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Dear Clients, Colleagues and Friends,

In February a year ago, we were gearing up to send a bottle of our "NGOphile" wine to our good clients, colleagues and friends, just as the COVID 19 Pandemic began to emerge. We really feared that 2020 might turn into another 2009, which we still refer to as "the nuclear winter of affordable rental housing finance," when multifamily rental starts fell in one year from over 250,000 units per year in the first four years of the 2000's to 90,000 units in 2009. So, we slammed on the brakes on discretionary expenditures, including our wine gift and letter. Please know that our failure last year to send you our holiday letter and a quaffable memento of thanks in no way meant that we do not still love you as our treasured clients, colleagues and friends.

The spike in interest rates that occurred in March and April last year, as markets froze, reminded the more "senior" members of our team of the historic spike in rates between the fall of 1979 and August of 1982, which decimated real estate and other long-term capital asset financings for **several years**. However, much to our surprise and relief, in May and June, rates plunged as fast as they had surged. **By August of 2020, the ten-year U.S. Treasury rate had fallen 80%** from a recent high of 3.24% in November of 2018 **to a low of 52 basis points**. As explained in our PowerPoint, "The 2020 Affordable Multifamily Market Conundrum…" on our website, **the resulting decline in long-term borrowing rates,** together with extended loan amortizations, **added about 30 points of proceeds** on the tax-exempt debt side of our financings versus the period two years earlier.

We also discovered that going to a 100% remote work environment (although about half of our people were already working remotely from home offices around the United States) substantially improved our productivity—we were no longer spending hours and days in conferences and on business travel but instead we were all in an environment of severely constrained personal life activities (you can only watch so much HBO, Netflix, Amazon Prime and Hulu!).* As a result, much to our amazement, as the year unfolded, 2020, like for many of you, was dramatically more successful than even the very strong years we'd had in 2018 and 2019.

Now, we could brag about the number and dollar volume of tax-exempt affordable multifamily housing bond financings we closed in 2020 (as we will admit that we did so a bit in our letter two years ago). But we are not going there. We are humble enough to realize that much of our extraordinary success was due to plunging rates and the fact that we all discovered that working remotely worked very well for us, unlike those in industries requiring close personal contact that were

* While our staff has not yet produced a PowerPoint like that recently circulated by some junior investment bankers at Goldman Sachs and reported by Bloomberg (Google: "Goldman Analysts Work Too Hard"), we are concerned about this pattern, and we are moving aggressively (see below) continuing to bring more exceptional professional talent onto our great team and to promote a more normal work life balance for our team.

so tragically decimated by the Pandemic due to absolutely no fault of their own. Actually, we would urge you to peruse Exhibit A. Very few people really understand the volume associated with each of the major tax-exempt multifamily debt products. We believe the analysis in Exhibit A will surprise you.

We would love to share two things we have really focused on this past year: (1) developing and/or expanding major new industry products with our clients, and (2) carefully, cautiously growing our wonderful team to serve our clients' needs.

New Products/Executions

We believe we are often the first to focus with our clients on major industry trends. We think our April 28, 2021, letter to the State Treasurer in California and our February 17, 2020, PowerPoint entitled "The Rapidly Emerging World of Scarce Private Activity Bond Volume" were industry wake-up calls to what is now the increasing scarcity of private activity bond volume in California and in a number of states. For an update, see "Private Activity Bond Volume—Greater Tightening, Recycling and Other Possible Relief". Another recent fundamental trend has been major inflows to tax-exempt municipal bond funds, which has dramatically lowered the yields on limited public offerings and private placements of non-credit enhanced, unrated tax-exempt multifamily rental housing bonds. To respond to these major trends, in the past year, we and our great clients have:

1. Developed and expanded tax-exempt bond, new money bond and restructuring executions under Section 145 of the Code for Section 501(c)(3) borrowers, where no private activity bond volume allocation is required.

2. Further developed, expanded and improved "governmental function" or "essential function" bond financings in California and soon possibly in other markets, combining real estate tax relief and limited public offerings of unrated tax-exempt bonds to create affordable work force housing. Other folks created this execution in California two years ago, but we and several of our clients are trying to take this execution to new levels in California and introduce it in other markets. In the last four months of 2020, aggregate volume on this execution in California was over $500 Million.

3. Worked with the California Municipal Finance Authority (the "CMFA") and its bond counsel and several other active multifamily housing bond issuers to create major new multifamily housing bond volume recycling programs. See "Establishing a Multifamily Residential Rental Housing Bond Recycling Program" on our website.

4. Worked with several clients to develop and expand new private placement programs, which continue to provide the vast majority of tax-exempt debt capital for these financings (as we further discuss in Exhibit A).

Growing Our Team

We are not trying to be the largest law firm in our space or to cover all of the aspects of the financings in which we are involved. However, on the specific aspects that we do cover, we are absolutely trying to be the best player in our space. We think it is all about people. At the beginning of 2020, we had seven lawyers, two financial analysts/paralegals and four additional wonderful team members – 13 people. As of the date of this letter, we've added Matt Hood, a new associate; Brian Johnson and Isabelle Yourick as new financial analyst/paralegals; and Melissa Harvison as a new administrative assistant – 16 team members (up 30%). Please go to our website: www.ngomunis.com. Look at the bios of these exceptional professionals. Our greatest blessing is our wonderful team and the relationship that we and they have with each of you. And, oh yes, we have made offers that have been accepted by two more truly exceptional recent law school graduates who will join us as associates in June and August. Please stay tuned!

So… by now you are saying, "So much for the firm promo, how about the wine!?" Well, a funny thing happened as we were preparing to taste (remotely, but, as always, on your behalf!) this year's vintages from the Wine Foundry. We realized that half of you or more are not in your offices and that probably 25% or more of the bottles we shipped would be returned. Like you, we're pretty busy (our staff will kill us for using this limp adjective), and we just couldn't deal with this at this time.

What to do? The source of many of our thoughtful, creative, practical and humane ideas, our firm administrator, Adele Hook, came up with a really interesting idea: "Why don't we take all that money we would have spent on wine this year and donate it to those who desperately need it in the midst of a Pandemic?" Bingo! Simple! Brilliant! …And **compassionate,** which is how we all need to be, especially now, with our fellow human beings. To their credit, the folks at the Wine Foundry (who also had a great year in 2020) actually applauded this idea.

So, no NGOphile will be headed your way this year. ☹ But, the not insubstantial dollars we would have spent on this have already gone to:

1. **The Capital Area Food Bank**—The Capital Area Food Bank leads DC's efforts to provide good, healthy food to people struggling with hunger and food insecurity. Each year, the Food Bank sources and distributes food for over 45 million meals.
2. **DC Safe**—A haven for battered women, children and men in DC. Our firm made a donation towards construction of their SAFE Space Crisis Center.
3. **Horton's Kids**—A DC organization that empowers children in one of DC's most underserved neighborhoods so that they graduate from high school ready for success in college or trade school and life.
4. **Housing Up**—A DC transitional housing non-profit organization that has developed approximately 500 units of multifamily housing in the DC area, with a like amount in the pipeline, and provides wrap-around social services for 1,000 families and other formerly homeless and at-risk clients, where our NGO colleague, Kim Griffith, serves on the Board.

Now, we've always consistently supported these organizations, but this year, thanks to you, in each case, our donation on your behalf was a real eye-opener!

We do so greatly appreciate the relationship with have with each of you. Together with the affordable rental housing and other publicly beneficial projects you and we produce, it makes all of our collective efforts fulfilling and worthwhile.

Next year, our charitable support won't lag, but the vino will return. We've attached our 2019 label as Exhibit B as a nice reminder. Look for a bottle with this label appearing in your inbox next spring when you are back in your offices (at least a day or two per week) to receive it!

Until then, all of our best to you and your families, and our best wishes to life returning to normal as we work together in 2021!

Very truly yours,

Your friends at

NORRIS GEORGE & OSTROW PLLC

Wade Ryan Esther

Tom Randy Kim

Reggie Matt Adele

Raquel Brian Isabelle

Cassandra Nancy Melissa

Exhibit A

SIZE OF THE PUBLIC AND PRIVATE MARKETS FOR TAX-EXEMPT AFFORDABLE MULTIFAMILY RENTAL HOUSING DEBT, VOLUME ASSOCIATED WITH THE MAJOR EXECUTONS, AND THE NGO ROLE

As noted in our letter, at NGO, we love to focus on the big-picture developments in our industry. How big is the tax-exempt affordable multifamily rental housing debt market? We believe that tax-exempt affordable multifamily rental housing bond and loan volume is now close to $21 Billion or more per year. We think tax-exempt multifamily volume is underestimated in most surveys, primarily because the industry lacks a truly effective, comprehensive system for tracking private placements, which we believe still comprise about 70-75% of tax-exempt bond volume.

According to one industry source, the CDFA Annual Volume Cap Survey, last released in October 2019 for the 2018 year, put annual tax-exempt multifamily housing bond volume in recent years at:

2015	$ 7.0 Bil
2016	$14.0 Bil
2017	$15.3 Bil
2018	$14.7 Bil

Affordable Housing Finance Magazine's annual survey of the Top 25 affordable housing lenders estimated construction and permanent loans for projects with tenants with incomes up to 80% of AMI (a good portion of which may be taxable) at the following levels* in recent years:

2017	$30.5 Bil	
2018	$35.2 Bil	
2019	$41.0 Bil	
2020	$53.6 Bil	Up 52% from 2017

If CDFA had tracked and published data on tax-exempt multifamily housing bond volume through 2020, and if that volume increased by about 50% over 2017, as the Affordable Housing Finance Top 25 lender volume appears to have done, this suggests that total tax-exempt multifamily housing bond and loan volume in 2020 might have been about $21 Billion. Let's use that as our "guesstimate" for 2020.

On the publicly offered side, Fannie Mae estimates that it has closed about $2.5 Billion of M.TEBs, since two of our lawyers worked on the team that created the M.TEBs structure in 2014-15. That's about $500 Million per year, perhaps $600-$700 Million in the past year. One of our very active underwriter clients believes that tax-exempt short-term cash backed bonds and other short-term tax-exempt multifamily bonds comprise about $3.0 Billion per year. In addition, we would estimate that long-term tax-exempt multifamily housing bonds would add another $2.0 Billion to the public multifamily offerings in 2020. Adding those up, we'd "guesstimate" about $6.0 Billion of publicly offered tax-exempt multifamily housing bonds were issued in 2020.

It is clear that private placements still dominate tax-exempt multifamily debt executions. On placements, **by far the largest players are the big banks** and other private placement sponsors, according to the Affordable Housing Financing ("AHF") Top 25 lender data. This may surprise you, but the numbers don't lie. According to AHF, one of our clients who has been the largest affordable housing lender for a number of years was involved in about **$7.0 Billion** in tax-exempt lending last year, and other banks and other sponsors have also become major players. We think this total is at least $12-14 Billion. In addition, Freddie Mac

* The Affordable Housing Finance Top 25 lender data appear to count the construction loan and permanent loan side of a financing as separate loans and may include some equity funding by some Top 25 lenders as well, which, in some cases, may be included in the data and may be substantial.

estimates that is has acquired over $4.5 Billion of tax-exempt loans under its TEL structure, introduced in 2014 when our NGO colleague Kim Griffith was Vice President of Affordable Sales and Investments in Freddie Mac's Multifamily Division and on which two of our lawyers served as special outside to Freddie Mac. Call this an average volume of $700 Million per year, and perhaps $800-900 Million in the past year. Tax-exempt private placements may thus have comprised about $15 Billion or roughly 70-75% of the tax-exempt multifamily rental affordable debt financing in 2020.

Now, we could try to dazzle you by telling you that in 2020, Refinitiv, one of the leading industry collectors of data on municipal bond volume, gave us credit for over $3.2 Billion in our role as private placement counsel in this market, indicating that NGO was involved in about 30% of the financings that we think comprise 70-75% of our tax-exempt debt market. This was over 100 "deals" (see below) and is about three times the dollar volume that Refinitiv recorded for the number two and three ranked law firms, which were more than three times our size. Thus, on a per lawyer basis, we could assert that our admittedly boutique law firm was involved in ten times or more of these financings than any other law firm in 2020. We believe the publicly offered deals in which we were involved represented another $1.25 Billion, for a total of more than $4.25 Billion, or about 20% of our guesstimate of $21 Billion for total tax-exempt affordable multifamily rental housing debt in 2020. Pretty remarkable for a firm of seven lawyers and two financial analyst/paralegals for the better part of the year!

But, alas, we are, among other things, securities lawyers, so we have a reflexive impulse for full disclosure. In 2019, we were not given any credit by the good folks at Refinitiv for **any** private placements. Did our business simply explode? No. Refinitiv, like other providers of industry data, conscientiously scans financings and uses other means available to it to gather comprehensive industry data, but **especially on private placements, which comprise the substantial majority of our business, Refinitiv's database**, like that of the Affordable Housing Finance Top 25 Lender data, **is largely based on self-reporting**. Before 2020, we simply had not filled out the forms for the good folks at Refinitiv. You get the picture. Don't go overboard with this kind of data; a number of very active law firms in this space simply do not self-report. You should also know (another little industry secret) that Refinitiv and others generally treat separate series, and sometimes separate maturities, as separate "issues."

So, in our space, if anyone claims, referring to this type of data, that they have closed, say, "100 deals" or "150 deals" in the past year and is the leading firm in this space, we'd advise: (i) consider the source, because the data in these surveys **is based on self-reporting** with little ability of the surveyors to verify claims, especially in private placements; (ii) **there are a number of major law firm colleagues** with whom we work on placements **who**, like us in 2019, **simply did not fill out the forms** and thus are not shown among the top firms or whose rankings seem far too low; and (iii) because of the second little industry secret described above, with respect to the number of deals firms claimed to have closed based on this type of industry data, **you should divide by 2 (or at least 1.5)**. ☺ But, isn't the real test how professional, conscientious, creative, insightful, inspired and proactive was the service provided? We're proud of our last year's dollar volume and percentage of deals, but we are **much prouder** of the level of service we believe we and our clients provided.

However you measure it, the only way we have achieved whatever success we have is because of our relationship with wonderful industry players like you. Thank you so much for all you did last year to contribute to our success. We treasure the extraordinary loyalty, friendship and support we have been so fortunate to have been shown by our wonderful clients, colleagues and friends. And we intend to show it with another NGOphile delivery next year!

Exhibit B