Stephen Hodges

From: Stephen Hodges
Sent: Monday, December 4, 2023 12:54 PM
To: Ken Cooper
Subject: RE: Session with MFIN

Thanks for setting this up, Ken and for your level-headedness. I feel better but there are still lingering (material) concerns. He's being too dismissive of the SEC suit. It's not only about whether he did anything illegal but rather it's the ethical questions around what he did and also the level of control he clearly exerts over the board. An independent 3rd party investigation would show that the board had teeth and if he did nothing wrong, would "neutralize" the SEC allegations. At a high-level, consumer weakness concerns (RV specifically) and Andy's credibility are the biggest impediments to cheaper and more flexible debt, broader institutional buy-in, deeper debt/stock trading liquidity, and as a consequence, stock appreciation. So my entire focus would be on mitigating those 2 concerns.
No need for you to respond to whether these do or don't make sense but he needs to hear it.

From: Ken Cooper [redacted]
Sent: Monday, December 4, 2023 9:08 AM
To: Stephen Hodges [redacted]
Subject: Session with MFIN

Stephen:

Good morning. I hope you had a nice weekend.

Looking forward to the session later today. Thanks again for sending your questions in advance.

I expect a good, positive exchange. One thing that I think would be helpful is for Andrew and Anthony to hear from you what you are trying to accomplish. Tell them a story – "a few years ago, I was introduced to MFIN through…..". Explain why you made your investment and what your plan is for it to get monetized. Your level of work is good and is usually what we see by those looking to add to their investment. Perhaps that is what you are thinking, but it seems your approach is more in line with being connected to your current investment.

Thanks in advance for helping bring positivity to the call. It should be good.

Talk soon.

Ken

Ken Cooper
Four Hills Advisors
Managing Director
[redacted]

From: Stephen Hodges [redacted]
Sent: Tuesday, November 28, 2023 12:38 AM
To: Ken Cooper [redacted]
Subject: Re: Questions for tomorrow

Ken,
Please see the questions below. Some of these might be very quick responses, others may not be answerable, so I included more rather than less questions. I have some accounting specific questions I can address with Anthony at a later date.

1. Cleaning up earnings
   a. Since the Medallion business line has been discontinued and the net carrying value on the balance sheet is a rounding error, can they implement a clearer way to remove P&L noise and report core business metrics more clearly?
   b. The 3Q23 10Q states that Medallion cumulative net charge-offs and loan collateral in process of FC represent ~$201MM in potential "collection opportunities" a drop from $231MM at 2Q23. I calculated ~$239MM at 3Q23. Can I get a period over period reconciliation?
   c. Carrying value of Medallion assets do not seem to add up at $79,500 and $11,500 (NYC and Chicago). Can they run through the math?
2. Asset Quality (focusing on nonprime/subprime Recreation Portfolio).
   a. Non/subprime Recreation exposure declined to 38% at 3Q23 vs. 44% or $520MM at FYE22. Percentage decline is significant, but only a slight decline in absolute dollars at FYE22. What percentage of new quarterly originations were subprime?
   b. What is the subprime LTV for their outstanding loans and specifically on RVs?
   c. What credit tightening decisions are they making with subprime to account for a changing demand environment? E.g. requiring more cash downpayment, haircutting collateral value at origination. Note that the avg. term for new originations are trending longer, more so for Recreation than for Home Improvement.
   d. What are the DQ and charge-off trends for your subprime portfolio? Which vintage years are the worst performing?
   e. Is it appropriate to maintain the same average life for the Recreation portfolio exits (41 months +/- since 1Q22)?
   f. Recreation loss assumptions have increased to 264 bps from a low of 126 at 3Q22? Concerning and what is the cause? Collateral value?
   g. Avg. origination FICO has remained very steady and improved over FYE21 and FYE22? Thoughts on this going forward? Pressure from dealers/FSPs?
3. Profitability
   a. ROAE & ROAA: Excluding the medallion impact, my calculations are showing a steady annual and quarterly decline with projected ROAA at 1.2% and ROAE at 8.8% at FYE23. Is this concerning?
   b. Recreation and Home Improvement yields are flat to declining last 5 quarters. Why haven't they pushed through rate increases?
   c. Insourcing all servicing. Control over DQ, customer contact and data collection. Why are they still connected to SST?
   d. How do they view importance of technology investment to boost loss mitigation or efficiency/productivity?
4. Greater disclosures
   a. "ABS" approach. Pre-empt consumer credit concerns. Vintage performance, LTC/LTV, cash downpayment, cumulative prepayment rates, cumulative default rates?
   b. Greater disclosures on parent only condition/liquidity?
5. SEC Suit
   a. Status update?

b. Total cost to the Company (to date) and any portion covered by D&O? D&O policy limit breached/met if applicable? Can you lead me through the $6.5MM liability "as a result of the collection of insurance coverage with respect to these [legal] costs."?
c. Consideration of appointing independent 3rd party to look into the allegations and potentially exonerate Murstein and ease investor concerns?

I look forward to the conversation. Thank you for setting it up.

Stephen Hodges | President
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