paul Reddam, myself, the head of

13 servicing, the head of underwriting, the head of

14 production, the head of risk, the head of

15 marketing, and the head of IT.

60:11-15

11 **Q. Do you know if Western Sky originated**

12 **loans to borrowers who lived in certain places as**

13 **opposed to across the world?**

14 A. We only purchased loans that were

15 originated by Western Sky in the United States.

69:13-21

13 **Q. Did you have other regular executive group**

14 **meetings?**

15 A. No.

16 **Q. Were your executive group meetings**

17 **essentially ad hoc, as needed?**

18 A. As needed or, like I mentioned earlier, I

19 interact with Paul on a daily basis. He can walk
20 to me very quickly, as is the case with a number of
21 the other executives.

71:1-12
1 **Q. Did it use any other either subsidiaries**
2 **or third parties for collection services?**
3 A. CashCall did use outside third parties
4 similar to Delbert to collect on loans that had
5 been charged off or were heavily delinquent.
6 **Q. What -- what parties did it use?**
7 A. I don't know the names.
8 **Q. From the period of 2010 to 2013, did**
9 **CashCall servicing department perform all**
10 **collection services up until the point of**
11 **charge-off?**
12 A. Yes.

74:18-75:12
18 **Q. The information of whether a loan was sold**
19 **to a third-party debt buyer or simply outsourced**
20 **for collection purposes but continued to be owned**
21 **by CashCall.**
22 A. That information of what debt was sold and
23 what debt was serviced is in the system. That
24 information is, but not the reasoning behind why
25 one was sold versus why one was collected.

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Q. Okay. That's a good clarification. I appreciate that.

Is it a searchable criteria?

A. I don't know.

Q. Who at CashCall would be responsible for determining whether a particular defaulted loan was sold versus not sold?

A. At that time, it was Louis Ochoa.

Q. What was Louis Ochoa's role?

A. Head of servicing at CashCall.

Q. And Mr. Ochoa is currently an owner of Blixum; is that right?

A. Yes.

Q. Does he still have a role at CashCall?

A. No.

Q. And at what point did he transition from CashCall, if you know?

A. Approximately two years ago.

Q. At some point, did the charge-off -- the date at which a loan was charged off for CashCall financial purposes change?

A. Yes.

Q. What was that change?

A. We originally were, in the very beginning, at 90 days. We moved it to 120, and then we moved

75

it to 150. It's back to 120.
Q. Do you know approximately when those changes were made?
A. I don't recall.
Q. Do you know why those changes were made?
A. Basically, trying to collect and increase the collection rates based on the time to work or modify or work with the borrower. But based on the roll rates, that wasn't successful, and we went back to 120.
Q. Okay. Who made that decision?
A. The executive team.

79:21-81:12
Q. I'm looking now at Exhibit 13. It's page 2 of the financial statements. And it's the back of the second piece of paper, exactly. And I'm looking in the assets section of that document -- of that page, under "Unsecured," it

80

lists consumer loans held for sale at fair value and then consumer loans held for sale at lower cost or market net. What does it mean, "consumer loans held for sale at fair value," if you know?
A. Those are loans that, according to GAAP, were allowed to determine if we want to record the

8 loans at a fair market value or lower cost to
9 market.
10 **Q. So is it that a loan would be listed**
11 **either in the first subheading or the second**
12 **subheading and not both?**
13 A. For the consumer unsecured loans, yes.
14 **Q. What would determine whether a loan would**
15 **be categorized in the first subcategory or the**
16 **second, versus the second subcategory?**
17 A. It would be based on an evaluation and
18 determination made by myself and the auditors at
19 the beginning, and then those assets are recorded
20 there from the time the election is made.
21 **Q. And what goes into that determination?**
22 A. There's -- it's of the opinion GAAP allows
23 us to determine which one we would like to record
24 it under. And in the unsecured loans, with a heavy
25 interest receivable on a tail on it, fair market
1 value allows you to take the interest strip of the
2 future, plus charge-off, defaults, and so on, and
3 then present-value that expected cash flow back
4 down into the value of the loan.
5 Lower cost to market would assume that you
6 are assuming a market value to that loan if you had a
7 sellable asset. So if you had a car, you know the
8 market value of a car. You would use market value.
9 There is not a market, really, to sell these loans,

10 and so it was not easily determinable, a market value
11 of these. So we elected to use what's called FAS 159
12 or fair market value accounting.

103:8-12
8 **Q. What do you understand the major risks to**
9 **be to CashCall? We will talk about the 2010 to**
10 **2013 timeframe.**
11 A. The major risk to CashCall is a default on
12 a loan.

106:19-108:25
19 **Q. Going back for a minute -- I apologize for**
20 **the lack of organization, but to the investor side**
21 **of the business, were there times when investors**
22 **required a personal -- require a personal guaranty**
23 **for their investment?**
24 A. Yes.
25 **Q. Do you know which investors to CashCall**
1 **that was true for?**
2 A. Not off the top of my head.
3 **Q. Do you know how many investors that was a**
4 **condition for their investment?**
5 A. Not the exact number, no.
6 **Q. Who provided those personal guaranties?**
7 A. Paul.
8 **Q. Mr. Reddam?**

A. Mr. Reddam.
Q. Can you tell me how it came about that those guaranties were part of the investment criteria?
A. They were requested by the investor.
Q. Was there anyone else who provided any personal guaranties to any investment to CashCall?
A. No.
Q. Do you know how much money Mr. Reddam, overall, guaranteed?
A. No.
Q. Were you part of that negotiation in which that personal guaranty was devised?
A. A little more clarity, if you would.
Q. Sure. It's my understanding that, in large part, you interfaced with the outside investors.
A. Yes.
Q. And you helped to negotiate the terms of those investments; is that true?
A. Yes.
Q. And one of those terms, for some of these investments, was a personal guaranty by Mr. Reddam; is that right?
A. Yes.
Q. And you were part of that negotiation in which the guaranty was a part of the deal?

11 A. I was part of those discussions.
12 **Q. Did you discuss those with Mr. Reddam**
13 **individually?**
14 MR. BARLOON: Objection. Vague.
15 A. Those --
16 BY MS. HARTMANN:
17 **Q. When a personal guaranty was requested by**
18 **the investor, did you take that request to**
19 **Mr. Reddam?**
20 A. The investor and I, once discussing it,
21 would then have to present it to Paul because he
22 would have to, of course, sign off on it.
23 **Q. Was there ever a time when he did not**
24 **agree to sign off on it?**
25 A. I don't recall.

DATED: June 30, 2016

Respectfully submitted,

/s/ Owen Martikan

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