2023 BOSTON

Multifamily Financing Roundtable

NCSHA

National Council *of* State Housing Agencies

Moody's INVESTORS SERVICE | Access is everything™

NCSHA: Multifamily Financing Roundtable

Omar Ouzidane, VP-Senior Analyst

October 16, 2023

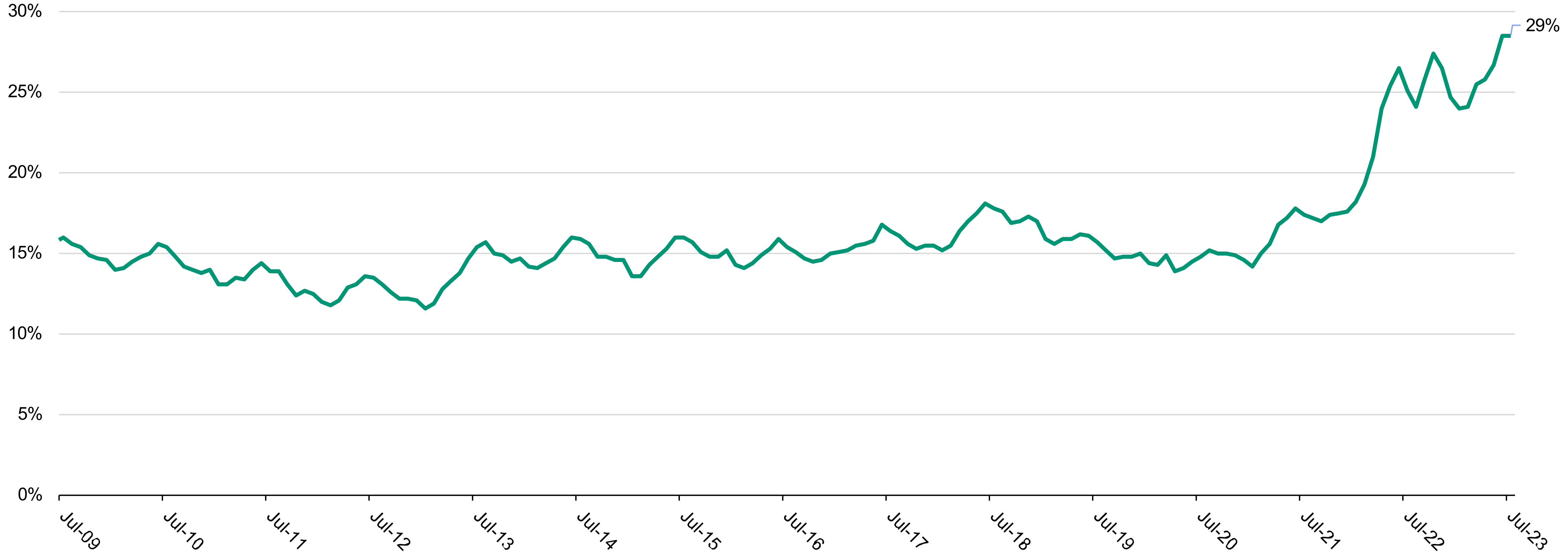
Macro picture points to continued low housing affordability

- **Home prices likely bottomed after a significant home price appreciation** – meaning that they are still elevated and that even with some price declines, homebuying will remain unaffordable.
- **High interest rates will keep mortgage rates above 6% through 2024**, meaning borrowing costs will remain high.
- **Inflation is declining as expected** and will continue to recede over the next year.
  - Affordability, especially among potential borrowers with less disposable income, will remain strained.

Housing affordability remains stretched

Borrowers are spending more income on housing

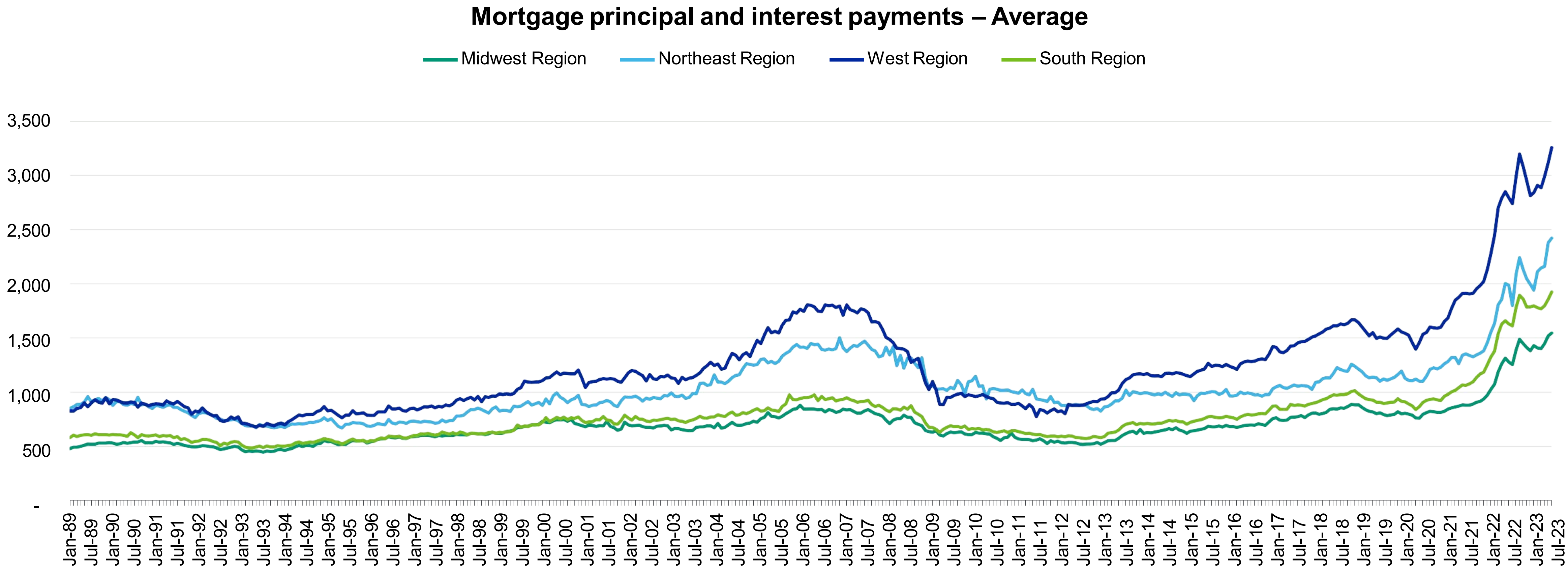
Typical principal and interest payments to buy an existing home as a share of monthly income



Source: National Association of Realtors

Regional disparities exist

The West remains the least affordable region in the U.S.

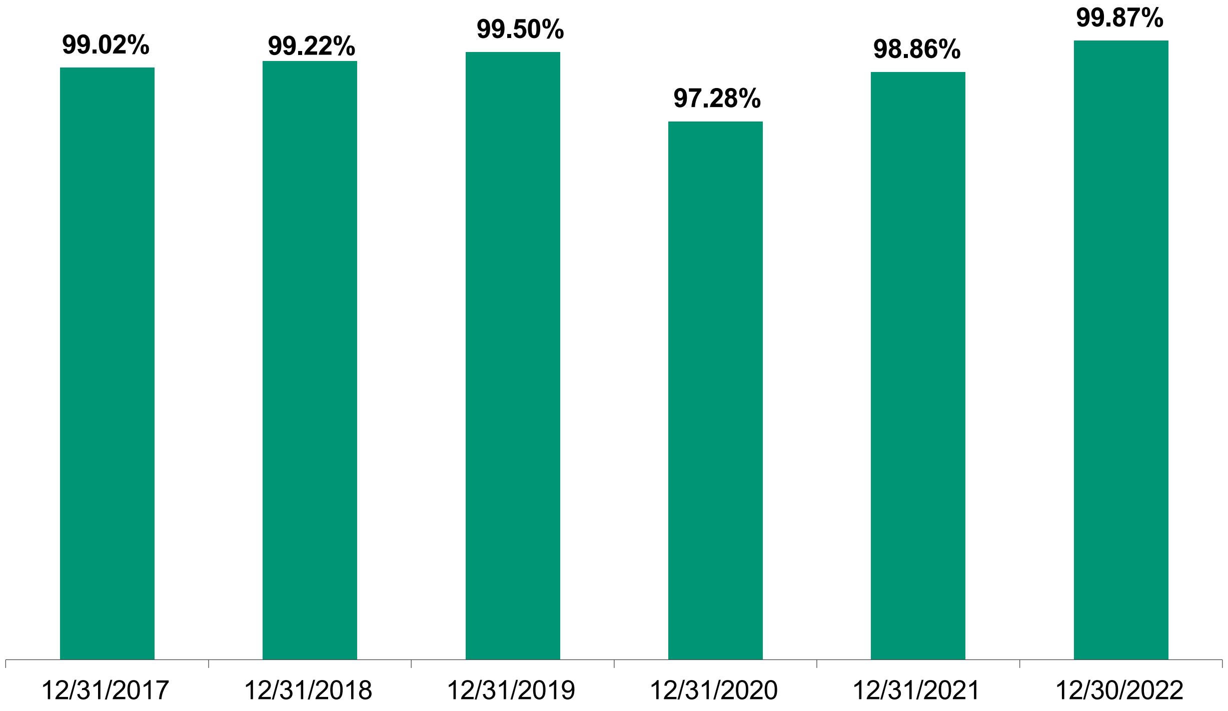


Source: National Association of Realtors (NAR); Moody's Analytics Adjusted

Demand for affordable housing and resilience to cost increases aid portfolio performance

- **Lack of affordability results in a very high demand** for affordable multi-family housing, keeping vacancies low and sustaining margins.
- **Portfolios continue to perform extremely well** with HFA-wide portfolio delinquency rate under 1%.
- **While inflation pressures are certainly being felt**, we currently do not see an impact on portfolio performance.

Strong demand for affordable multifamily housing will keep vacancies low and sustain HFAs margins
(Share of multifamily projects we rate that are current on their payments by year-ends)



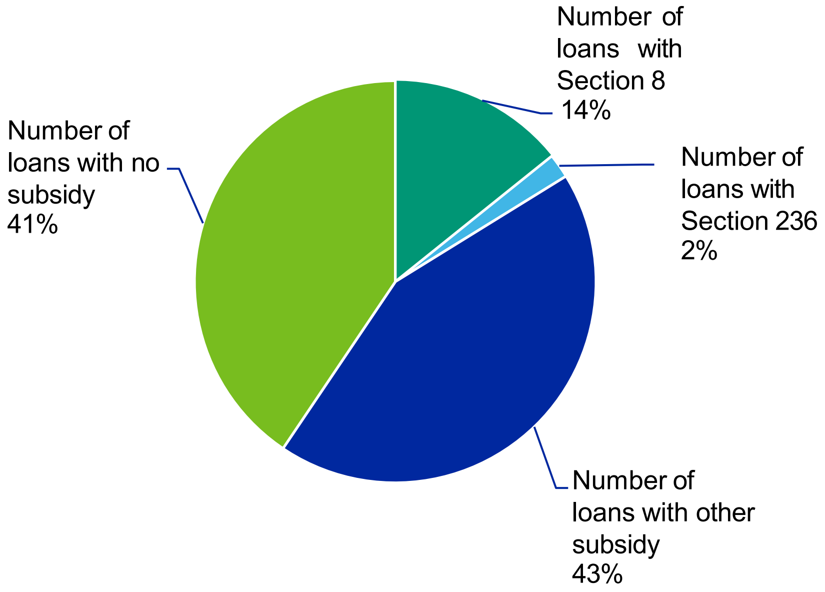
Source: Moody's Investor Service survey of HFAs

Shift towards subsidy and mortgage enhancements support stability through market cycles

- **The portfolio is highly subsidized and highly enhanced** with HFAs shifting towards the FHA-HFA Risk Share program.
  - Risk transfer from borrower to creditworthy party provides safety net in times of financial distress and points to good risk management.
  - Subsidies like Section 8 contracts showed their value during the pandemic by providing a stable source of revenue and remain a popular form of subsidy.

Federal loan subsidies provide a stable source of revenue

(Percentage of Moody's-rated HFAs multifamily loans with subsidies)



Source: Moody's Investor Service survey of HFAs

Potential headwinds

- **Significant spike in expenses** that pressures individual projects' operating performance.
  - Projects' underwritten debt service coverage, however, is typically strong enough to withstand rising expenses.
- **Significant increase in unemployment** will increases chances of missed payments.
  - Demand for affordable multifamily housing is typically strong during economic downturns, as housing becomes less affordable, particularly in areas with high rental or property prices.
- **Additional gap funding**, beyond tax exempt bonds and low-income housing tax credits, may be needed to counter inflationary pressures and volume cap constraints.

MOODY'S INVESTORS SERVICE

Access is everything™

Omar Ouzidane
VP-Senior Analyst
Housing Finance and State Revolving Funds Team
omar.ouzidane@moodys.com
212-553-3892

JUSTIN COOPER
ORRICK

October 16, 2023

orrick

About Orrick

The Firm. Orrick is recognized for delivering commercial legal advice of the highest quality while fostering a culture of innovation and collaboration with our clients, among our lawyers and staff, and within our communities. Founded in San Francisco a century and a half ago, Orrick today is ranked Band 1 by *Chambers USA* for Public Finance nationwide.

Multifamily Housing Practice. Orrick has the nation's leading practice for financing multifamily housing with tax-exempt bonds. We regularly represent state and local housing issuers across the country, and we have for the past decade closed an average of more than 100 multifamily housing bond transactions each year. Our clients are issuers, investment banks, developers, lenders, and investors.

Justin Cooper co-leads Orrick’s Finance Sector and is a member of the firm’s Board. He also serves as co-leader of Orrick's Public Finance department and chair of the firm's nationally prominent housing finance group. Justin is on the Board of Directors of the California Housing Consortium and is a past Chairman of The Bond Buyer’s California Public Finance Conference. Justin is known in the affordable housing community for being a solution-oriented lawyer who understands the business fundamentals of affordable housing and real estate finance and is fully versed in the applicable laws and regulations.

Middle-Income Housing Takes the Stage

For most of the past 20+ years, state and local support for affordable housing has typically been targeted at either homeownership or low and very low-income rental housing

- The federal low-income housing tax credit (LIHTC) program is targeted at 60% of AMI and below (with some exceptions)
- HUD/Section 8 programs similarly target low and very low-income households

As housing costs have risen in the first part of the 21st century, households have struggled to compete for high quality housing located near areas of employment

- Many do not earn enough to afford market rents, but earn too much to qualify for traditional "low-income housing" support

Housing advocates, developers, policymakers and others have responded by looking for new ways to support the housing needs of this "missing middle" population

Financial Drivers for Middle-Income Housing

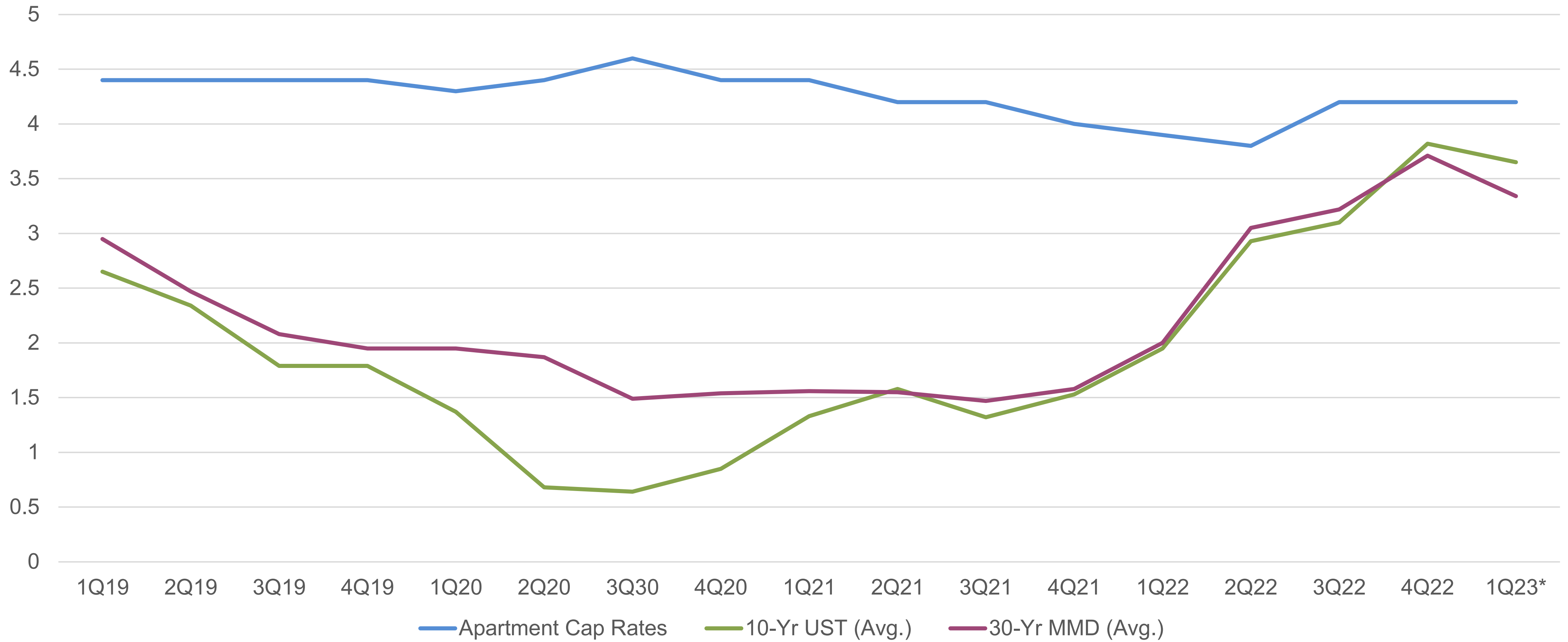
Transaction structures for middle-income housing typically leverage one or more of the following advantages arising from bond financing:

1. Federal and/or state tax-exemption on bonds
2. Real property tax exemption/abatement
3. Favorable debt terms in the bond market compared to the multifamily mortgage market

Middle-income bond transactions are mostly unrated, sold in the high yield market

Highly sensitive to market dynamics (interest rates, volatility, fund flows, etc.)

Comparison of Apartment Cap Rates, 10 Year Treasury Rates and 30 Year MMD Rates



* Preliminary through February

Source: CoStar Includes $2.5M+ sales; full-interest sales; Excludes Condo sales; detrimental condition sales; corporate housing; military housing; senior housing

Bond Types

	501c3	Governmental	Exempt-Facility*	Taxable
Volume Cap Required	No	No	Yes	No
LIHTC Eligible	No	No	**New Volume Cap** Yes **Recycled Volume Cap** No**	No
For-Profit Ownership	No	No	Yes	Yes
Qualified Management Contracts Required	Yes	Yes	No	No
TEFRA Required	Yes	No	Yes	No
95% Good Costs	Yes***	No	Yes	No
2% Costs of Issuance Limit	Yes	No	Yes	No
"Private Use" Limitation	5%	10%	None	No
Income Set-Asides (Federal)	**Acquisition** 20%@50% AMI or 40%@60% AMI **New Construction** Depends on Charitable purpose****	None/Contractual	20%@50% AMI Or 40%@60% AMI	No
Rent Restrictions (Federal)	None/Contractual	None/Contractual	None (except LIHTC)	No
Issuer Jurisdiction Requirement	No	Yes	No	No
State and Local Requirements	Varied	Varied	Varied	Varied

*These are often referred to (imprecisely) as "private activity bonds" or "PABs"
**Exempt facility bonds issued with recycled volume cap do not count toward the "50% Test" contained in IRC Section 42(h)
***The "95/5 Test" is applied somewhat differently for 501(c)(3) bonds than for exempt-facility bonds
****For example, a 75%@80% AMI requirement may need to be added

orrick

New York City Housing Development Corporation

NYC HDC

NCSHA
Multi-Family Financing Roundtable



October 16, 2023

NYCHDC - Preserving Volume Cap & Creating Additional Financing Capacity

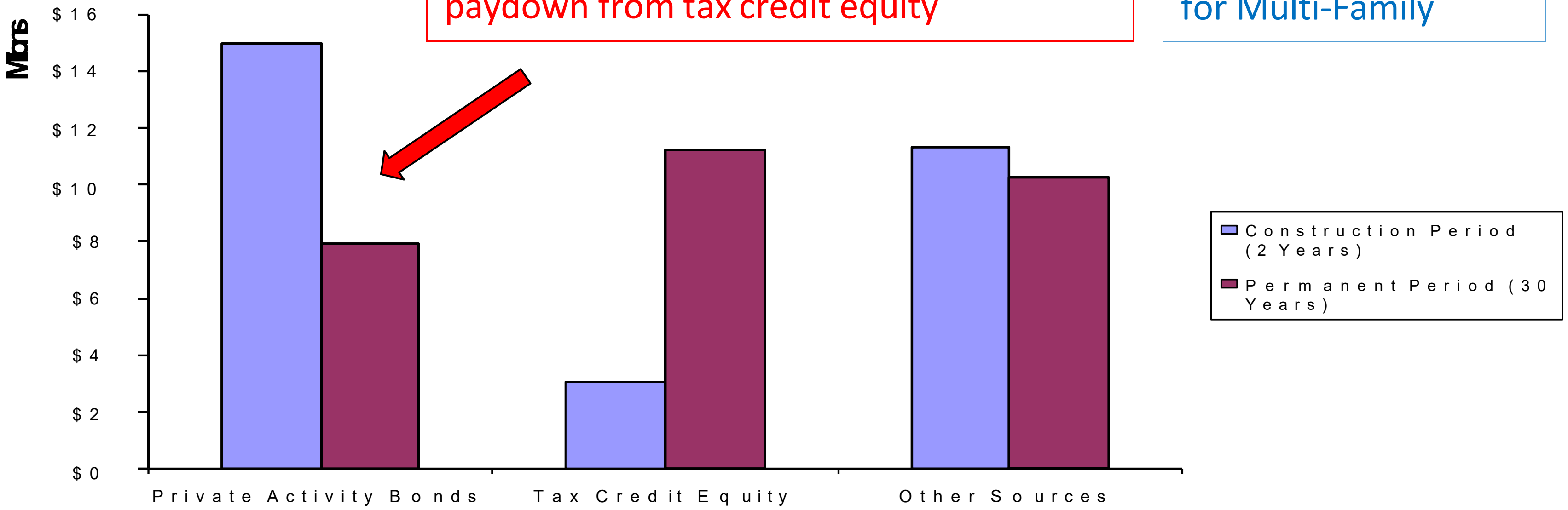
- Private Activity Bonds
  - Use Volume cap allocation for new construction
  - Minimize volume cap allocated per project – approximately 52%
  - Taxable or recycled tails
- Governmental Purpose bonds
  - HDC is the financing partner with the NYC Housing Authority ("NYCHA")
    - Capital Grant securitization financings
    - Preservation Trust Financing
- 501(c) 3 Bonds
  - Not for profit owned developments
  - Housing for formally homeless, DHS contract
  - Graduate Student Housing
- Taxable Financing
  - Preservation
  - Indexed Floating rate bonds sold to the FHLBNY
- Recycled Bonds for Multi Family Financing
    - NYCHDC and NYSHCR share recycled prepayments
    - NYCHA PACT Financings
    - HDC has recycled approximately $5.6 billion in bonds since 2008

Recycle Short-Term Tax Credit Bonds to Preserve Tax-Exempt Authority

- In 4% transactions, the developer usually has to borrow more money from the issuer than the debt the project can support to satisfy the 50% test. There is usually a large redemption of bonds form incoming tax credit equity once the project is placed in service and is ready to convert to the Permanent period.

PENALTY: Loss of tax-exempt authority after construction term due to the paydown from tax credit equity

SOLUTION: Allow VC Recycling for Multi-Family



Multi-Family Recycled Bonds Program

- Passed in 2008 under HERA, recycled bonds for multi-family housing recognized the value of preserving VC for affordable rental housing by re-using the bond authority that relates to the bonds being prepaid in traditional 4% LIHTC bond transactions.
- The law authorized issuers to reuse private activity bonds for another eligible project without having to use up additional VC if certain requirements are met, including
  - <u>4-yr Rule</u>: the reuse of VC must occur within four years of the initial issuance
  - <u>6-month Rule</u>: the origination of a new loan for an eligible project must occur within six months of the prepayment
  - <u>34 yr Test</u>: the final maturity date of the refunded bonds must be within 34 years of the initial issuance.
- When these rules are met, housing bonds may be refunded with the proceeds used to finance a second project on a one-time basis.
- Recycled bonds do not generate the 4% LIHTC.
- The new project is also subject to the TEFRA requirement prior to the issuance of the refunding bonds.

Benefits of Recycled Bonds

- Recycling creates additional financing capacity.
- Allows Issuers to prioritize their use of new money volume cap allocated for multifamily housing to be used on projects which need “as of right” LIHTC, maximizing public benefits.
- Encourages more affordability in mixed income projects since projects need to satisfy tax-exempt bond rules of affordability to qualify for the tax-exempt financing.
- Expands lending capacity
  - HDC issues a combination of new volume cap and recycled bonds to finance the full amount of senior loans. Minimize Volume cap allocated per project – approx. 52%
  - To the extent that there are additional qualified costs in the 95-5, HDC issues additional recycled bonds to finance all or a portion of its subordinate loans.
  - Tax-exempt securitization reduces HDC's funding cost and creates a lending capacity for HDC. HDC uses this lending capacity to fund other new loans and pledges these new loans to the Open Resolution to support the cash flows.

Challenges of Recycling

- Recycled bonds are limited by supply, demand and time constraints.
- Six months is not a great deal of time to arrange a new financing for an eligible project.
- The original debt must be refunded before the original bonds are redeemed.
- Prepayments need to be coordinated and timed to allow for refunding of the initial debt.
- Timing must be coordinated with loan prepayments, especially if the volume cap will be used by a different issuer than the original lender
- HDC has had to use convertible option bonds (“COBs”) as a vehicle to refund the original bonds in a manner which allows the original projects to prepay their debt. Other HFAs also use a bank facility to preserve the prepayments before being recycled.
  - The need to use COBs has meant that HDC has had significant costs in order to preserve the volume cap. A change in law would greatly reduce the cost of recycling to an issuer
- Proposed legislative changes that are in the works to increase the window to recycle from 6 months to 1 year and more flexible uses for recycled prepayments.

Contact Information

Ellen Duffy

Executive Vice President

Capital Markets and Investments

(212) 227-8619

eduffy@nychdc.com

Please visit our website: www.nychdc.com

*

Alternative Multi-Family Executions

Avoiding Application of Volume Cap in Multi-Family Executions

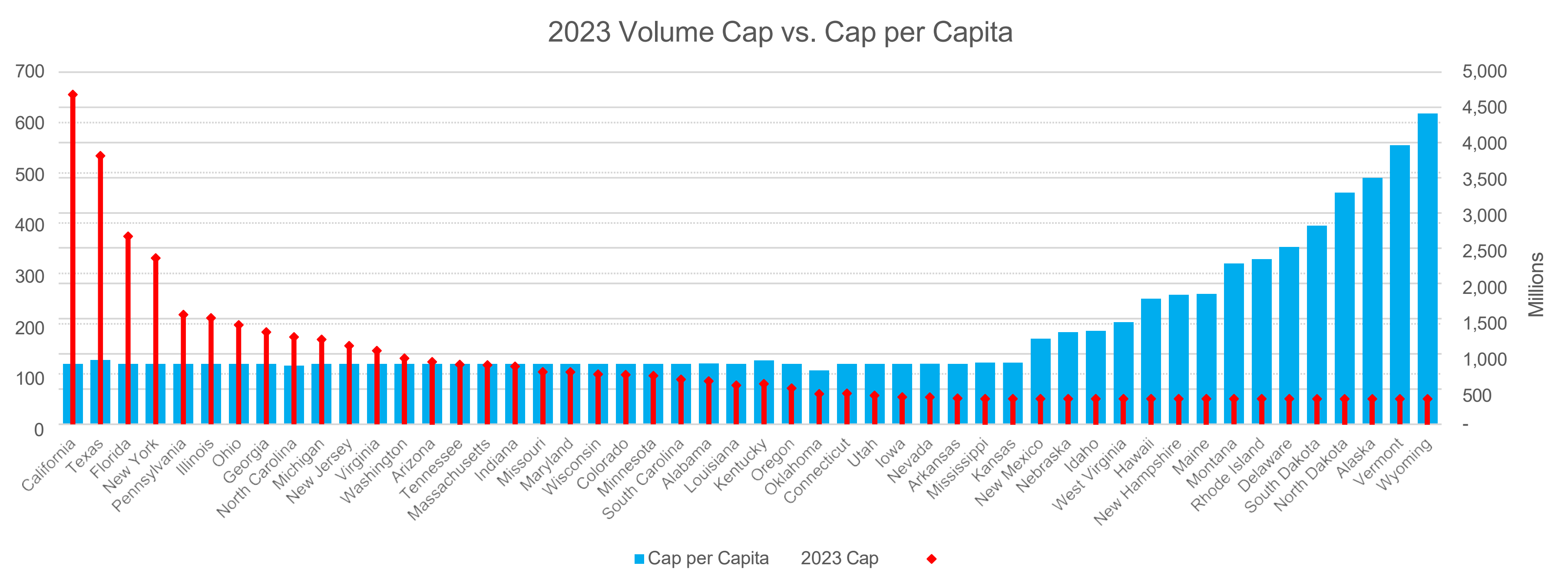
October 2023

There is insufficient volume cap available to State HFAs to meet demand

Most HFAs are now pressed to do more with less, with demands for volume cap to be allocated to multi-family ever-present.

IN 2023 most states receive $120 per capita of 2022 population estimates, with a statutory minimum of $358.845 million.

Unused cap spiked in 2021 to just above $8 million in association with COVID lockdowns, but has since returned to historical norms (~$2.5 – 3.0 million)…



BARCLAYS

Mortgage Revenue Bond MF Volume Cap Alternatives

A. Taxable Executions
B. Tax-Exempt Qualified 501(c)(3) / Governmental Purpose

A = Customary Indenture Issuance

B = Question as to hedge (if any)

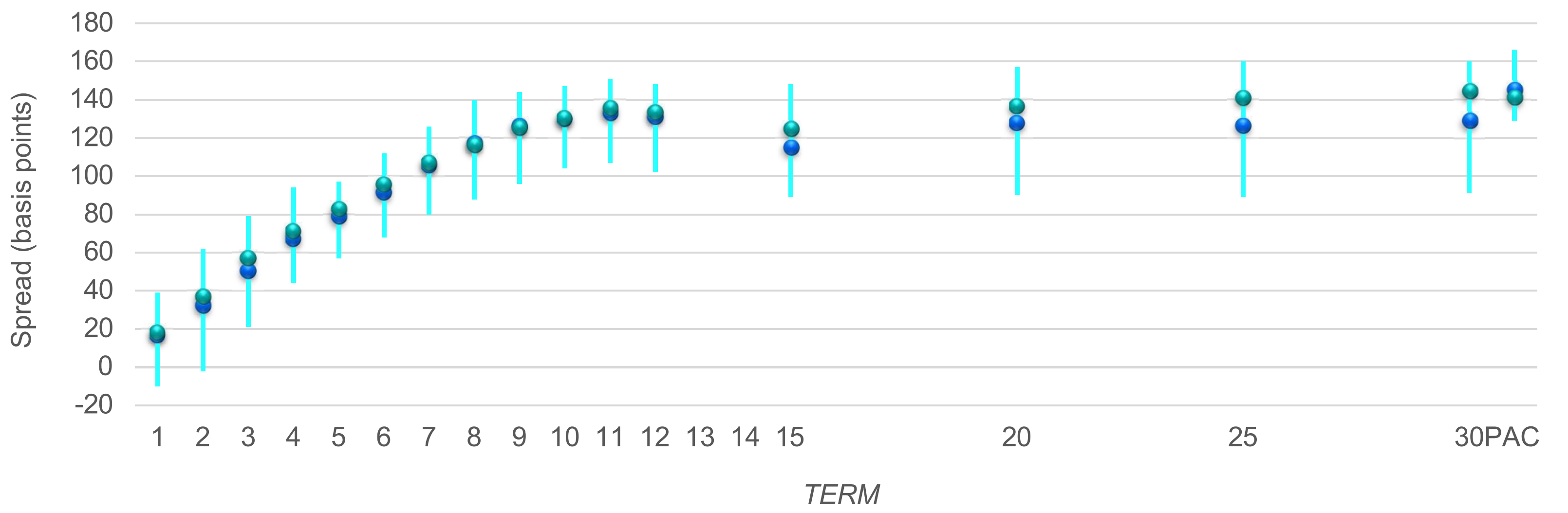
C = Ratings?

D = Ratings & hedge?

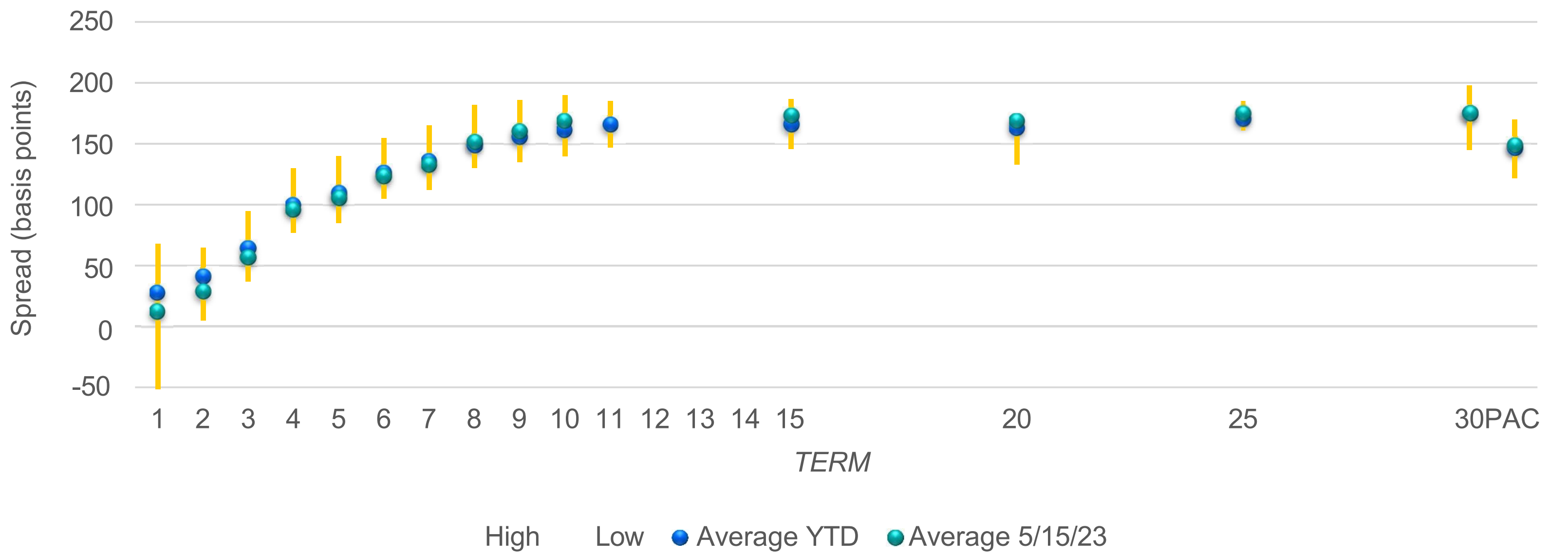
MRB MF Executions

	Fixed Rate	Floating Rate
Open Indenture	A	B
Stand-Alone / Mini-Pool	C	D

Tax-Exempt Housing Spreads (Par Bonds & PACs Only) – 2023 YTD

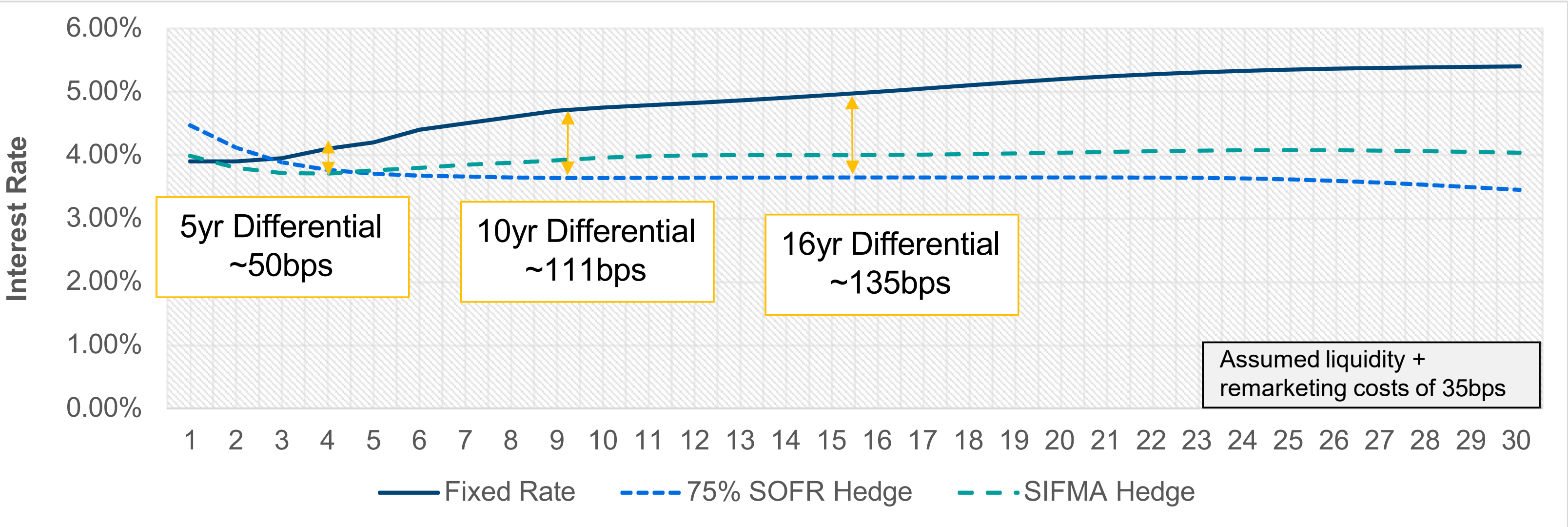


Taxable Housing Spreads – 2023 YTD

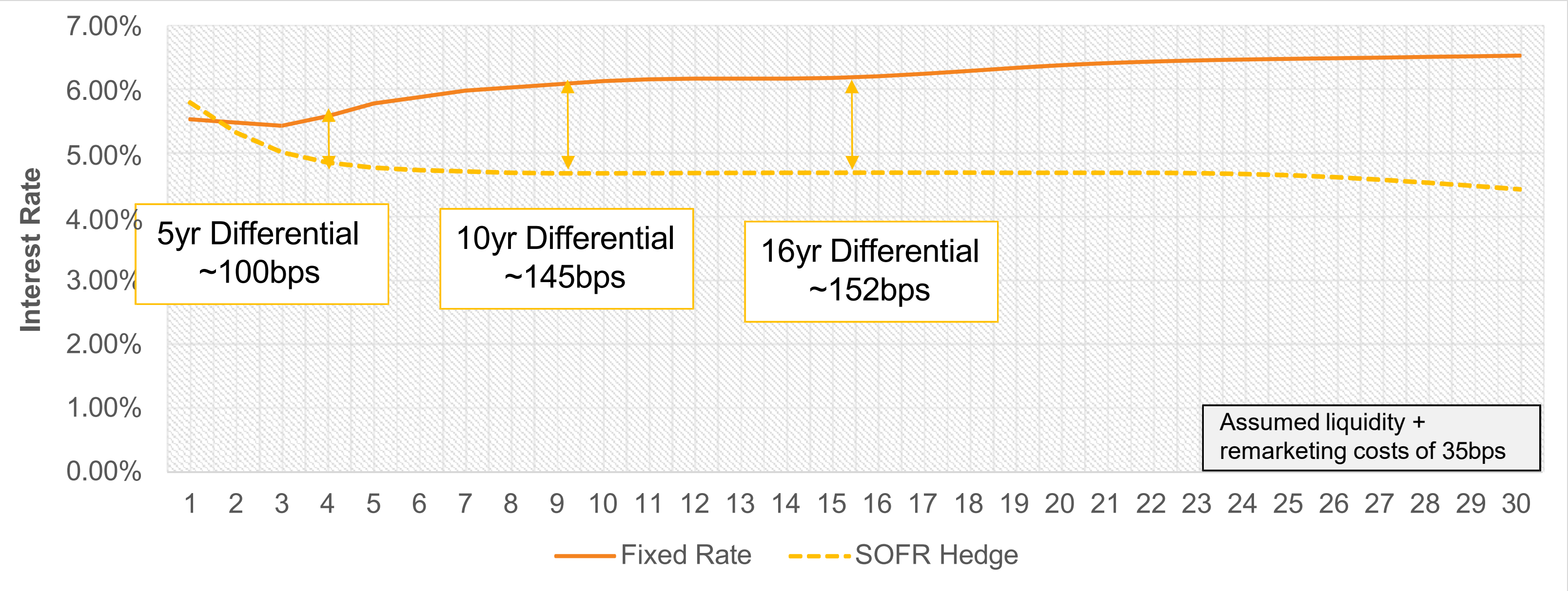


BARCLAYS

Tax-Exempt Synthetic Rates vs Current Tax-Exempt Housing Fixed Rates



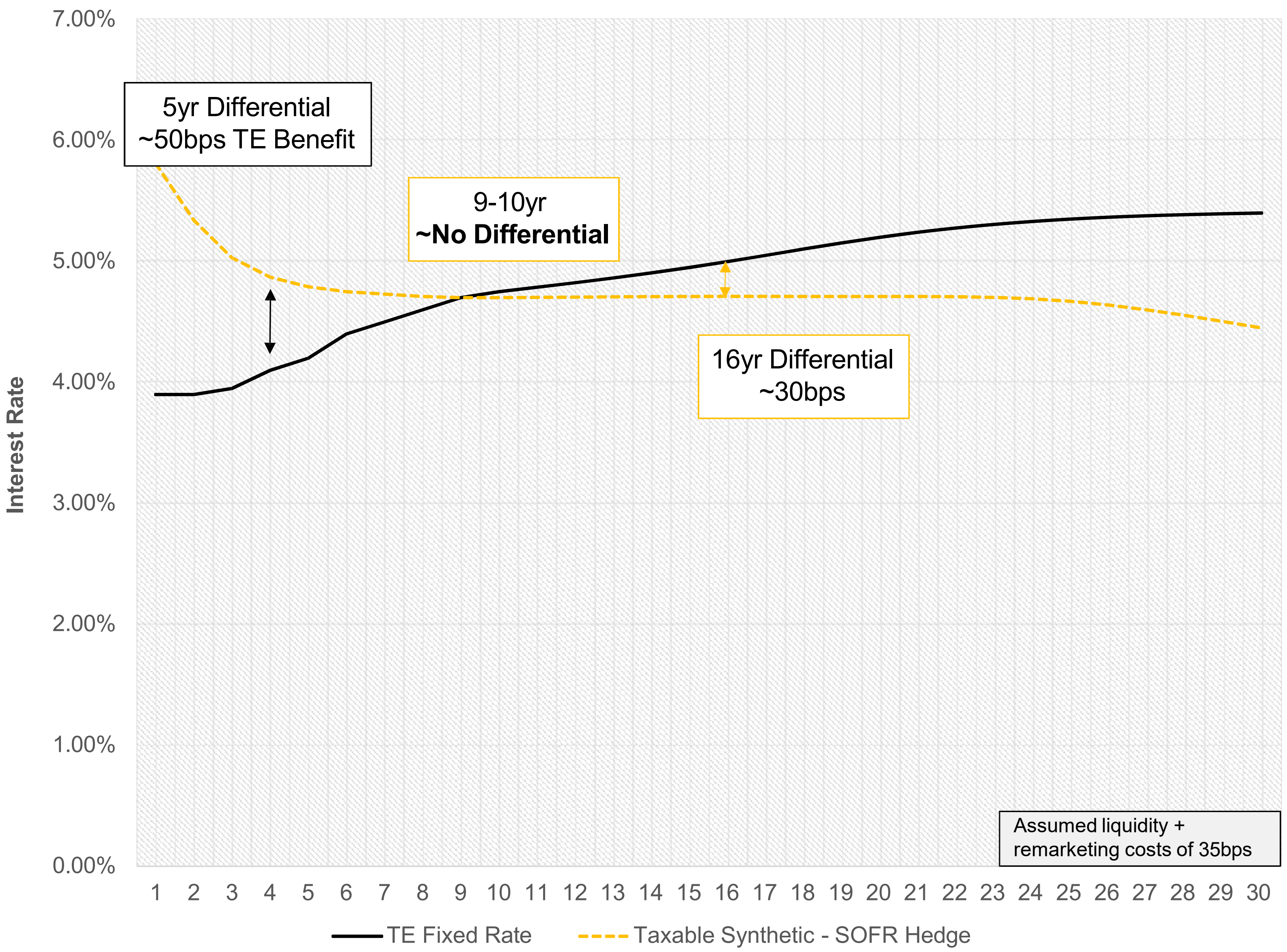
Taxable Synthetic Rates vs Current Taxable Housing Fixed Rates



Pricing is preliminary, subject to change. Not an offer to transact.

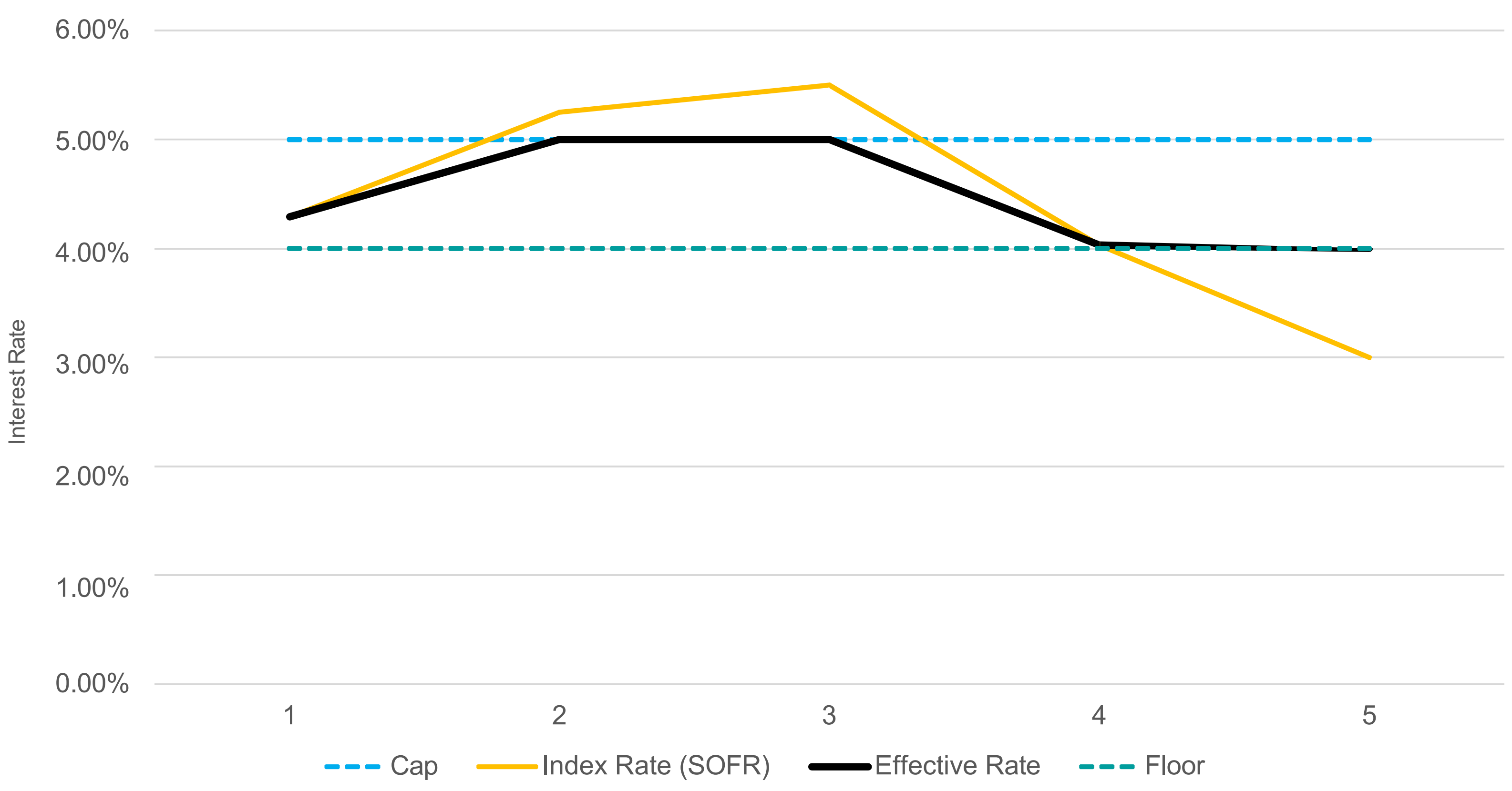
BARCLAYS

Taxable Synthetic Rates vs Current Tax-Exempt Housing Fixed Rates



Pricing is preliminary, subject to change. Not an offer to transact.

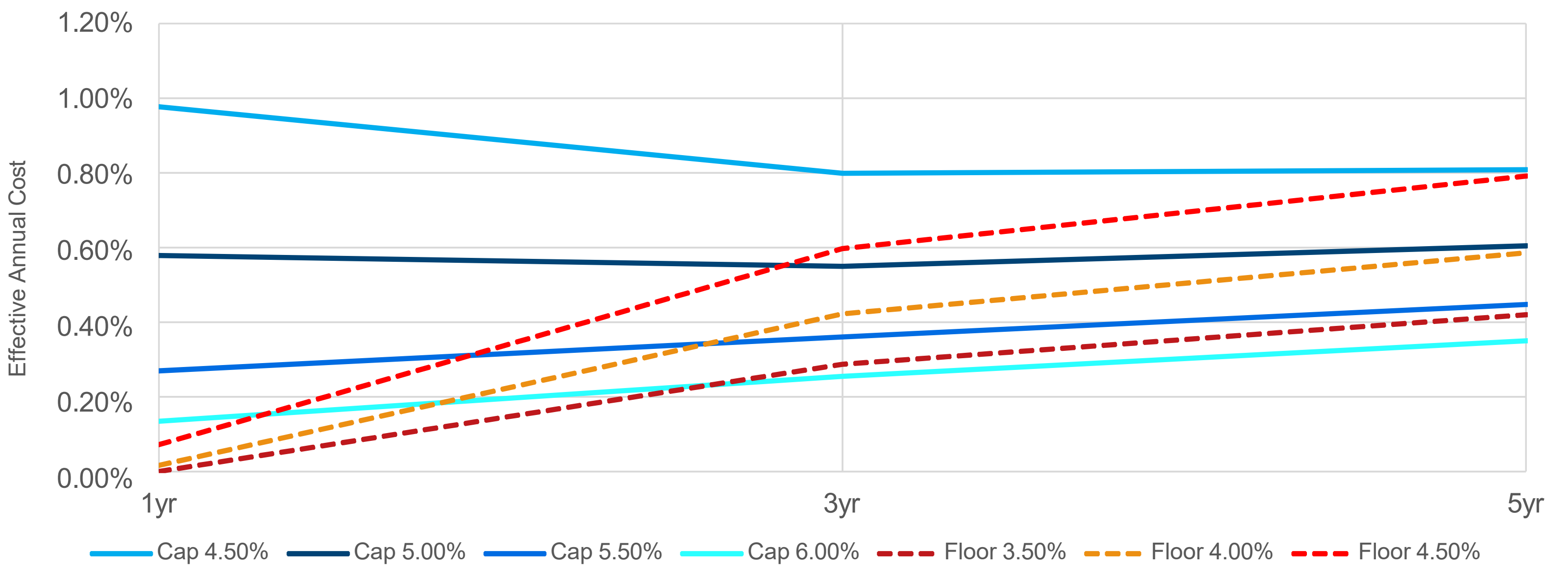
Collar Trade Illustration



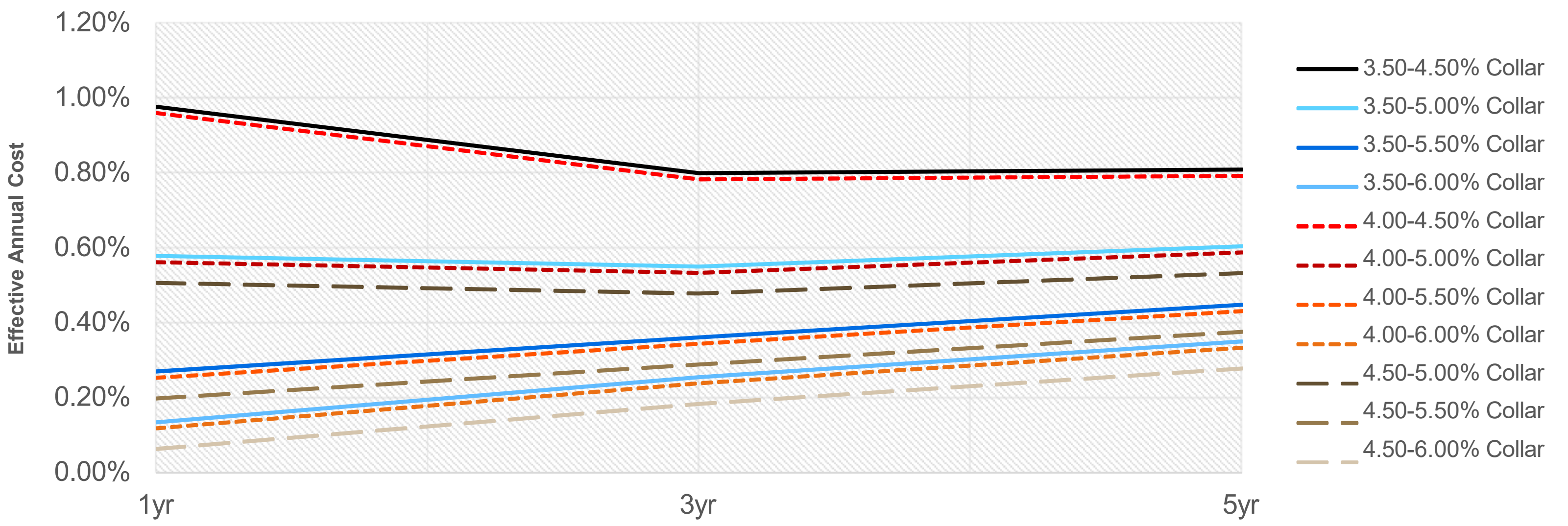
- Caps and floors are typically purchased (sold) at full cost up-front
- Can be sold (purchased) back to bank to effect termination
- Pairing purchase of a cap with sale of a floor establishes an effective rate channel referred to as a rate collar
    - When index exceeds cap strike rate the owner receives a payment
    - When index goes below floor strike rate the owner makes a payment

Rates for illustrative purposes only.

Cap & Floor Executions (% of Par per Year)



Purchase of Cap + Sale of Floor = Collar Trade (% of Par per Year)



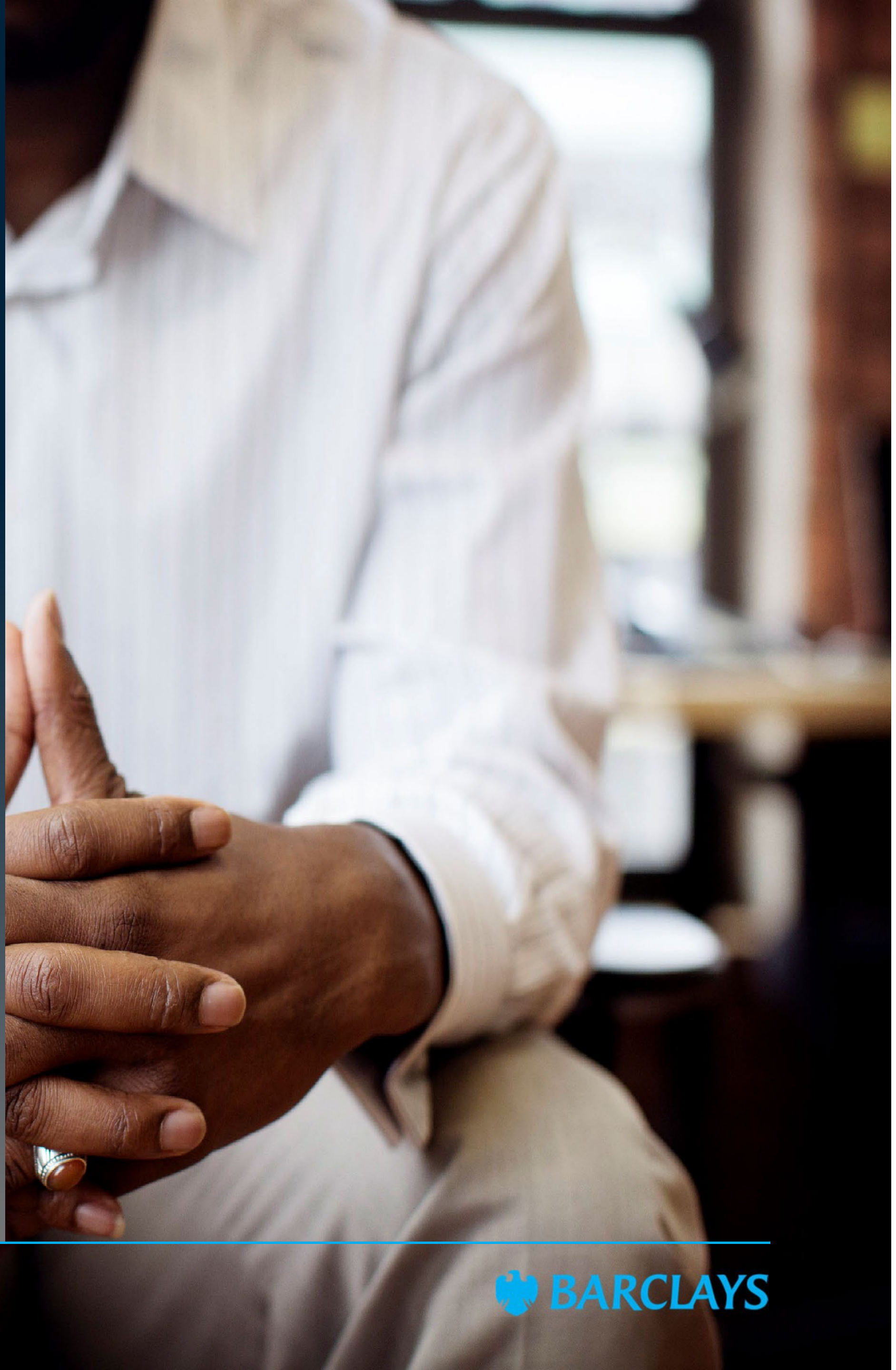
Indicative pricing assumes Gold Standard CSA with symmetric 0 threshold. Preliminary, subject to change, not an offer to purchase or sell.

BARCLAYS

Stand-Alone / Mini-Pooled Financing

Challenge: Ratings

- Achieving investment grade ratings requires credit enhancement:
  - Bank LOC
  - FHLB CLOC
  - Alternate Enhancement

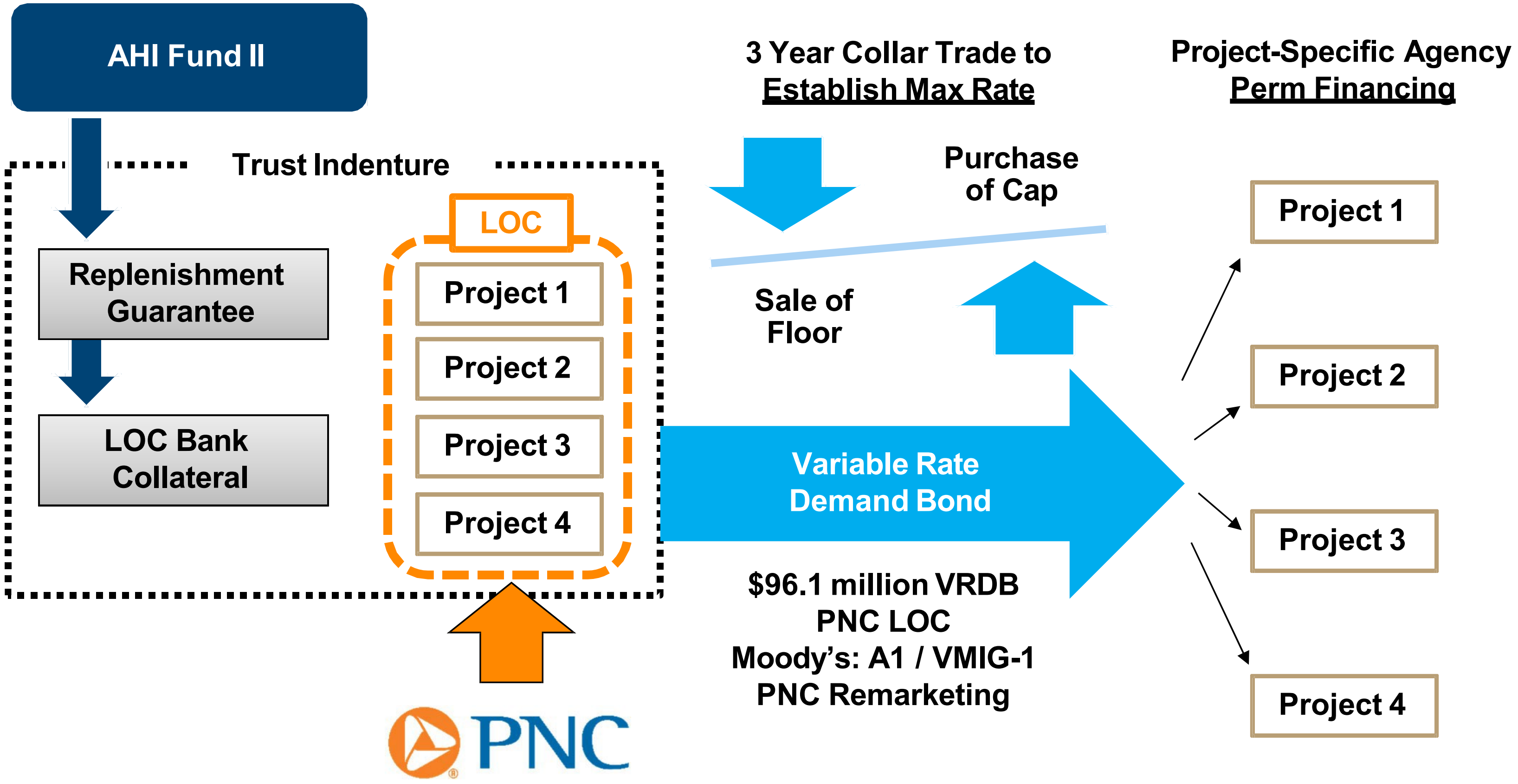


BARCLAYS

United Way of Greater Los Angeles, AHI Fund II

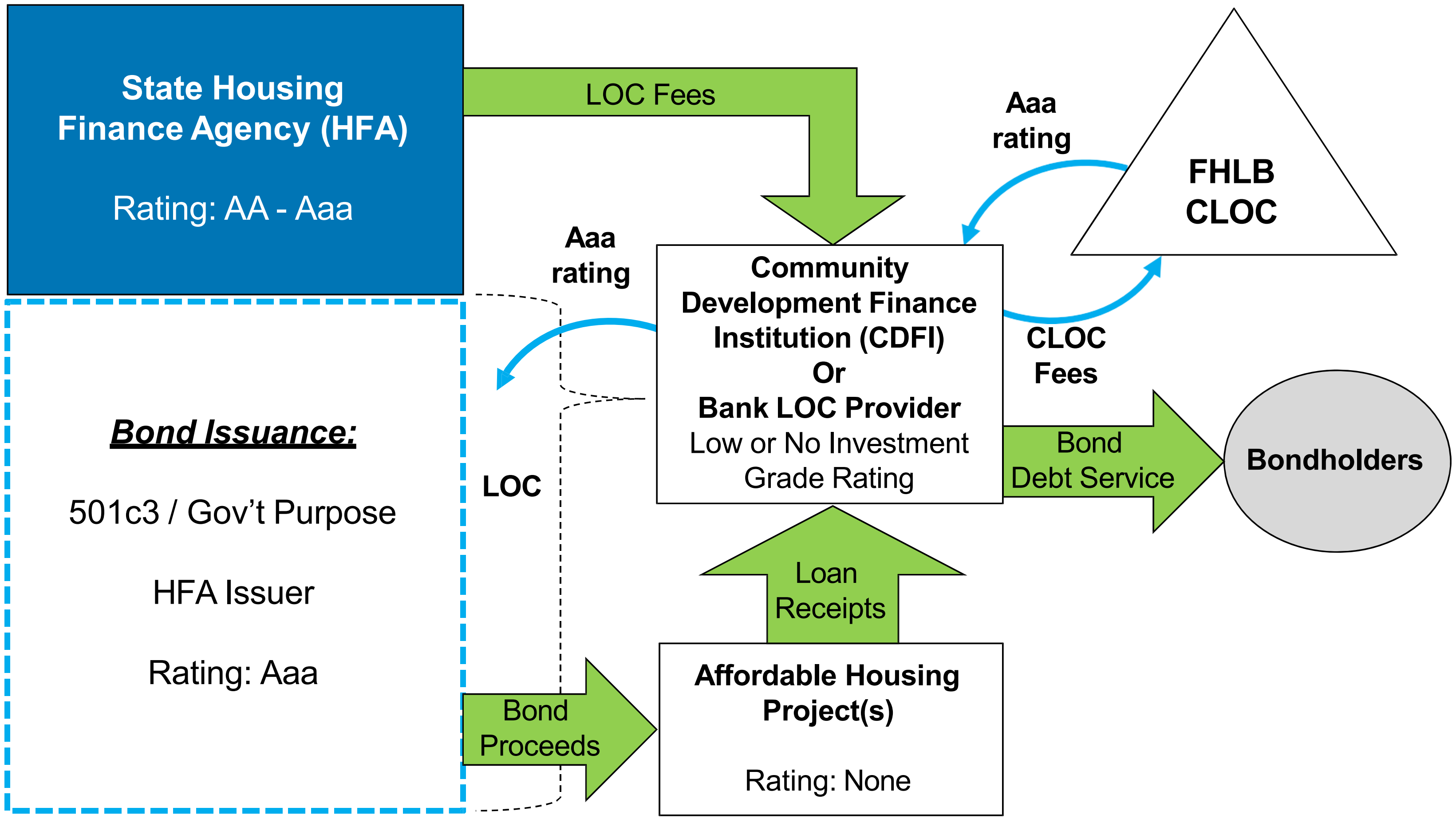
Barclays recently assisted with structuring of a transaction executed by UWGLA

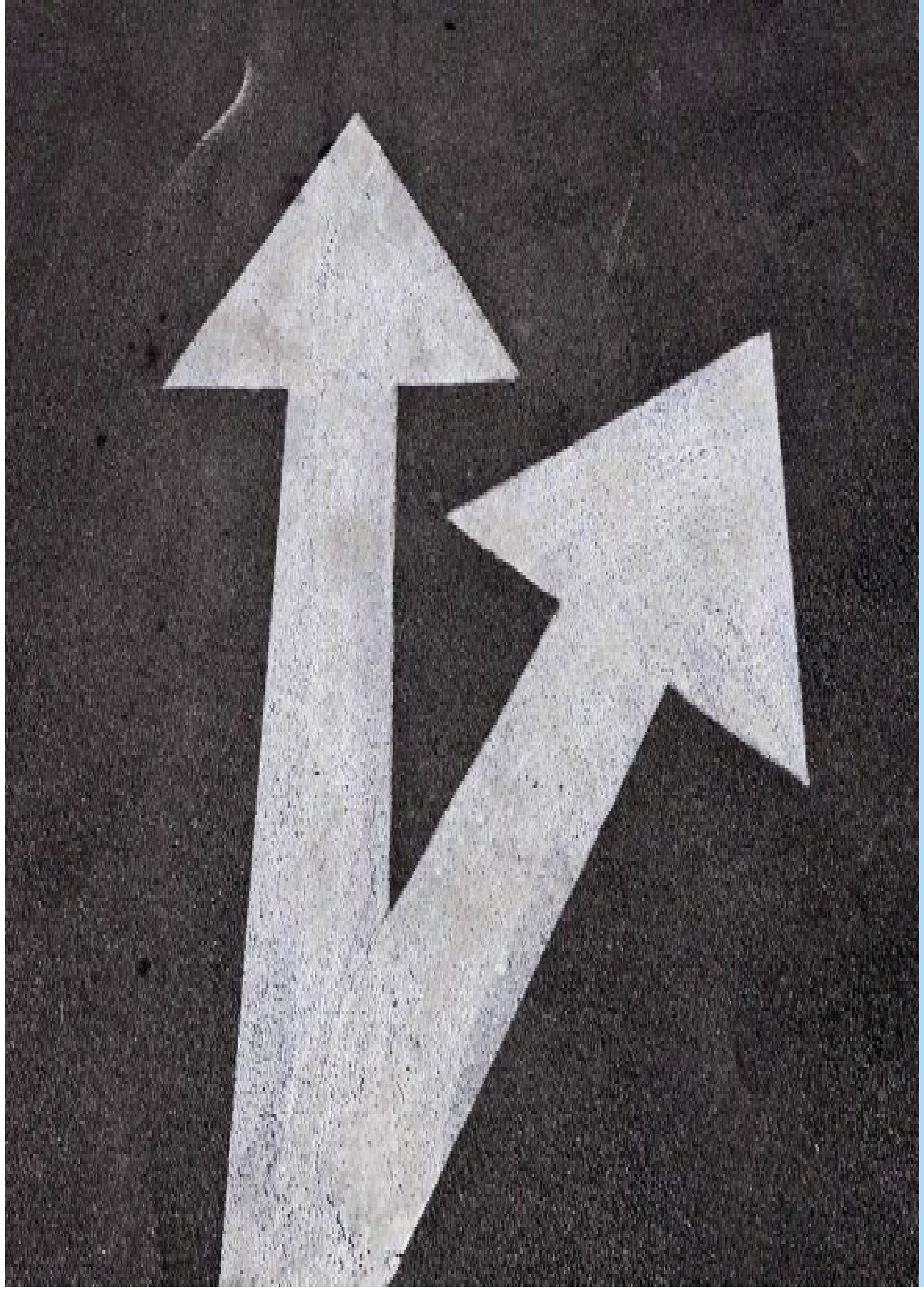
Objective: *Mini-Pooled financing of 4 projects for 3 year construction with Agency takeout at completion*



Credit Enhancement with Confirming Letter of Credit (CLOC)

CDFIs and FHLB member banks can obtain a CLOC to achieve Aaa ratings <u>without</u> utilizing HFA credit





Tax-Exempt 501(c)(3) / Governmental Purpose Executions

Requirements for 501(c)(3) issuance can be onerous

- **Organization must operate primarily in furtherance of charitable, 501(c)(3) purpose**
- **Relief of Poor or Distressed:**
  - **Similar to Low Income Hsg Requirements**
  - **AND 75% of units are set aside for below 80% AMI (i.e. 25% market rate)**
  - **State or Local Requirements may have additional requirements**
- **Lessening the Burden of Government:**
  - **Specific governmental entity must consider to be a burden**
  - **Entity must acknowledge that the charitable activity has reduced such burden**
  - **No income restrictions, per se**

BARCLAYS

Qualified 501(c)(3) Issuance: Century Housing

Barclays facilitated a transaction executed by Century Housing, a California CDFI

Objective: *Acquire an affordable housing, senior living facility in Long Beach, California with 100% debt financing*

BARCLAYS facilitated

Century Housing (Parent)
CENTURY

Century Housing
CENTURY
General Obligation
$17,515,000
Rated: AA- (S&P)

2021 Series A, Non-AMT
Qualified 501c3
(Sustainable Bonds)
BARCLAYS
Purchaser
November 2021

$20.934mm Equity

Hedge
SIFMA Rate Lock
Forward starting 10yr swap to hedge Equity Position

Hedge
SIFMA Rate Lock
Forward starting 15yr swap to hedge Debt Position

CADI XIV LLC
(Managing General Partner)
CADI

Century CityView LLC
(Limited Partner)

Market Execution

CityView Apartments
CADI
$43,745,000
Unrated

2021 Series A, Non-AMT
Qualified 501c3
(Sustainable Bonds)
November 2021

$68.064mm Project Debt

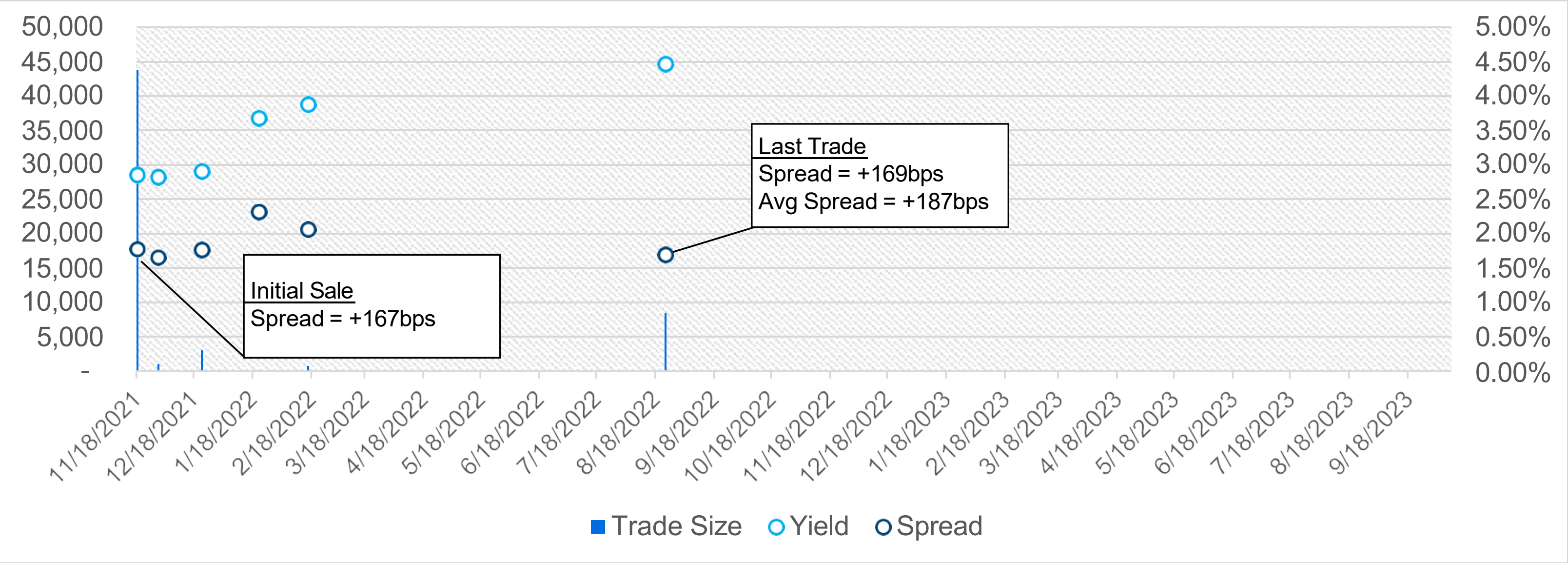
CityView Apartments ~ 76.5% LTV

Century GO Issuance	CityView Issuance
-10yr bullet	-15yr bullet
-Non-call	-10yr par call
-4.00% coupon	-4.00% coupon
-1.61% yield	-2.85% yield
-Spread: +52bps	-Spread: +167bps

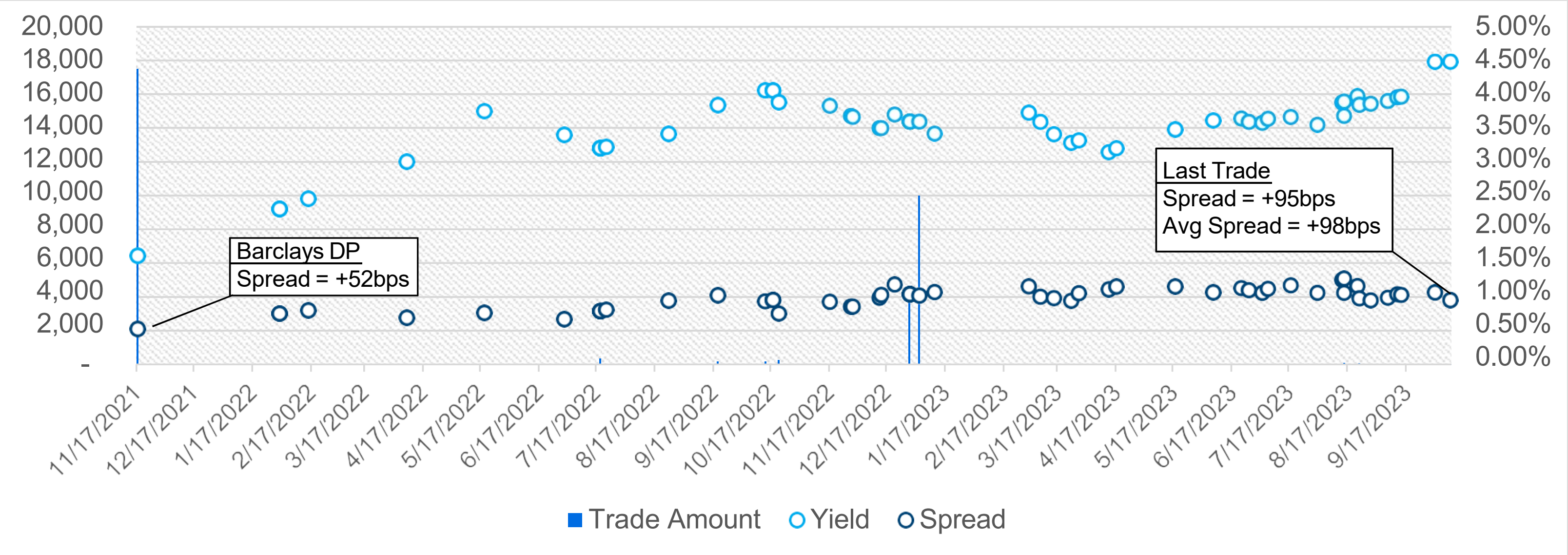
Composite Financing
-Approximate 2.82% cost of funds

BARCLAYS

Century Housing 501(c)(3) Unrated Execution in Secondary: 4.0% Bond 11/1/2036 Maturity



Century Housing 501(c)(3) AA Rated Execution in Secondary: 4.0% Bond 11/1/2031 Maturity



BARCLAYS

Disclaimer

This document has been prepared by Barclays Capital Inc. ("Barclays") for information purposes only and for the sole and exclusive use of the receiver of the document who was sent the document by Barclays (the "Recipient") in connection with the matter or possible transaction to which this document relates. The final terms and conditions of the transaction will be set out in full in the applicable offering document(s) or binding transaction document(s). This document is incomplete without reference to, and should be assessed solely in conjunction with, the oral briefing provided by Barclays.

This document is strictly confidential and remains the property of Barclays. The Recipient agrees that it shall only use this document for the purpose of evaluating and considering the matter or possible transaction to which this document relates. This document may not be distributed, published, reproduced, or disclosed, in whole or in part, to any other person, nor relied upon by the Recipient or any other person, nor used for any other purpose at any time, in each case without the prior written consent of Barclays.

Members of Barclays and its subsidiaries, affiliates, respective officers, directors, employees, agents, advisors and other representatives (Barclays together with such persons being the "Barclays Group") are involved in a wide range of commercial banking, investment banking and other activities out of which conflicting interests or duties may arise. In the ordinary course of its business, Barclays Group may provide services to any other entity or person whether or not a member of the same group as the Recipient (a "Third Party"), engage in any transaction (whether on its own account, on behalf of any Third Party or otherwise, and including any transaction or matter contemplated by this document), notwithstanding that such services, transactions or actions may be adverse to the Recipient or any member of the Recipient's group, and Barclays Group may retain for its own benefit any related remuneration or profit. Barclays Group may also, from time to time, effect transactions for its own account or the account of its clients and hold long or short positions in debt, equity or other securities of the companies referred to herein. Barclays Group operates in accordance with a conflicts of interest policy that identifies conflicts of interest Barclays Group faces in the ordinary course of its business, and establishes organizational and procedural measures to manage those conflicts where it is reasonably able to do so. Neither Barclays nor any other part of Barclays Group shall have any duty to disclose to the Recipient or utilize for the Recipient's benefit any non-public information acquired in the course of providing services to any other person, engaging in any transaction (on its own account or otherwise) or otherwise carrying on its business.

The Barclays Group's research analysts and research departments are independent from the Barclays Group's banking business ("Banking") and are subject to certain regulations and internal policies. The Barclays Group's research analysts may hold and make statements or investment recommendations and/or publish research reports with respect to any company referred to herein, the transactions contemplated herein or any person involved therein or related thereto that differ from or are inconsistent with the views or advice communicated by Banking.

Furthermore, any preliminary valuation summary presented herein represents the views of Banking. In the course of vetting potential transactions and pursuant to Barclays' internal preliminary valuation, diligence and compliance procedures, Banking may obtain the independent views of the Barclays Group's research department regarding the company and merits of a proposed transaction. However, the Barclays Group's research department is independent and, in accordance with U.S. rules, Banking is not permitted to make any representation regarding the views of the research analyst who has been, or may be, assigned by research management to independently evaluate a company and any proposed transaction. Accordingly, you should not infer that any preliminary valuation summary presented by Banking reflects the views of the Barclays Group's research department and nothing herein or otherwise should be construed as a promise or offer of favorable coverage or an indication of a specific rating or price target that may be assigned in the future by any Barclays Group research analyst.

Neither Barclays nor any of its subsidiaries or affiliates shall be obliged by having made this document available to you to provide any financial advisory services (whether in relation to the matter or possible transaction to which this document relates or otherwise) or to sell, acquire, place or underwrite any securities or to lend moneys or to provide any other commitment, facility, product, risk management solution or service, nor does Barclays represent by providing this document to the Recipient that it will be possible for Barclays to provide, arrange or undertake any of the aforementioned services, activities, products or solutions. Any commitment by Barclays to provide, arrange or undertake any of the aforementioned services, activities, products or solutions would be subject to Barclays signing appropriate documentation, obtaining all necessary internal approvals and completing due diligence, in each case in a manner satisfactory to Barclays.

This document was prepared on the basis of information and data obtained from publicly available sources and, where applicable, from the Recipient and/or any other entity that may be involved in any transaction or matter contemplated by this document (and/or any of the Recipient's or the aforementioned entities' affiliates), in each case prior to or on the date hereof. The information in this document has not been independently verified by Barclays. Barclays has relied on any information provided by the Recipient or from third party or public sources as complete, true, fair, accurate and not misleading. With respect to any financial or operating forecasts and analyses provided to it, Barclays has assumed that they are achievable and have been reasonably and properly prepared on bases reflecting the best currently available information, estimates and judgments as to the future financial performance of the entity(ies) to which they relate and that such forecasts or analyses would be realized in the amounts and time periods contemplated thereby. Barclays does not make any warranty or representation, express or implied, as to the accuracy, completeness or reasonableness of the information (including projections and assumptions) contained in this document whether obtained from or based upon third party or public sources or otherwise.

This document is given as of the date hereof, may not be final, is based on information available to Barclays as of the date hereof, is subject to any assumptions set out therein and is subject to change without notice. Accordingly, this document may be based on (a) data and information that may no longer be current and (b) estimates that may involve highly subjective assessments. It should be understood that subsequent developments may affect this document and Barclays Group (as defined below) does not undertake any obligation to provide any additional information or to update any of the information or the conclusions contained herein or to correct any inaccuracies which may become apparent. Any data or information regarding, or based on, past performance is no indication of future performance.

The Recipient is responsible for making its own independent investigation and appraisal of the risks, benefits, appropriateness and suitability of any transaction or matter contemplated by this document. Barclays is not making any recommendation (personal or otherwise) or giving any investment advice. The decision to proceed with any transaction or action contemplated by this document must be made by the Recipient in light of its own commercial assessments, and Barclays will not be responsible for such assessments. Barclays is not responsible for providing or arranging for the provision of any general financial, strategic or specialist advice, including legal, regulatory, accounting, model auditing or taxation advice or services or any other services in relation to the transaction and/or any related securities described herein.

Barclays Group does not accept any liability whatsoever for any direct, indirect or consequential losses (in contract, tort or otherwise) arising from the use of this document or its contents or any reliance on the information contained herein. Barclays Group is not responsible for any specialist advice, including legal, regulatory, accounting, model accounting, tax, actuarial or other advice.

This document shall not constitute an underwriting commitment, an offer of financing, an offer to sell, or the solicitation of an offer to buy any securities described herein, which shall be subject to Barclays' internal approvals. No transaction or service related thereto is contemplated without Barclays' subsequent formal agreement.

NO ACTION HAS BEEN MADE OR WILL BE TAKEN THAT WOULD PERMIT A PUBLIC OFFERING OF THE SECURITIES DESCRIBED HEREIN IN ANY JURISDICTION IN WHICH ACTION FOR THAT PURPOSE IS REQUIRED. NO OFFERS, SALES, RESALES OR DELIVERY OF THE SECURITIES DESCRIBED HEREIN OR DISTRIBUTION OF ANY OFFERING MATERIAL RELATING TO SUCH SECURITIES MAY BE MADE IN OR FROM ANY JURISDICTION EXCEPT IN CIRCUMSTANCES WHICH WILL RESULT IN COMPLIANCE WITH ANY APPLICABLE LAWS AND REGULATIONS AND WHICH WILL NOT IMPOSE ANY OBLIGATION ON BARCLAYS OR ANY OF ITS AFFILIATES.

THIS DOCUMENT DOES NOT DISCLOSE ALL THE RISKS AND OTHER SIGNIFICANT ISSUES RELATED TO AN INVESTMENT IN THE SECURITIES DESCRIBED HEREIN. PRIOR TO TRANSACTING, POTENTIAL INVESTORS SHOULD ENSURE THAT THEY FULLY UNDERSTAND THE TERMS OF THE RELEVANT SECURITIES AND ANY APPLICABLE RISKS.

THE INFORMATION CONTAINED HEREIN IS NOT INTENDED TO BE DISTRIBUTED TO ANY PROSPECTIVE OR ACTUAL INVESTORS AND, ACCORDINGLY, MAY NOT BE SHOWN OR GIVEN TO ANY PERSON OTHER THAN THE RECIPIENT, AND IS NOT TO BE FORWARDED TO ANY OTHER PERSON (INCLUDING ANY RETAIL INVESTOR OR CUSTOMER), COPIED OR OTHERWISE REPRODUCED OR DISTRIBUTED TO ANY SUCH PERSON IN ANY MANNER WHATSOEVER. FAILURE TO COMPLY WITH THIS DIRECTIVE CAN RESULT IN A VIOLATION OF THE SECURITIES ACT OF 1933, AS AMENDED.