BIMIZCI Fund LLC
C/O Cogency Global Inc.
850 New Burton Road, Suite 201
Dover DE 19904

February 12, 2024

Andrew Murstein
COO/President
The Board of Directors, Medallion Financial Corp.
Medallion Financial Corp.
437 Madison Ave, 38th Floor
New York City, NY 10022

Dear Mr. Murstein,

In response to your request for a "specific proposal" in your email to me dated February 1, 2024, I have put together a list of what BIMIZCI Fund LLC ("BIMIZCI") believes will address some of the main deficiencies with Medallion Financial Corp. (the "Company") and what we would like addressed in order of importance in Section 1. This list is not exhaustive, and we reserve the right to make adjustments, but it addresses all of our main concerns and more importantly, benefits all stakeholders. Section 2 elaborates on your request for a payoff or what our "monetization" preference is, as articulated in the call with you and Anthony Cutrone on December 20th, 2023 and with you, Ken Cooper and Anthony Cutrone on December 4th, 2023 respectively.

Section 1 – Improvements demanded to maximize value for all stakeholders

Primary Demands:

Governance:

Appoint new or replace existing Directors with forward thinking banking/lending experts and eliminate effective control of the Board by the Murstein family:
The average age of the existing board is 74 and "new economy" experience is lacking. The Board also needs members that can ask the right questions and have an extensive understanding of the risks of consumer lending. Given the fast-paced changes in consumer lending, loan distribution, securitization, technology utilization for both servicing and underwriting, to name a few, the Company needs a Board that can advise on necessary changes that will allow it to compete in an increasingly competitive space. Three of the eight existing board members are Murstein family members, namely Andrew Murstein, Alvin Murstein and Andrew Murstein's father-in-law David Rudnick. Alvin Murstein is also chairman of the Board. This structure should be changed since it does not allow for an independent Board or a dynamic environment for the exchange of new ideas. The Company should immediately appoint our two nominees to the Board.

Appoint an Independent Investigator to look into the SEC Allegations:
The focus would not be on the legality of Andrew Murstein's actions but rather compliance with the Company's internal controls, policies and procedures. The firm should be reputable, independent, and protected from any undue influence from non-independent Directors. The investigation should determine to what extent Andrew Murstein did or did not violate the Company's Code of Ethics and/or his fiduciary responsibility as a Board member. It should also determine to what extent the Board oversaw the valuation process for Bank subsidiary, mitigated the conflict of interest with

Andrew Murstein leading that process, whether any quid pro quo arrangements were used as an enticement for a higher valuation, and the Board's evaluation of the valuation methodology and conclusion.

Show justification for the exorbitant Change-In-Control payment to Andrew Murstein: Andrew Murstein's potential payment upon a Change-In-Control was $14.3 million at FYE22. The market capitalization of the Company was $158 million at FYE22, meaning Murstein's payout equated to 9% of the Company's total market capitalization. We would like a comprehensive explanation of how this was, and continues to be, justified given recent underperformance, primarily the $283 million in charge-offs (net) through 3Q23 in the Medallion portfolio as well as the actions that led to the SEC suit.

Show justification for the amount of Andrew Murstein's compensation, the incentive targets and the proportion of current versus long-term compensation:
Despite the fact that Medallion Bank generated $79 million in (unadjusted) pre-tax operating profit, the (consolidated) Company generated $64 million in (unadjusted) pre-tax profits, equating to a net ($15 million) drag on operating profits, the Bank's CEO was paid $1.5 million in total compensation at FYE22, while Andrew Murstein was paid $4.7 million at FYE22. From 2016 to 2020, in the midst of the Company's Medallion lending crisis and existential losses, Andrew Murstein continued to receive substantial bonus payments every year. Relative to Company identified peers, Murstein was also paid excessively utilizing several key metrics. Murstein's 2022 cash compensation totaled 75% of his total compensation which does not appear to incentivize long-term decision-making. Murstein also received $77,327 in perquisites at FYE22 compared to a median Company salary of $91,893. Murstein's (and other NEOs) compensation at FYE22 was also materially influenced by incentive targets that included non-core metrics (the Medallion portfolio). The Board should incorporate asset quality, core ROAE, core ROAA, and other lending-specific metrics into its compensation structures to align long-term shareholder interests with that of management.

Show justification for the structure and terms of the Employment Contract with Andrew Murstein:
Andrew Murstein's most recent employment contract ends May 29, 2027 but on May 29, 2024 and every subsequent year, it renews for another 3 years unless it is terminated in the first year of the contract. The termination period should be shifted to the last year of the contract which would allow the Board to act in the best interests of shareholders immediately in the event of underperformance.

Show justification for the benchmark institutions the Board is using for Andrew Murstein's compensation:
The benchmark institutions the Board is using are radically different in business focus, market capitalization, leverage and profitability and so are of limited use for comparison purposes, and yet Medallion still compares poorly on key metrics.

Show justification for the Board being unwilling to recoup or clawback compensation:
Both the Medallion loan implosion and the actions that led to the SEC complaints certainly do not "promote a culture of risk mitigation, integrity and accountability" and would appear to fit the definition of "detrimental conduct" and yet no actions were taken despite the Board having the authority to do so.

The Board should show the steps it is taking to perform its fiduciary oversight over risk management:
The Board should immediately implement required Board and public reporting from management that tracks and clearly illustrates the key risks the Company faces particularly in its riskiest loan segment – subprime recreation loans. Had the Board performed this responsibility prior the Medallion loan implosion, the Company could have prevented or reduced the ~$280 million in net losses and the continuing overhang of the Medallion implosion and its ongoing impact on the Company's market capitalization and enterprise value.

Financial Records:

Bank Valuation Increase:
The Company should provide valuation and precedent transaction data (including target company, sales multiples, etc.) used for the Medallion Bank valuation increase as referenced in their March 30th, 2018 10Q and December 31, 2017 10K (see below). This would allow us to determine the source of valuation increase. We have uncovered no precedent data that supports these metrics for any lending institution, let alone one with with comparable asset quality concerns. We would like to know the strength of the SEC complaint with respect to the justification for the valuation increase. If the SEC were to prevail, and in the unlikely event the Bank's valuation was adjusted, we would like to know the extent of that revaluation and its impact on Goodwill/Intangibles.

Medallion Bank Valuation Data

As of: 12/31/17
Precedent M&A transactions

Fair Value	290,548
Price/Tangible Book	2.10x -2.50x
Price/Earnings	8.7x - 10.6x
Weight of Valuation Method	NAV

As of: 03/31/18
Precedent M&A transactions

Fair Value	320,143
Price/Tangible Book	2.25x -2.50x
Price/Earnings	25x - 28x
Weight of Valuation Method	NAV

Detailed performance of subprime Recreation loan portfolio:
Arguably these should be continuously reported in the Company's public financial filings since this represents the biggest performance risk to the Company. These metrics should also be isolated from the broader Recreation portfolio. The Company needs to show that it has the technological capabilities to track trends and mitigate losses and then provide performance data in this portfolio using both vintage and other stratifications, including some or all of the following key metrics:

- Delinquencies, net charge-offs, losses given default by vintage.
- Delinquencies, net charge-offs, losses given default by FICO or collateral type.
- LTV by vintage.
- Prepayment trends.
- Prime versus Non-Prime origination data each quarter.

- Delinquency migration, e.g. 30 DPD to 60 DPD and vice versa.

Conduct stress tests for the subprime Recreation Portfolio:
Given the Company's high advance rates/no money down combined with the inflated value of recreation vehicles in 2021 and 2022, we believe losses given defaults will be higher for non-performers and believe the company should stress their assumptions based on lower recovery rates from collateral sales.

Provide detailed costs and extent of D&O Coverage specifically related to the SEC lawsuit:
Despite numerous requests the Company has declined to provide the legal costs of defending Andrew Murstein and the Company from the SEC, the extent of D&O coverage, and remaining D&O coverage. This will help future board members gauge their exposure and liability and show the direct impact of Murstein's actions on Company profitability and shareholder returns. Since the SEC is seeking to permanently bar Andrew Murstein from leadership in a public company, we believe Murstein loses nothing personally by continuing to fight the allegations, rather than seeking a compromise, on the contrary Medallion Financial Corp. has much to lose by fighting the allegations both in terms of the real cost it is bearing on Murstein's behalf and the potential for more punitive actions by the SEC in the event the SEC prevails in its lawsuit.

Secondary Demands:

Financial Records: **Itemization of equity positions and source of valuation methodology for Medallion Capital investments.**

Disclosure Requests: **Provide Parent Company only financials each quarter due to the unique dynamic between holding company and FDIC-insured bank subsidiary.**

Expense Controls: **Reduce the size of the Manhattan lease and footprint:**
The Company's lease expense per annum was $1.8 million at FYE22. The Company has 33 non-Bank employees not all of whom work in the Manhattan office. The Bank's lease was $550,000 at FYE22. The Bank has 119 employees most of whom work in the Utah headquarters.

Critically examine the existing outsourced servicing and collections model

Business Strategy: **Proactively formulate a plan to address the rapidly changing and competitive nature of Recreation and Home Improvement lending and optimal ways to adapt:**
The two verticals the company operates in are extremely competitive with little barriers to entry. The Company has remained profitable due to its cheap, FDIC-insured funding source, anomalously low rate regime and anomalously low defaults and charge-offs. That will change in 2024 and beyond.

Reduce/eliminate non-core business lines that have been a perennial drag on performance and are discounted by market participants:

Section 2 - Outcomes

Outcomes by preference:

1. The Company appoints our 2 board nominees to the Board and implements all our primary demands as highlighted in Section 1. We would no longer agitate for changes through a proxy contest and would fully support Medallion to become best-in-class.
2. If the Company is unwilling to address our concerns and does not choose Outcome 1, we will continue to build up a larger and larger equity stake when the right buying opportunities present themselves. We think we will see more opportunities in 1Q24, 3Q24 and 4Q24. We will continue to push for two board seats through a proxy fight in 2024, and every year thereafter if we are unsuccessful. We believe that 2024 company core-performance, particularly charge-off trends and profitability, will bolster our case. We will continue to relentlessly pressure the Company to adopt our stakeholder-first demands while highlighting the potential of the Company's platform if it had best-in-class management and governance.
3. As previously discussed, convert our debt to cash/equity. We would be willing to take ~$9MM in cash, convert $4MM to equity and forgive $2MM. We would be willing to acquire the $4MM in equity from Medallion rather than the open market which would result in both a combined $6MM pre-tax boost to equity and ~$2MM avoided in interest expense over the next 2 years, which would benefit all shareholders. The Parent company's lowered leverage ratio would also materially improve solvency risk. We would also want one board seat (either an additional seat or to replace a board member lacking necessary experience) and seek improvements in Company leadership. However, we would then publicly support the Company and work with leadership to maximize value and institutional investor appeal in what will/could be a difficult economic environment. We can also provide value in thinking through how to adapt to rapid technological changes in underwriting, distribution and loss mitigation, and a more competitive consumer lending landscape. Of course, if the Company finances part of the payoff with debt, that interest expense will need to be considered.
4. Andrew Murstein also raised the idea of a payoff in prior conversations. BIMIZCI is willing to accept ~$12MM. The Company will realize a $3MM cancelation of debt pre-tax gain in equity, will avoid ~$2MM in interest expense over the next 2 years and will retire debt with a forward yield-to-maturity (cost of capital) of ~10% (using forward 3 MO TSOFR through maturity) which is more expensive than any other debt in the capital stack. The Parent company's lowered leverage ratio would also materially improve solvency risk. This outcome is only appealing if the Company is unwilling to give us board representation and implement our recommendations, since BIMIZCI then faces a higher probability of loss or greater illiquidity as Company performance inevitably declines or stagnates. In prior communication, it seemed the Company's CFO had some difficulty understanding how to present-value variable rate debt and BIMIZCI went through parts of that analysis in a prior email sent on January 1st, 2024. Depending on how the Company repays the TruPS, the same caveat in Outcome 3 above applies.

Sincerely,

Stephen Hodges

Stephen Hodges

Member, BIMIZCI Fund, LLC