

**Specialty Finance Group, LLC (Delaware LLC)  
("SFG")**

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*SFG FINRA CRD - 7 & 24 Licenses  
Are valid if needed by  
A Client to stand up a Broker Dealer  
Or Put SFG Inside Their BD  
On Commercial Terms*

**Business Account with City Bank for 35+ Years**

**Member of The Harvard Club of NYC for 38+ Years**

*SFG Face to Face Meetings are held at:*

*The Harvard Club of NYC, 27 W. 44th St  
(Near Grand Central Between 5th & 6th)*

## **Specialty Finance Group, LLC (“SFG”) Brief Lineage & Range of Expertise**

The Founder of SFG has over 45 years of innovation in securitization from the very start of the Structured Finance, asset bundling, and rating business that has transformed capital raising. This Structured Finance transformation now dominates all aspects of capital raising for debt, equity, and M&A, and fuels the ongoing growth of credit funds, alternative investment funds, and ancillary products. Many multi billion-dollar lessons from losses in both credit underwriting and unhedged interest rate risk have been learned.... SFG appreciates other's mistakes. They are not lost on us but are carefully taken into account in our advice to clients. The Founder's early Securitization build outs for securitization platforms include firms like Citibank, Bear, Hutton, and Tripp Financial Services.

Before securitization, Richard Benson, the Founder of SFG, was a key trading desk economist at Chase around the time that Paul Volcker had left to play Chairman of the Fed where for over ten years, inflation and high interest rates were the scourge of the Nation. Combined with warped winner take all politics, investment returns then were volatile and times turbulent. SFG's suggests get your seat belt buckled up for the roller coaster ride of the next ten to twenty years. SFG can assure you those times are now back but with a vengeance. This go around, the stake of the US dollar as the sole world reserve currency is hanging in the balance. It not looking good for the dollar long term as it twists in the wind.

Fortunately, before six years at Harvard earning a PhD, work was a combination of monetary history studies, GAAP and Alternative Financial accounting at HBS, and modeling four hundred plus equation models of the US Economy at DRI.

*DRI - Data Resources was founded by Otto Eckstein and Henry Kissinger. Don Marron subsequently sold DRI to McGraw Hill at a record sum for a FinTech at the time, which put Don Marron on course for his FinTech Private Equity firm, LightYear, which became Don's passion along with collecting ART after moving on from being Chairman of Paine Webber. DRI was the first major PE FinTech Home run.*

While an undergraduate doing advanced graduate courses in Mathematical Economics, Richard used Bayesian Math to create an AI that modeled micro behavior of debtors, and the common fallacies of creditors in loan underwriting. That work led to his being invited to the Harvard PhD Program in economics for Linear & Non Linear programming, and advanced multivariate Bayesian analysis.

**“Bayesian is the basis of all the current AI micro economic modeling that might have a meaningful chance at a quantum shift in value add.”**

*SFG still leads ground breaking work, but in the real world of Wall Street and investing. Be assured that one is never too old to take a fresh look at a problem, and develop a better solution. Having real work experience working with Twenty Plus FinCos a year for forty years is also a help to understanding both the problems and solutions that FinCos need to survive & thrive in volatile times.*

**Our goal for the next ten years is to accomplish two things...** It's a new world of high interest rates, high inflation, rapidly debasing currencies, weak financial plumbing, under capitalized giant financial institutions, and financial crashes. And at the helm in these turbulent times, a Government with a President, Treasury, Fed, Congress, and Lobbyists who pay for it all and feel the need to push their unprecedented stimulus programs that will together, undermine the Dollar's role as the only Major Reserve Currency. Hello rising inflation, and, Learn to live with ongoing interest rate cycles.

**Two Thing we are determined to accomplish:**

- i) Help our clients generate massive real wealth, not just GAAP earnings, and;**
- ii) For those that have made true wealth - Help them hang on to their fortune while their ship on the ocean faces never ending Force Six Hurricanes as they sail into and out of the eyes of the storms.**

**SFG's Current Offerings to BuySide & Sell Side Firms**  
**Write Ups on the Topics Below Follow**

- 1) Market Letter on Capital Markets and investing prospects for FinCos, Stocks, Bonds, currencies, and stores of value like Gold...**
- 2) Wealth Creation under inflation and adjusting for failures of GAAP under high inflation...**
- 3) Use of Game Theory and Street Smarts to help clients negotiate the best terms for our clients...**
- 4) How SFG works with clients on a Capital Raise...**
- 5) Pricing deals both to Maturity... and Immaturity...**
- 6) Game Changing Artificial Intelligence ~ AI in Projecting Loan Performance in the credit cycle augmented by Bayesian and higher math.**
- 7) Firms we have worked for, client firms, investor firms, and firms we know the right key people for our current clients.**

**1) Market Letter & Capital Markets**

The economy drives the markets, and the markets drive the economy, where the Fed and Government spending can stimulate in the short run, and destroy the system in the long run. We have cycles playing out in supply, and old fashioned inventory recessions as production was created for demand that did not materialize, and then, production was cut back. We have up cycles as credit is eased, and crunches as credit is cut back, and loans that have to be written off or down. We have a President and Congress and the Fed dedicated to meddling with the economy around elections, and they are always early, or late, and always do too much, or to little.

So, God help us in fighting inflation caused by massive government deficits pushing up run away money growth that only gets worse in a recession, and then, inflation starting to rip up and spiral like a tornado. The only cure is to jack up

interest rates and tighten credit until something big in the financial system breaks, and then for government to step in and bail out the losses for those with big bucks that took big stupid bets with other people's money. We have tons of fun writing about all this human drama and folly.... knowing where we are in cycles that over lap is the only way we get a handle on how to keep making wealth.

## **2) Wealth Creation & Protection Under Inflation & Gaming Price Indexes for Fun & Profit**

GAAP Accounting under inflation treats a dollar of five years ago just like a dollar five years from now. Run ten years of 10% inflation and use GAAP, and the results will look laughable, and the numbers tell you little without serious adjustments and handicapping. SFG has specific insights into looking at holes in the tax code for tax and other not very intuitive, but key results to figure out if under inflation, you are killing it... or getting killed by it.

We learned a lot of tricks during days at DRI by designing price indexes to give the government or political types the talking points they needed to message without technically ever being perfectly correct. How easy it would be for us to gin up a price index that will likely benefit a firm or industry to help them put prices up well above average, or hold costs down below average. The BLS is a master of picking actual prices with Hedonic adjustments, quality adjustments, and calling a substituted goods just as fine as the ones nobody can afford any more, all to make their case that inflation is under control. We consult on creating price indexes to justify the highest prices to charge counter parties for goods and services and be perfectly technically correct, all under the same morality codes used by the US Government to mollify citizens who are being starved to death by the CPI adjustments.

**Get to know John Williams at Shadow Stats and study his work and what he really sees is a more accurate inflation rate. It is up there in double digits!**

### **3) Using Game Theory in Negotiation**

Clients have often requested assistance with handling the intricate process of marketing and eventually selling their ongoing venture. Some were already concerned about muted interest, others, frustrated by the inability to find an offering price perceived as fair by all involved, and a few, simply put off by dealings with individuals of questionable integrity.

We have regularly seen entities making up imaginary "Indications of Interest" offers when trying to sell their business for a higher valuation under the theory that if a supposedly real buyer is willing to over pay, the next in line would then up their bid to the point of doing something equally stupid like over paying even more!

We offer better ways of first, determining and then, justifying the best price. Our approach to clients is to teach them how to play their cards in the right order to get the best mileage out of every card in their hand. Most important ~ at the negotiating table, the game is always poker. Every professional poker player will only want to play in a game where they know who the patsy is. If you don't know who the patsy is, then you are the patsy. Our job is to make sure you are not the patsy!

### **4) How SFG Works with Clients**

Our core business of capital raising is finding the right lenders, buyers of structured loan packages, providers of sub-debt and equity, and in many cases, loan buyers or strategic partners for flow asset purchases and working capital, and even acquiring an equity stake in the client's venture.

For introductions, we use a simple Fee and Non-Circumvention Agreement with standard buy side low capital market pricing based on the business and degree of difficulty. We request a modest retainer that goes against the Fee due at close. SFG works for the most part on a best efforts, and only asks for an exclusive Agreement if there are unusual circumstances.

We have made an introduction when we get a first call completed with an investor group, and that group asks for an NDA and financial information.

We rarely make introductions to investors we do not know really well ~ our dealings are instead from prior experience, based on some level of assurance that the individual, firm, or group has both an interest in the client and the capacity to perform.

We are reluctant to provide investor identities before reaching out on a "no name" basis to first determine if they might like a firm and like the client, and then knowing they do, asking the investor if they know the client....if they do not know the client and want us to we make an introduction, we do that immediately! The client, of course, can always say they do not want to talk to that investor at their discretion.

We work very quickly....

### **5) Pricing Deals to Both Maturity and Immaturity.**

Every finance text book and CFA exam is going to stress pricing cash flows to maturity, but most make silly assumptions on what is the likely scenario in a world of rising inflation and rising interest rates... a situation that can certainly go on for the next ten or fifteen to twenty years. Opps!

SFG calls this problem, Pricing to Immaturity. The young investment kids of today assume interest rates normally hold on the low side... Time to grow up, and better yet, look for young counter parties at the hedge funds and banks to price what you sell them. They embrace future assumptions of refinancing costs that lack a base in reality, and if you can't pick them off in a trade, then it is time to retire and hang up that Master of the Universe hat, and go drink margaritas in Jimmy's Buffet Land near Mar Largo, or go to Dizzy Land in Southern California and, as the Eagles say, check into Hotel California, where "You can check out but you can never leave."

## **6) Application of Artificial Intelligence & Higher Math to Make It Big, Bayesian AI in the Hands Of a Wizard Who Understands Why Humans Pay**

Based on the Bayesian math SFG pioneered at the University of Wisconsin, paying the way through graduate school at Harvard was rigged in our favor by finding a Black Jack game in Aruba Hotels. (*Lucky find on vacation*) At certain hotels, the dealer only took one card until all players had stopped drawing cards. Because we were deep into linear & non linear programming and Bayesian math, we knew where to sit at the Black Jack table and, not bother to count cards like our friends at MIT. Sitting in the right seat when you know how to bet, you just rake in. However, as one who managed to not have arms or legs broken, it was a quick learn and quicker split when a heavy who looked like he was mobbed up wanted the "Winners Chair". SFG teaches all our paying clients not only this seat trick, and the quick split maneuver, but also, real work techniques that could make them probable winners on the credit side of their Specialty Finance Businesses as well. Even today, SFG fleeces Wall Street Bankers who do not know the trick behind the simple Monty Hall Paradox that our six year old niece figured out. It is all in the value of additional material information, and when you learn it, what to do with it.

There are all flavors of Artificial Intelligence. Some, involving diligent and correctly applied probability analysis of some or all loan repayments, is where billions are won and lost. Before lending, it's a benefit to know the probability of getting back both Principal and Interest. Most math guys that tackle credit for consumers get about 2/3 of the easy stuff right, and the models have some merit. However, the 1/3 they don't know can easily mean that their modeling will be more than 50% worse than one built by a master who knows borrowers inside and out, and what makes them tick, and then, CREATING A MODEL WITH THE RIGHT MATH IN THE RIGHT ORDER, there by figuring out how to get the BORROWER to click the PAY BUTTON. The best of the best are the Bayesian.

SFG consults and likes fees to teach credit modeling concepts, or royalties based on increased loan portfolio performance. As Cap One likes to say, "What's in your Wallet?" ~ Cash, or an empty promise to pay."



**7) Short List of firms we have worked for and with ~ Past clients and investors ~ and all resources where we know the right key individuals for our current clients.**

Data Resources, Inc., Consulting Statisticians, Chase Manhattan Bank, Merrill Lynch, Citibank Securitization unit in Lehman Banks old offices, Bear Stearns mortgage backed division, E.F Hutton, Trepp Financial Services.. The Ugly Duck (Drivetime), SunAmerica, DZ Bank, Oren Hall's Leasing, Fortress Investment, Goldman Sacks, Cigna, First California, BUSH Leasing, Thatcher Profit, Moodys, S&P, Duff & Phelps, TIAA,, Grand Pacific Resorts, Lasalle Bank, Harris Trust, BMO, Private Bank, CIBC, Bankers Trust, Aetna, New York Life, The Hartford, AIG, Pegasus, Sandton Capital, Synovus, Blue Mountain, 400 Capital, Hudson Cove, Cambridge Place Investment, CIG, Continental Finance, Crossroads, Trade River, Summit, SAFCO, Sun Life, Vensource, VPM, Start Auto, Lugano, Strike Auto, Thunderoad, Iron Horse, Crestline, Atalaya, Bridgelane, MAN Group, Post Road, Garrison, KCK, RMSC, Flexpoint Ford, Pine Brook Road, 400 Capital, OwnEZ, Pegasus, AMS Auto, Lugano Capital, Vital Care, Clear Haven, Blue Hill, Patriot Group, Ecoban Securities, Harlan Capital, Kawa, Antares Capital, Strandview Capital, JAM Fintop, VION, Titan, Flock Advisors, Yield Street, Percent, EAF, Sumitomo Capital, TAG, LawCap, Art Finance Partners, Obra, KDPAM, Cohen Trust, Secondwind, Eastern Funding, SFA, ViaSource, Fergus, West Egg MAP, Dolfin, HALO, Longridge, Access Alternative Investments, BarCap, Beverly Loan, Luxury Asset Capital, Serent, CrossRoads, Centra, ExoticCar, Novation, Evergreen Private, Crayhill, Comvest, Dedicated Funding, Wall Street Funding, Titan Asset Management, Carval, Verde, SNB, Alligiant Partners, G.C Anderson, Arrow Acceptance, AR Capital, Coromandel Capital, TC Company, Grand Bank, Continental Finance, Geneva Capital, Opploans, and... **more, but... this page is running out...**

## **Reach Over and Engage Specialty Finance**

The best for initial contact is a phone call. After introductions, a new client can define current situations, concerns, needs and expectations, and in the conversation, SFG can evaluate available resources, experience, and abilities to provide meaningful solutions, and if there's a match, insights as to probable costs and fees along with a realistic timetable for success.

Already underway projects along with travel for conferences and meetings sometimes limit the ability to pick up the call. Leave a message, please... you may count on a response back. Email is also available for leaving check back information... voice mail, text messages, and eMails are checked frequently.

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In New York City, in person meetings are scheduled at The Harvard Club of NYC, 27 West 44th Street, near Grand Central between 5th & 6th, a classic yet informal venue.

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