

November 17, 2017

Dear Shareholder:

The recently announced draft Regulatory Relief Bill (the “Bill”) could have a positive impact on the funds and accounts managed by EJF Investments Manager LLC (“EJF”) with investment strategies related to community and regional banks. EJF believes that in its current form, the Bill has the potential to create long-term value across the entire banking landscape in the U.S. As a bipartisan proposal with a significant number of co-sponsors from both sides of the aisle, EJF believes that the Bill may become law in the near-term. The Bill addresses three main topical areas that EJF has previously highlighted as crucial to future regulatory reform:

- **SIFI (Systemically Important Financial Institution) Threshold** – The proposal seeks to immediately raise the level of the SIFI Threshold to \$100 billion from the current \$50 billion of assets. Additionally, the threshold would then be raised to \$250 billion of assets 18 months after passage. We believe that the removal of the CCAR stress test process for the regional banks will lower regulatory costs and allow institutions to more effectively manage their balance sheets. We believe that the impact will likely be lower capital levels, increased loan growth, increased M&A activity, higher return on equity and more prepayment of less efficient legacy debt (i.e. Bank Trust Preferred Securities or bank “TruPS”).
- **Small Bank Holding Company Policy Statement** – This policy statement allows small banks to issue subordinated debt and receive Tier 1 treatment at their bank subsidiary. The use of this capital is unlimited, with the flexibility for organic growth and acquisitions. The proposal seeks to immediately raise the threshold level to \$3 billion of assets from the current \$1 billion of assets. This change would increase the number of impacted banks by 375, resulting in more than 5,200 banks which we believe would benefit from a reduced cost of capital, higher profitability and increased M&A activity within the community bank space. We also believe this could lead to accelerated prepayment of small bank TruPS as they alternatively seek to raise subordinated debt.
- **Non-Qualified Mortgage Relief** – The Bill seeks to extend the Qualified Mortgage (“QM”) rule’s safe harbor to all banks that are under \$10 billion of assets and hold mortgage loans on their balance sheet. We believe that this rule has the effect of making lower cost mortgages available to borrowers who have been unable to meet the onerous definitions in the current rule. We expect direct lenders to lose share in this category while community banks will gain market share.

As you know, EJF has been optimistic that pragmatic legislation would be a likely by-product of a new administration and recent turnover at the regulatory agencies. We expect these changes to be enacted within the next six months. We also believe that the Bill is supportive of both recent

recommendations proposed by the US Treasury in June, as well as the Notice of Proposed Rulemaking that was recently put out by the Federal Reserve, FDIC and OCC to effectively freeze all Basel III implementation for banks with less than \$250 billion of assets.

EJF believes that these potential rule changes may have a positive effect on the performance of many of EJF's hedge funds and private equity strategies. If you would like more detailed information on the proposed legislation, a link to the Senate Banking Committee website can be found below:

Access the bill text [here](#).

A section-by-section summary can be accessed [here](#).

If you have any questions or would like to discuss this development in greater detail, please contact EJF investor relations at [InvestorRelations@ejfcap.com](mailto:InvestorRelations@ejfcap.com).

Thank you,

Neal J. Wilson  
Chief Executive Officer  
EJF Investments Manager LLC

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