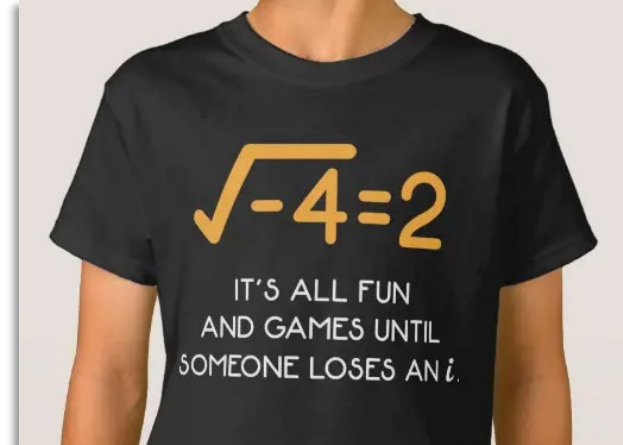
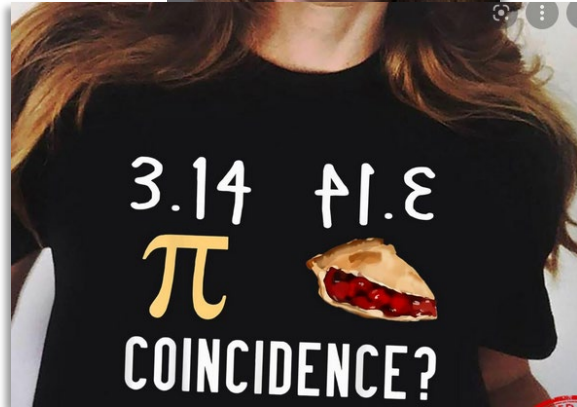




Advanced TIF

Stacie Kvilvang & Julie Eddington

Welcome!



Session Overview

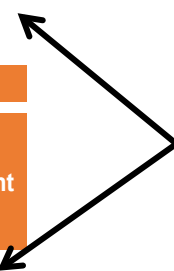
- Changes in Total Tax Rate
- Base Values, Base Value Rate Excess TIF & Market Value Exclusion
- Payment of Taxes & TIF Obligations
- Tax Petitions & TIF
- Multiple TIF Obligations in One District
- Plan Amendments
- Satisfying the 5-Year Rule
- Pooling
- Year 6
- Interfund Loans
- Administrative Cost Allocation
- 2021 Spending Plan Authority Legislation
- Other Common TIF Questions

Aggregate (Total) Tax Rate

- Local tax rate changes annually
 - ✓ Why do we care?

Use lesser of frozen or current to calculate TIF

Original Estimates						
Year	% Increase in Market Value	Market Value	Captured Tax Capacity	Tax Rate	Reduction in Tax Rate (From Frozen)	Tax Increment
2010	0%	\$85,500,000	431,780	116.838%	0.000%	\$504,483
Actual						
Year	% Increase in Market Value	Market Value	Captured Tax Capacity	Tax Rate	Reduction in Tax Rate (From Frozen)	Tax Increment
2021	5.5%	\$90,202,500	443,536	113.685%	-3.153%	\$504,234



Tax Increment Base Rate Excess

Any tax increment dollars generated by **increases in the aggregate local tax rate above the original local tax rate** are distributed to county, city and school as **base rate tax increment excess**.

- Base rate excess appears in tax statement on tax increment line along with other tax increment amounts
- Excess may be deposited into City's General Fund
 - ✓ Doesn't have TIF restrictions.

Calculating TIF & Base Rate Excess


Use the lesser of the current or frozen rate

Example 1:

- Frozen Rate = 1.0
- Current Rate = .90
- Taxpayer pays on .90
- TIF is paid on .90


Example 2:

- Frozen Rate = 1.0
- Current Rate = 1.1
- Taxpayer pays on 1.1
- TIF is paid on 1.0



	Year	Total Tax Rate	Captured Tax Capacity	Gross Tax Increment
Frozen Year	2010	112.690%	475,000	\$ 535,278
Current Year	2021	146.462%	475,000	\$ 695,695
Difference				\$ 160,417

This amount redistributed to
City, County & School District



Tax Increment Base Rate Excess Distribution

- Base year tax rate is compared to current year tax rate for County, City & School District
 - ✓ Jurisdictions w/rate increases = proportionate share of excess
 - ✓ Jurisdictions w/rate decreases = no share of excess

Excess TIF	
TOTAL	\$ 160,417.00

Entity	Frozen TNT	Current TNT	Difference in TNT	Distribution %	Distribution Amount
City	45.263%	54.444%	9.181%	31.156%	\$ 49,979.52
County	41.263%	50.067%	8.804%	29.876%	\$ 47,926.18
School	21.263%	32.746%	11.483%	38.968%	\$ 62,511.30
Misc	4.901%	9.205%	N/A	0.000%	\$ -
TOTAL	112.690%	146.462%	29.468%	100.000%	\$ 160,417.00

Changes in Base Values

Changes in property classification

- Base classification = current classification
- Except Hennepin County

Exempt to taxable status

- < 1 year? Use previous market value
- > 1 year? County assigns new base value

Assessor change, lot splits, combinations, new plats

- Tax petition, abatement or as omitted by Assessor
- Market value should be reallocated
- Check with County Assessor

Legislature changes class rate

- Base class rate = current class rate

Base Value Issues

- Lot splits, combinations, plats, etc.
 - ✓ Important to track PIDs internally, along with changes
 - ✓ Each County may do this differently
 - Anoka & Ramsey Counties: Assessor reallocates base market value
 - When TIF runs first established, amount of base value attributable to a new parcel is ESTIMATED & needs to be updated once information is received from County to determine actual amount of TIF that will be generated

Changes in Class Rates

When do class rates change?

- Required to be changed to new use
 - ✓ Should be shown on TIF run as future uses class rate to calculate base value
 - ✓ Make sure to double check! Not ever County changes class rate unless notified

Changes in Class Rates

Going from commercial to rental:


BASE VALUE INFORMATION (Original Tax Capacity)					
Original Market Value	Tax Year Original Market Value	Property Tax Class	Current Original Tax Capacity	Class After Conversion	After Conversion Orig. Tax Cap.
39,600	Pay 2021	C/I	792	Rental	495
522,200	Pay 2021	C/I	10,444	Rental	6,528
112,600	Pay 2021	C/I	2,252	Rental	1,408
1,061,800	Pay 2021	C/I Pref.	20,486	Rental	13,273
184,200	Pay 2021	C/I	3,684	Rental	2,303
1,920,400			37,658		24,005

Higher tax rate to lower tax rate
 (commercial to housing)
 = lower base tax capacity
 = more TIF

Changes in Class Rates

Going from residential to commercial:

BASE VALUE INFORMATION (Original Tax Capacity)					
Original Market Value	Tax Year Original Market Value	Property Tax Class	Current Original Tax Capacity	Class After Conversion	After Conversion Orig. Tax Cap.
39,600	Pay 2021	Rental	495	C/I Pref.	594
522,200	Pay 2021	Rental	6,528	C/I Pref.	9,694
112,600	Pay 2021	Rental	1,408	C/I	2,252
1,061,800	Pay 2021	Rental	13,273	C/I	21,236
184,200	Pay 2021	Rental	2,303	C/I	3,684
1,920,400			24,005		37,460



 Lower tax rate to higher tax rate
 (housing to commercial)
 = higher base tax capacity
 = Less TIF

Changes in Taxable Status

Going from tax exempt to taxable:

- Date to make change: **July 1st of any given year**
 - ✓ If changed by this date: Property pays taxes the **following year**
 - ✓ If not: Property doesn't pay taxes until **2nd year**
- If becoming taxable: Value added to base value
 - ✓ Track on parcel list to ensure County changes tax status
 - ✓ Timing can be tricky!

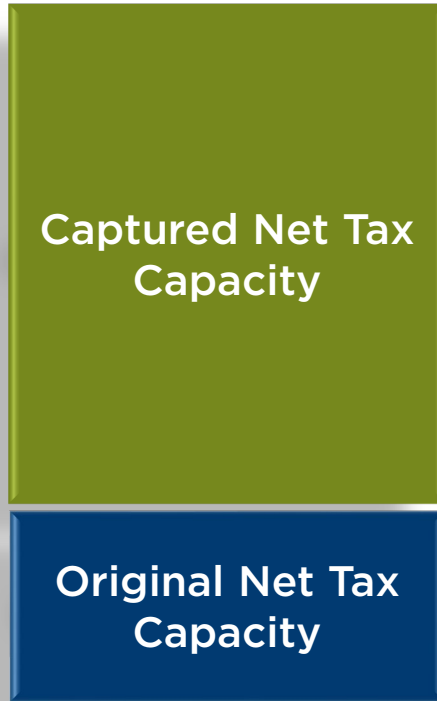
Changes in Taxable Status

Going from taxable to tax exempt:

- Will decrease amount of increment generated
- Watch for these changes!
 - ✓ Could end up paying developer when they have negative increment

Fiscal Disparities: Inside or Outside the District

Outside District



Inside District



Inside:
Less TIF
No tax impact to other property owners

Payment of Taxes & TIF

- Make sure **all parcels have paid taxes & how much each paid**
 - ✓ Review semi-annually before payment is made
- Check **market values against Minimum Assessment Agreements**
 - ✓ Assessors don't always catch
 - ✓ Also inform Assessor when value goes off
- May be in **default of Development Agreement**
 - ✓ Various remedies

Payment of Taxes & TIF

Unit # or Property Name	Net Tax Incrment	Increment Paid	Increment <u>NOT</u> Paid
1	\$ 2,909	\$ -	\$ (2,908.67)
2	\$ 2,578	\$ 2,578	\$ -
3	\$ 2,975	\$ 2,975	\$ -
4	\$ 2,975	\$ 2,975	\$ -
5	\$ 2,909	\$ 2,909	\$ -
6	\$ 2,909	\$ 2,909	\$ -
7	\$ 2,578	\$ 2,578	\$ -
8	\$ 2,578	\$ -	\$ (2,578.14)
9	\$ 2,975	\$ 2,975	\$ -
10	\$ 2,975	\$ 2,975	\$ -
11	\$ 2,913	\$ 2,913	\$ -
12	\$ 2,913	\$ 2,913	\$ -
13	\$ 2,913	\$ 2,913	\$ -
14	\$ 1,001	\$ 1,001	\$ -
15	\$ 2,975	\$ -	\$ (2,974.78)
16	\$ 2,909	\$ 2,909	\$ -
17	\$ 3,041	\$ 3,041	\$ -
18	\$ 3,041	\$ -	\$ (3,040.88)
19	\$ 2,182	\$ 2,182	\$ -
20	\$ 2,975	\$ 2,975	\$ -
21	\$ 1,194	\$ 1,194	\$ -
22	\$ 1,216	\$ 1,216	\$ -
23	\$ 1,216	\$ 1,216	\$ -
24	\$ 1,216	\$ 1,216	\$ -
25	\$ 1,001	\$ 1,001	\$ -
26	\$ 3,041	\$ -	\$ (3,040.88)
Total	\$ 64,104	\$ 49,561	\$ (14,543)

Tax Petitions & TIF

Overpayment Issues:

- Paid taxes at full value, but pending tax petition for value
 - ✓ City received full payment of TIF from County
 - ✓ City pays TIF based upon full amount from County
 - ✓ City **should receive notice from assessor or County Attorney** (Section 272.71)
- Tax petition approved
 - ✓ County sends check to property owner
 - ✓ County reduces TIF on next settlement

Tax Petitions & TIF

Overpayment Issues, Continued:

- If overpayment by City < next TIF settlement payment
 - ✓ Adjust payment downward accordingly
- If overpayment by City > next TIF settlement payment
 - ✓ County takes overpayment amount out of **rest of TIF district funds first, then other city tax settlements**
 - ✓ Presents an issue if multiple TIF notes

Hennepin County Example

TIF Project Number	TIF Project Name	May 2021	October 2021	November 2021	December 2021	Year To Date Total
1314	SLP West End TIF					
	Current Tax:	1,462,375.60	1,435,555.56	0.00	0.00	2,897,931.16
	Delinquent Tax:	0.00		-35,876.54	0.00	-35,876.54
	Interest on Refund:	0.00		1,729.61	0.00	1,729.61
	Settlement Total:	1,462,375.60		1,397,949.41	0.00	2,860,325.01
	Less .36% TIF Fee:	5,264.55		5,032.62	0.00	10,297.17
	Total Amount Settled:	1,457,111.05		1,392,916.79	0.00	2,850,027.84

Tax Petition Example

- District expires **12/31/21**
- Active commercial tax petition parcel within district for **2019 & 2020**
 - ✓ Requesting \$2 million reduction in taxable value
- Tax increment generated would be **\$30,883 less**

Cash Balance 1/1/2021	\$	12,325.06
First half 2021	\$	64,625.99
Second half 2021	\$	64,625.99
2021 PAYGO Payment (95% of TIF)		
First Half	\$	(61,394.69)
Second Half	\$	(61,394.69)
Admin (5%)	\$	(6,462.60)
Cash Balance 12/31/2021	\$	12,325.06
Pay 2019 and 2020 Petition Reduction	\$	(30,883.00)
It if was granted, you'd be short by	\$	(18,557.94)

Tax Petitions & TIF

Overpayment Issues, Continued:

- Include language in Development Agreement
 1. Must notify the City
 2. Payment options
 - Pay \$0 on Paygo until resolved
 - Pay out on **Minimum Assessment Agreement** if there was one, OR
 - Pay at reduced amount (typically **10%** reduction)

Tying TIF to Projects

- Department of Revenue opinion
 - ✓ TIF generated is all one number on **district as a whole**
 - ✓ Total TIF
- County applies percent to each parcel in the district
 - ✓ Review County TIF parcel list to determine Captured Tax Capacity & TIF generated
 - ✓ Tax increment tax shown on property tax statement is **NOT** TIF generated/attributable to the parcel

Multiple TIF Notes

- Need to tie all TIF obligations back to a single value generated by the district
 - ✓ Review parcels & increment they generate
 - ✓ Keep master list of parcels (including old parcels & new ones generated)

Former PID #	New PID #
19-117-21-33-0027	Same as Former
24-117-22-44-0046	Same as Former
25-117-22-11-0001	25-117-22-11-0003
25-117-22-11-0002	
19-117-21-32-0032	19-117-21-31-0068
	19-117-21-31-0069
	19-117-21-32-0033
	19-117-21-32-0036
	19-117-21-32-0038
	19-117-21-32-0039
	19-117-21-32-0040
19-117-21-32-0041	

TIF District 6 (DT West): Certified 2017



Existing Obligations

Outstanding Obligations				
District	Bonds/PAYGO	Original Bond/PAYGO Amount	Outstanding After 2/1/2021	Term
TIF 6 - Downtown West	Hoyt PAYGO	\$ 1,685,376	\$ 1,685,376	2/1/2046
	Zitzloff PAYGO	\$ 1,000,000	\$ 1,000,000	2/1/2046
	Lothenbach PAYGO	\$ 717,000	\$ 717,000	2/1/2046
	Hughes PAYGO	\$ 1,700,000	\$ 1,700,000	2/1/2046
	2020A GO TIF Bonds (In District) ★	\$ 1,025,000	\$ 1,025,000	2/1/2031
	2020A GO TIF Bonds (Pooling) ★	\$ 440,000	\$ 440,000	2/1/2031
	Interfund Loan Parking Lot - Lake & Barry	\$ 1,700,000	\$ 1,700,000	TBD
TOTAL		\$ 8,267,376	\$ 8,267,376	N/A

Note: The PAYGO obligations for TIF 6 - Downtown West have not yet been issued

Parcels: Was 24, Now 66

Unit # or Property Name	Use	PID	Frozen Market Value	Class Rate	Current Tax Capacity	Pay 2021 Value	Frozen Tax Rate	Frozen Tax Capacity	"B" Election Value	Captured Tax Capacity	Gross Tax Increment	OSA Fee	Net Tax Increment	
Wayzata Blu - Non Obligated														
1	Condo	06-117-22-32-0034	\$ 140,238	Homestead	1%-1.25%	13,000	\$ 650,000	1.5% - 2%	2,870	0	10,130	\$ 9,624	\$ (35)	\$ 9,589
20	Condo	06-117-22-32-0053	\$ 140,238	Homestead	1%-1.25%	13,100	\$ 1,148,000	1.5% - 2%	2,870	0	10,230	\$ 9,719	\$ (35)	\$ 9,684
Total			\$ 2,804,762			297,588	\$ 24,911,000		57,400	0	240,188	\$ 228,181	\$ (821)	\$ 227,359
Meyers Dairy - Non Obligated														
1	Meyers Dairy	06-117-22-23-0034	\$ 2,414,000	Rental	1.25%	116,750	\$ 9,340,000	1.0% -1.25%	28,925	0	87,825	\$ 83,435	\$ (300)	\$ 83,134
Total			\$ 2,414,000			116,750	\$ 9,340,000		28,925	0	87,825	\$ 83,435	\$ (300)	\$ 83,134
Unobligated														
1	Car Wash	06-117-22-23-0030	\$ 1,146,000	C/I Pref.	1.5% -2%	31,250	\$ 1,600,000	1.5% - 2%	22,170	0	9,080	\$ 8,626	\$ (31)	\$ 8,595
10	Masonic Temple	06-117-22-31-0014	\$ 739,000	Rental	1.25%	25,643	\$ 1,437,000	2.00%	14,030	0	11,613	\$ 11,032	\$ (40)	\$ 10,993
Total			\$ 27,059,000			571,448	\$ 29,469,000		527,088	(12,714)	57,075	\$ 54,221	\$ (195)	\$ 54,026
Hughes - PAYGO														
1	Hughes	06-117-22-23-0010	\$ 173,000	C/I	2.00%	3,460	\$ 173,000	2.00%	3,460	0	0	\$ -	\$ -	\$ -
4	Hughes	06-117-22-23-0014	\$ 953,000	C/I Pref	1.5% - 2%	18,310	\$ 953,000	2.00%	19,060	0	(750)	\$ (713)	\$ 3	\$ (710)
Total			\$ 1,958,000			38,410	\$ 1,958,000		38,410	0	0	\$ -	\$ -	\$ -
Hoyt - PAYGO														
1	Hoyt	06-117-22-23-0377	\$ 2,418,000	Non-H Res.	1.25%	33,850	\$ 2,708,000	1.5% - 2%	47,610	0	(13,760)	\$ (13,072)	\$ 47	\$ (13,025)
4	City	06-117-22-23-0380	\$ 4,880		2.00%	4,880	\$ 244,000		0	0	4,880	\$ 4,636	\$ (17)	\$ 4,619
Total			\$ 2,418,000			39,230	\$ 2,992,000		47,610	0	(8,380)	\$ (7,961)	\$ 29	\$ (7,932)
Zitzloff - PAYGO														
1	Five Swans	06-117-22-31-0110	\$ 1,134,000	C/I Pref	1.5% -2%	53,010	\$ 2,688,000	2.00%	21,930	11,688	19,392	\$ 18,423	\$ (66)	\$ 18,356
Total			\$ 1,134,000			53,010	\$ 2,688,000		21,930	11,688	19,392	\$ 18,423	\$ (66)	\$ 18,356
Lothenbach - PAYGO														
1	Office	06-117-22-31-0103	\$ 1,370,000	C/I Pref.	1.5% -2%	41,630	\$ 2,119,000	1.5% -2%	26,650	5,633	9,347	\$ 8,880	\$ (32)	\$ 8,848
Total			\$ 1,370,000			41,630	\$ 2,119,000		26,650	5,633	9,347	\$ 8,880	\$ (32)	\$ 8,848
GRAND TOTAL			\$ 39,157,762			1,158,066	\$ 73,477,000		748,013	4,607	405,446	\$ 385,178	\$ (1,387)	\$ 383,791
County Totals			\$ 39,157,762			1,158,066	\$ 73,477,000		748,013	4,607	405,446	\$ 385,178	\$ -1,387	\$ 383,791
Difference			\$ -			(1)	\$ -		(1)	0	0	\$ -	\$ -	\$ -

Multiple TIF Notes

- Don't pay TIF to obligation **based on taxes paid**
- **Non-performance** by one developer can have a **negative impact on other obligations**
- Development Agreement considerations
 - ✓ Carefully define TIF pledge
 - ✓ **Typically comes only from parcels under the agreement**, but should have language regarding proportionate share
 - ✓ Sometimes pledge entire district with future notes on parity, if certain tests are met

Satisfying the 5-Year Rule (Post 1990 Districts)

Must have one of these obligations within **5 years** of certification to ensure money is considered “within District”

Revenues paid to a third party

Bonds issued & sold to 3rd party

- Includes refundings

Binding contracts with 3rd party & revenues spent under contractual obligation

- Uncommon
- Example: Agreement with contractor stating activity to be paid with TIF revenue

Activity costs paid within 5 years & contract reimburses a party

- Interfund loan if City/Authority makes expenditures
- Standard PAYGO contract or interfund loan

Satisfying the 5-Year Rule (Post 1990 Districts)

Consequence of not meeting one of the requirements is that the money is deemed spent outside the district, even if it is spent within.



The 5-year rule is intertwined with pooling rules.

5-Year Rule Exceptions

- Spending from a housing district is deemed within District
- Authority elects extra 10% pooling for affordable housing – those dollars are (sort of) deemed within District



Only “real” increment is subject to 5-year and pooling rules.

Increment derived from interest, land sale proceeds & repayments is more flexible.

Interfund Loans: Use As Needed

- Required within 60 days of making any expenditure you want reimbursed via TIF
 - ✓ Before funds transferred, advanced or spent
 - ✓ Includes **administrative expenses** incurred to establish TIF district
 - ✓ Should approve interfund loan at **beginning** of new TIF project
 - **Land acquisition is exception** if land to be resold for private development
 - In these cases, interfund load must be approved before land sale using a write-down since advance occurs at closing

Interfund Loans: Use as Needed

Required Terms

- Principal amount, term stated in years & interest rate
- Interest rate capped at annual statutory rate (4% in 2021)
- Authority may fix interest rate or allow for annual variable rate

Still a “TIF Bond”

- Include interfund loans in TIF plan as bonded indebtedness
- May be refinanced with bonds or notes sold to 3rd parties

Undocumented Interfund Loans

Undocumented interfund loans pre-August 1, 2021 are ratified but limited to:

The largest negative cash balance

AND

The maximum interest rate

2021 Legislative Changes: Spending Plan Authority

Temporary Authority to Stimulate Construction

Minnesota Statutes
Section 31 (469.176 subd. 4n)

- What you can do:
 - ✓ Provide improvements, loans interest rate subsidies or assistance in any form to **private development** consisting of construction or substantial rehabilitation
 - ✓ Make an **equity or similar investment** in a corporation or partnership
 - ✓ **Exempt from almost all rules**, including pooling, 5-year rule qualified costs

2021 Legislative Changes: Spending Plan Authority

Temporary Authority to
Stimulate Construction

Minnesota Statutes
Section 31 (469.176 subd. 4n)

- Restrictions
 - ✓ Must commence construction by **December 31, 2025**
 - ✓ Must expend TIF by **December 31, 2025**
 - ✓ Must **create or retain jobs** (including construction jobs) in Minnesota

Top 10 Commonly Asked Questions

Temporary Authority to Stimulate Construction

What needs to be in a spending plan?

- List of “giving” TIF districts
- Project description
- Amount of increment being provided

Who needs to approve the spending plan?

- City Council after public hearing
- HRA or EDA if district created by either body

Top 10 Commonly Asked Questions

Temporary Authority to Stimulate Construction

Do we need to modify TIF Plan for giving districts?

- Not technically required
- Modification may help clarify how spending plan coordinates with other district spending

Does this legislation “trump” 5-year & pooling rules?

- YES

Must the project be located in development district/project area?

- NO

Top 10 Commonly Asked Questions

Temporary Authority to Stimulate Construction

Can we pay for public improvements, projects & facilities?

- Yes, if the improvements considered “assistance” to private development (example: road improvements needed for specific development)
- No, if the improvements don’t directly assist a private development

Can we pay for park & recreation facilities

- Yes, if the facilities directly tied to private development
- No, if they are just general improvements

Top 10 Commonly Asked Questions

Temporary Authority to Stimulate Construction

What must happen by December 31, 2022

- All increment must be transferred to an account for spending plan purposes

What must be done by December 31, 2025

- Tax increment expenditures must be paid (not just under contract).
- Private development need not be completed, but enough to have incurred all costs paid under this Jobs Bill provision

What if we don't spend all money by December 31, 2025

- Must return unspent TIF to the giving districts

Other TIF FAQs

Q. If PID #s listed **don't match map in TIF plan & hearing notice, which one defines boundaries?**

A. Depends on the **facts**, including

- ✓ Which **boundary** = the one city intended
- ✓ How **different** the fiscal impact is between the boundaries
- ✓ How **material** the difference is
- ✓ Which area is **larger**?

Other TIF FAQs

Q. Can we use TIF to acquire land for public buildings?

A. Probably, but Section 469.176 4g prohibits use of increment for public buildings themselves

Q. Can we use TIF for lobbying efforts?

A. Yes, if related to one or more TIF districts. No, if the lobbying relates to broader issues not directly tied to TIF

Q. Can we use TIF to acquire land for parks & facilities or for park dedication fees?

A. No. OSA interprets the word “facilities” to be broader than “buildings” prohibited under subdivision 4g.

Other TIF FAQs

Q. Can we still create a redevelopment district if the building have already been demolished?

A. Yes, if the authority meets the following requirements:

1. Before demolition, passes a resolution finding that the building is substandard & the authority intends to include the parcel in a district
2. The authority completes demolition or finances it – OR – the developer completes demolition under an agreement with the authority (won't count if private owner demos voluntarily)
3. The parcel is included in a TIF district filed for certification within 3 years after demolition

Let's Talk!



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