

BUXTON HELMSLEY

July 29, 2025

VIA ELECTRONIC MAIL ONLY (SMJ@DAILYJOURNAL.COM)

Daily Journal Corporation
915 East First Street
Los Angeles, CA 90012
Attn: Board of Directors – All Members

Re: Daily Journal Corporation (“DJCO” or the “Company”) – Response to July 29, 2025, Form 8-K Filing

Dear Members of the DJCO Board of Directors (the “Board”):

We have reviewed Daily Journal Corporation’s Form 8-K filing dated July 29, 2025 (the “July 29 8-K Filing”) and write to respond to the characterizations contained therein.

I. DJCO AVOIDS ADDRESSING CORE ACCOUNTING ISSUES.

The July 29 8-K Filing notably fails to address the fundamental accounting concerns raised in our correspondence:

1. **Zero reported intangible assets** despite deriving 76% of revenue from software platforms, the Company describes in its own 10-K as being “improved” and “upgraded”.
2. **Peer comparison discrepancy** – Tyler Technologies, Inc. (NYSE: TYL) properly capitalizes software development costs and reports intangible assets, while DJCO reports zero intangible assets for similar business operations.
3. **Technological feasibility contradiction** – DJCO’s own 10-K describes costs for “continued improvement” and “upgrades” of Journal Technologies platforms. One cannot improve or upgrade software that has not achieved technological feasibility under ASC 985-20.
4. **Misclassified R&D expenses** – DJCO admits these costs are “significant” yet fails to report them in dedicated R&D line items as required under Regulation S-X.

Instead of addressing these technical accounting standards, DJCO chose to focus on personal characterizations and made outright false statements.

Importantly, accounting compliance cannot be justified by historical practice alone. The fact that certain approaches “have been done this way” does not establish GAAP compliance if the underlying analysis was incorrect. Even well-intentioned reliance on prestigious auditing firms can lead to systematic errors when authority bias substitutes for independent technical analysis of the specific facts and circumstances required under ASC 985-20. Charlie Munger was also notorious for admitting he made mistakes, and no doubt he would be doing so here.

Our experience supports this conclusion: Buxton Helmsley has identified audit failures at three of the “Big Four” accounting firms, including instances where firms separated from engagements after our intervention exposed their oversight failures. The involvement of national accounting firms provides no guarantee of GAAP compliance, particularly for complex technical standards like ASC 985-20. We

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have a track record of consistently finding major audit failures, and the Board apparently has no actual defense to our position on these matters.

Furthermore, the July 29 8-K Filing contains a fundamental disclosure error that raises even further questions about attention to detail and regulatory compliance. The July 29 8-K Filing lists July 28, 2025, as the “date of earliest event reported,” yet states within the document that initial contact occurred “two weeks ago”, which would place the earliest event around July 14-15, 2025. Now, the Company has also violated Securities Exchange Act Rule 13a-11, which requires accurate identification of the earliest reportable event. Such misrepresentation of material dates in SEC filings creates additional regulatory exposure and potential enforcement liability for the Company. It is not convincing that the Company’s Board and management understand technical accounting standards and securities laws when it cannot identify dates.

Accounting standards demand objective application to current facts, not deference to past practice, institutional reputation, or imprecise disclosure practices.

II. DJCO’S OWN ADMISSIONS VALIDATE OUR ANALYSIS.

DJCO admits it is “engaging an independent accounting consultant to make sure the Company is accounting for software development costs correctly.” This validates that our technical analysis raised substantial concerns warranting expert review. If our accounting analysis was frivolous, why engage consultants at all? We note that the Company also does not refute that the Journal Technologies platform has substantial value, which is entirely omitted from the Company’s financial statements, given these violations of GAAP.

DJCO states that “three different national accounting firms” have reviewed their approach “without issue.” If true, this raises the simple question of why similar companies like Tyler Technologies report millions in intangible assets, while DJCO reports zero. DJCO is the “odd one out” due to these violations of GAAP. Either the accounting standards differ (they do not) or the previous reviews were inadequate. Tyler Technologies is following the rules—with regard to these matters, DJCO is not.

III. CHARLIE MUNGER’S LEGACY DESERVES BETTER.

Charlie Munger built his reputation on intellectual honesty, rigorous analysis, and engaging substantively with expert input. Mr. Munger famously stated: “I’m not entitled to have an opinion on this subject unless I can state the arguments against my position better than the people who support it.” The July 29 8-K filing contains zero substantive technical rebuttal to our ASC 985-20 analysis. Instead, it resorts to personal attacks—an approach that would have been anathema to Charlie Munger’s principles of intellectual engagement and transparency.

Mr. Munger championed learning from mistakes, seeking competent advice, and maintaining the highest standards of fiduciary responsibility. The current management’s response pattern demonstrates a departure from these established principles.

IV. GAAP COMPLIANCE IS NOT “ACCOUNTING MANIPULATION”.

The July 29 8-K mischaracterizes our position by suggesting that proper ASC 985-20 compliance constitutes “creating value through accounting.” This fundamentally misrepresents not only our analysis, but the very point of accounting standards. We are not advocating for accounting

manipulation—we are calling for truthful, neutral financial reporting as required under GAAP and FASB Concepts Statement No. 8. Neutrality in accounting is not a choice, as the Board implies. Value is artificially created or destroyed in the public markets when financials are not reported truthfully.

The current practice of expensing all software development costs, despite demonstrated evidence of technological feasibility, is itself a distortion of economic reality. Proper capitalization under ASC 985-20 does not “create” value—it accurately reflects the economic substance of completed, revenue-generating software assets. Charlie Munger understood the difference between earnings management and faithful representation of economic reality. He would have demanded truthful accounting that reflects actual asset values upon realizing the Company’s accounting was not compliant with GAAP. He would not then attempt to perpetuate the systematic understatement of assets that DJCO currently employs, which is in violation of GAAP and securities laws.

V. SEC REFERRAL WAS BASED ON COMPLIANCE CONCERNS AND SHAREHOLDER INTEREST PROTECTION, NOT PROPOSAL REJECTION.

The July 29 8-K Filing mischaracterizes our SEC referral as retaliation for rejecting our consulting proposal. This is factually incorrect. We clearly communicated the basis for our referral to the SEC’s Enforcement Division and our good-faith notification to the Company, and the Board has simply chosen an alternative explanation to create a(nother) false narrative.

Our referral to the SEC’s Enforcement Division was made based on our concerns regarding federal securities laws. These concerns include the failure to disclose a material investigation to shareholders, patterns of systematic GAAP issues that (still) remain unaddressed, and governance concerns about the Board’s “independent investigation” into conduct that occurred under its own oversight, for which it is entirely improper that the Board would have any say in who is investigating. The SEC referral reflected an obligation to protect shareholders and market integrity—not a response to any business decision by DJCO. We were making the same referral regardless of whether DJCO had accepted or rejected our proposal (just as we indicated in the letter informing of our referral of the Company to the SEC), because potential securities law violations require regulatory attention irrespective of any commercial relationship.

While the Company suggests that regulatory referrals reflect poor business conduct, shareholders reasonably expect a Board of Directors to address compliance concerns proactively rather than requiring external regulatory intervention to fulfill their duties. Our referral serves the interest of all shareholders by ensuring appropriate regulatory oversight of these technical accounting and disclosure matters.

VI. FACTUAL CORRECTIONS.

For the record, Buxton Helmsley USA, Inc. is in full compliance with SEC regulations and is registered as an Exempt Reporting Adviser (ERA) with the State of New York, with all applicable filings made through Form ADV. The claim in the Company’s Form 8-K that we are “not registered” is categorically false and even further demonstrates this leadership’s inability to do most basic research before speaking, now causing the Company defamation liability at the expense of its shareholders.

Under our circumstances, individual investment advisor representative registration is not required for exempt reporting advisors. New York State does not provide a mechanism for individual investment advisor representative registration when the firm operates under exempt status. That is why, if we attempt filing a Form U4 filing for any personnel at Buxton Helmsley, there is no ability to even check

the box for such individual registration as an advisor representative with the State of New York (other states may differ, but we do not operate in those jurisdictions), with that checkbox being disabled on the Form U4. DJCO's characterizations regarding our regulatory compliance are not only incorrect but also demonstrate a fundamental misunderstanding of investment advisor regulatory frameworks.

VII. FOCUS ON FACTS AND STANDARDS.

We stand by our technical analysis regarding ASC 985-20 compliance and Regulation S-X disclosure requirements. The accounting standards are objective and verifiable:

- ASC 985-20 requires capitalization of qualifying software development costs once technological feasibility is established;
- Regulation S-X mandates proper classification and disclosure of material expense categories; and
- FASB Concepts Statement No. 8 requires neutrality in accounting—neither “conservative” nor “aggressive” approaches that distort economic reality.

These are not matters of opinion but specific regulatory requirements with clear applicability criteria.

VIII. MOVING FORWARD.

While we agree DJCO must engage independent accounting consultants, the fundamental conflict remains: the same Board and Audit Committee that oversaw the improper accounting practices for years cannot credibly investigate those same practices. As we noted in our July 25 correspondence, this arrangement is “fundamentally, inherently conflicted.”

True independence requires oversight by parties who were not involved in the decisions under review. We continue to believe that a Special Committee of truly independent directors, without prior involvement in the accounting decisions in question, would provide the unconflicted oversight necessary to restore shareholder confidence.

For the record, our analysis has been reviewed and validated by Certified Fraud Examiners prior to bringing these concerns to DJCO's attention. We note that not a single person on the Company's Audit Committee is a CPA, much less a Certified Fraud Examiner, which explains why it is unable to defend the Company's accounting practices (which is particularly dangerous for an Audit Committee).

IX. LEGAL ACTION.

The July 29 Form 8-K, signed by DJCO Chair and CEO Steven Myhill-Jones, contains statements that materially misrepresent and attempt to defame our business. Accuracy in public filings is essential to market integrity and investor confidence—these personal attacks are, clear to us, designed to distract from our good-faith efforts to protect shareholder interests and the real issues at hand (the issues the Board is apparently unable to defend).

Our regulatory compliance is well-documented. Our track record demonstrates deep expertise in identifying complex accounting and regulatory failures, and we expect the same standard of precision from public company executives in their SEC disclosures.

Given the misrepresentations and defamatory statements contained in the July 29 8-K Filing, we intend to promptly pursue legal action against Mr. Myhill-Jones, personally, for damages to Buxton Helmsley's reputation and business relationships, as a result of the false and misleading statements. We have a pending defamation lawsuit against another company and its CEO (where they admitted, after being sued, that we did nothing improper—we've seen these ill-faith smear tactics in the face of fiduciary desperation before), and we will not hesitate to proceed with another. While we remain open to constructive dialogue focused on the substantive accounting and governance concerns at issue, we will not allow public mischaracterizations of our credentials, intent, or compliance status to go unchallenged.

X. IMMEDIATE ACTIONS REQUIRED.

We call upon the Board to take the following actions:

1. **Mr. Myhill-Jones's Resignation:** Given Mr. Myhill-Jones's conduct (now, even publicly) and the defamatory statements contained in the July 29 8-K Filing that bear his signature, we call for his immediate resignation within 48 hours of this correspondence. Should Mr. Myhill-Jones remain in his position beyond this timeframe, we will be forced to name Daily Journal Corporation as a defendant in our legal action (in addition to pursuing Mr. Myhill-Jones, personally). The Board has a fiduciary duty to shareholders not to expose the Company to unnecessary litigation liability by retaining management that has created personal legal exposure for the Company through defamatory public statements (not to mention filing a Form 8-K filing with false statements, and false reports of dates for events being reported). We are willing to refrain from filing suit against the Company, provided Mr. Myhill-Jones resigns within 48 hours and the Board begins discussions toward mutually acceptable terms for a cooperation agreement. We get no joy from public battles over cut-and-dry matters such as these. Should the Board fail to act and thereby cause the Company to incur liability (which we believe would void the Board's D&O coverage related to these matters), we intend to pursue recovery of any such liability directly from the Board members personally, as shareholders should not bear the financial burden of the Board's breach of fiduciary duty by personally electing to cause liability for the Company (at the expense of those to whom they have a fiduciary duty to). Under South Carolina corporate law, indemnification for liabilities incurred as part of a breach of loyalty is also not permitted (the Board is reminded it has a duty to shareholders—not Mr. Myhill-Jones, to whom they are supposed to be independent from).

Should the Board act responsibly by securing Mr. Myhill-Jones' resignation within 48 hours and commence good-faith cooperation discussions, we will refrain from pursuing personal legal action against Mr. Myhill-Jones. Our interest lies in proper governance and GAAP compliance, not personal destruction (again, we get no joy from any of this). Reasonable people can resolve reasonable disagreements through professional cooperation, and we do not have to be personal friends to work for the benefit of shareholders (if any current directors are unable to separate personal feelings from professional duties, they are free to resign). If we are required to commence litigation against Mr. Myhill-Jones, we commit to remitting every penny recovered from him (net of legal fees) directly to Daily Journal Corporation for the benefit of all shareholders, demonstrating that our action seeks accountability, not personal enrichment.

2. **Corrective Disclosure:** We request that DJCO issue clarifying disclosure within five business days, addressing: (a) a substantive response to the ASC 985-20 compliance analysis and Tyler Technologies peer comparison we have raised; (b) correction of the Form 8-K dating errors identified herein (the date of the event being reported should be approximately "two weeks

ago”); and (c) the mischaracterizations regarding Buxton Helmsley’s regulatory status. Failure to provide substantive technical responses to these material accounting and disclosure concerns will demonstrate management’s inability to defend its position on these matters.

* * *

We remain committed to constructive dialogue focused on proper GAAP compliance and transparent financial reporting that serves all shareholders. Our performance-based compensation proposal ensures our interests remain aligned with shareholder value creation, taking into account the immense responsibility and work that will go along with correcting these serious violations of accounting standards and securities laws (and finding any further value that may have also improperly been expensed instead of being properly capitalized). Following all corrections made to accounting treatment, an independent valuation will be conducted to ensure the Company’s reported asset value is no higher than the true fair value of assets at Journal Technologies.

The Company’s inability to rebut our extensive analysis speaks for itself. We look forward to understanding, within the next 48 hours, whether the Board wishes to reach a peace accord, so we can move on to conversations that benefit shareholders.

Very Truly Yours,



Alexander E. Parker
Chairman of the Board and Chief Executive Officer
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