

7. Client details

Navarro Relationship Overview:

- Joanne Jensen has known Ben Navarro since 1993, when she worked for him on the Institutional Fixed Income Sales desk at Citi
- In 2008, Joanne provided Ben with \$440MM for the acquisition MGIC and Radian's interest in Sherman
- In 2013, Joanne introduce Ben to DB WM client Jules Kroll as a potential investor in Kroll Bond Rating Agency (KBRA). Ben acquired a 10% interest in the company. In 2015, Deutsche Bank advised Kroll on the sale of his remaining stake in KBRA, which Ben acquired for \$320MM.

Client Background:

- Ben Navarro is the Founder and CEO of Sherman Financial Group ("SFG").
- Prior to SFG, he was the Co-Head of Mortgage Sales and Trading for Citicorp, with responsibility for the firm's purchases, securitizations, and sales of residential mortgages to institutional clients
- Top 10 salesperson on Wall Street, focused on credit-sensitive assets
- Navarro spent three years with Goldman Sachs on the Whole Loan and Agency MBS desks
- Started his career at Chemical Bank, where he completed the credit-training program and spent two years issuing loans to mortgage banks and thrifts
- Active philanthropist, establishing a \$90MM foundation for education related endeavours
- Prominent member of the Charleston community, funding three schools in the area and residing on the board of the Medical University of South Carolina

Sherman Financial Group:

- The nation's largest privately held consumer finance company, generating over \$2B in revenue in 2017
- Major underlying companies are: Credit One Bank, Resurgent Capital Services, Kroll Bond Rating Agency, and a small Real Estate business (not included in this transaction):

Credit One Bank:

- OCC-regulated national bank, issues and services near-prime credit cards, operates under a CEBA charter (no bank holding company treatment)
- "Highly (OCC) rated institution" with no Matters Requiring Attention (MRA)s in the past 8 years
- Credit One has been extraordinarily successful, generating \$956.9MM pre-tax earnings in 2017 and an estimated \$1.1B and \$1.2B in 2018 and 2019, respectively. JP Morgan recently valued them at \$1.1B.
- 9th largest MasterCard/Visa issuer, with over 9 million customers, portfolio totalling approximately \$5.8B
- The Bank exclusively originates and services the portfolio, then sells it at par to a SPV under Sherman's ownership
- The company employs low leverage, with a Debt/Equity of 2.1x, which is below 2.4x of comparable public companies

Resurgent Capital Partners

- Resurgent is a CFPB-regulated purchaser of distressed consumer debt. They have spent \$5.8B purchasing over \$280B of distressed consumer debt, and have generated cash recoveries of \$12.6B.
- In 2017, Resurgent saw revenues of \$515MM and pre-tax earnings of \$109MM

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