Stephen Hodges

From: Stephen Hodges
Sent: Tuesday, December 12, 2023 6:33 PM
To: Andrew Murstein
Subject: Re: Follow up to our talk
Attachments: Part 2.Summary Analysis for the Board of Medallion Financial Corp.20231212.pdf; Part 1.Summary Analysis for the Board of Medallion Financial Corp.20231212.pdf

Andy,
I appreciated the time you spent on the call last week and for the collaborative approach you took to the discussions. As you requested, I have summarized in a concise way, the issues I raised in the analysis I sent to you and the Board. Part 1 deals with governance, executive comp, leadership and the SEC suit. Part 2 deals with the business model concerns, disclosure suggestions, and risk mitigants. Part 2 I will also send/cc to Anthony.
For Part 2, clearly, you will decide what's best for investor disclosures in your quarterly filings and some of my suggestions may be too much of a stretch. But if the goal is to stop being penalized from a valuation perspective for consumer credit uncertainty, showing you have robust analytics and monitoring systems will help in a meaningful way, as will having a viable plan to thrive in/adapt to the future.
However, I am most concerned with Part 1. I don't think we are seeing most of the issues raised in Part 1 the same and I don't see that gap being bridged. Even something as straightforward as getting an independent 3rd party investigation into the SEC allegations seems like long shot. Investors have lost trust and I don't believe it will be regained, which could leave MFIN permanently undervalued in the micro-cap category, with little ability to grow into new opportunities in the next 1-5 years. All it will take is one stumble, and the over-reaction could be harsh. Absent a significant change, we are very concerned how Part 1 issues will impact all stakeholders and the value of our substantial investment in Medallion Financial. To that end, we are considering all options available to us to mitigate that risk.

First and foremost, do you see the Part 1 issues as fixable or as important as we do? If you do not, then as a courtesy, I wanted to talk to you first about the next steps we will have to take to ensure we have voice at the table. We believe that there are material future issues Medallion Financial (and all consumer lenders) will face and being a creditor means that our upside is capped while our downside is not, so we are particularly sensitive to the potential risks in a rapidly changing economic environment. Risks that might be better rewarded through a meaningful equity stake, for example. Please digest what I've attached and let me know when/if you are free for a phone call later this week.

Sincerely,

Stephen Hodges | President
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