

DEFAULT TRENDS

TWO WEEK UPDATE: No new payment defaults were disclosed in the two weeks ended 1/26/20, but three borrowers—a senior living project, a land secured credit, and another green IDB—filed their first impairment notices. That brings the YTD impairment count to 10 with a full week still left in January; so things are roughly on last year’s pace of 13/month. The YTD numbers do not include two other borrowers, a water/sewer utility and a hospital, that have become re-impaired with fresh violations of their respective rate covenants. In the case of the latter, a cyberattack is blamed: the first instance, to **MMA’s** knowledge, of a cyberattack leading to a formal covenant violation and the potential implementation of bondholder remedies.

NEW IMPAIRMENTS: The newly impaired retirement facility is the twenty-first borrower brought to market by **FL’s Capital Trust Agency** to enter the **MMA** database—good enough for fourth place in our overall conduit league table. Twelve Cap Trust credits have become troubled since the start of 2016—also fourth-most in that period. The borrower at hand, **American Eagle Portfolio**, has initially BBB-rated bonds sold in late 2018 that financed a pool of individual projects, with a critical mass in FL. It’s now drawing on reserves to cover a portion of the debt service due on the third-tier bonds.

The new land secured credit is the **Castle Pines Metropolitan District Number 1** in CO, whose 2015 bonds are paid via property tax revenues conveyed by Castle Pines Districts 3 and 4. District 3 is the problem, notifying District 1 that it no longer intends to pay over revenues as contracted. District 1 and the trustee are considering next steps. The last interest payment was scheduled for 12/1; there is no indication that wasn’t made. Finally the **SC Jobs—Economic Development Authority’s** tenth borrower to become impaired since 2009 is also the fifth industrial development project marketed as a green bond to enter the **MMA** database. This is the **RePower South Berkley LLC Project (SC)** which reports having received numerous waivers of payments due under the loan agreement since August, when capitalized interest ran out. The next actual debt service payment date is 2/1.

Par (and #) of Outstanding Bonds With Uncured Impairments, Excl. PR Except Where Noted (\$M)						Muni Issuers Defaulting for the First Time						
Sector	Last 2 Wks	All Notices	DEFAULT	Support	Other	2020		2019		2018		
						#	\$B	#	\$B	#	\$B	
ALL (Including Puerto Rico)	\$9,718 (51)	\$71,797 (671)	\$40,003 (347)	\$11,712 (131)	\$20,082 (193)	Jan	5	0.01	8	1.63	1	0.00
ALL (Excluding Puerto Rico)	\$3,144 (49)	\$29,543 (654)	\$9,753 (336)	\$11,346 (129)	\$8,444 (189)	Feb			1	0.04	2	0.02
IDB	\$280 (4)	\$2,881 (32)	\$2,495 (14)	\$312 (12)	\$74 (6)	Mar			4	0.04	2	0.21
Land Secured	\$45 (3)	\$2,758 (179)	\$1,646 (126)	\$799 (42)	\$313 (11)	Apr			3	0.08	3	2.32
Retirement	\$649 (13)	\$3,332 (118)	\$1,502 (65)	\$502 (12)	\$1,328 (41)	May			6	0.14	1	0.01
Local Non-GO	\$1,351 (2)	\$1,600 (15)	\$1,409 (6)	\$64 (7)	\$127 (2)	Jun			6	0.19	6	0.13
Hospital	\$140 (2)	\$970 (36)	\$408 (12)	\$144 (6)	\$418 (18)	Jul			5	0.52	6	0.16
Charter School	none	\$1,284 (54)	\$336 (26)	\$20 (3)	\$927 (25)	Aug			0	0.00	5	0.10
All Risky Sectors	\$1,779 (45)	\$23,544 (584)	\$8,268 (322)	\$10,970 (114)	\$4,306 (148)	Sep			2	0.05	3	0.02
All Safe Sectors	\$1,364 (4)	\$5,999 (70)	\$1,485 (14)	\$376 (15)	\$4,138 (41)	Oct			5	0.25	3	0.07
Initially Non-Rated Bonds	\$1,050 (30)	\$9,746 (489)	\$5,338 (299)	\$1,735 (89)	\$2,673 (101)	Nov			6	0.45	4	0.39
Initially Rated & Insureds	\$8,668 (21)	\$62,051 (182)	\$34,665 (48)	\$9,977 (42)	\$17,409 (92)	Dec			6	0.18	5	0.09
Puerto Ricos	\$6,574 (2)	\$42,254 (17)	\$30,250 (11)	\$366 (2)	\$11,637 (4)	YTD	5	0.01	8	1.63	1	0.00
						Tot	5	0.01	52	3.55	41	3.53

Figures 1&2: There are now five green bonds in the **MMA** database, all structured as corporate-backed projects (industrial development bonds).

Municipal Issuer Credit Impairment and Default Trend, by year of impairment										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Count of Risky Sector Credits Becoming Impaired	293	215	178	119	156	119	94	92	104	130
Total Risky Sector Credits Immediately Defaulting	104	86	63	36	41	28	20	19	11	23
Credits in Support/Other That Ultimately Default	39%	32%	27%	29%	34%	38%	41%	27%	15%	11%
Months TO Default: Credits Initially Support/Other	16	23	22	16	15	13	9	10	8	6
Months IN Default: Credits Initially Support/Other	43	n.a.	28	22	n.a.	n.a.	10	6	11	n.a.
Months IN Default: Credits Initially in DEFAULT	44	n.a.	33	35	27	30	18	n.a.	5	n.a.
Count of Safe Sector Credits Becoming Impaired	47	25	27	30	31	42	28	23	20	25
Total Safe Sector Credits Immediately Defaulting	7	6	1	4	1	0	3	5	0	1
Credits in Support/Other That Ultimately Default	13%	16%	19%	15%	3%	29%	4%	11%	10%	0%
Months TO Default: Credits Initially Support/Other	20	11	9	9	36	16	15	13	5	n.a.
Months IN Default: Credits Initially Support/Other	41	25	35	6	n.a.	25	n.a.	n.a.	n.a.	n.a.
Months IN Default: Credits Initially in DEFAULT	26	12	56	34	0	n.a.	15	21	n.a.	n.a.

Fig. 3: Looking at 2017: 27% of risky sector credits entering the database for a covenant violation or reserve draw ultimately defaulted: roughly on target with the decade average of 34%; note also that the months it takes for that transition to occur continue to shrink, to just 9 in 2016 and 10 in 2017 vs 23 in 2011.

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BORROWERS MENTIONED IN THIS ISSUE

New Credit Impairment Disclosures, 1/13 to 1/26								
Issuer/Project	Sector	Cusip	Rating M/S/F/K	\$MM	Defaulted	First Impair'd	Dealer	Event
PR Elec Power Auth (PR)	Elec/Pwr	74526QA69	Baa3/BBB/BBB-/NR	2,531.2	Jul-17	Jul-14	Morgan Stanley & Co	DEFAULT
Thomas Hlth Sys (WV)	Hospital	956622XR0	NR	137.9	Oct-19	Sep-18	Raymond James & Assocs	DEFAULT
Enviro Water Minerals Proj (TX)	IDB	605149AB9	NR	47.7	Oct-18	Jul-17	n.a.	DEFAULT
Lynxs Richmond Cargoport (VA)	IDB	42605TAA5	NR	2.4	Jul-14	Jul-14	Tucker Anthony	DEFAULT
Texas Pellets Inc (TX)	IDB	800888AC3	NR	186.5	Apr-16	Aug-15	Ray James Morgan Kgn	DEFAULT
Parker Road CDD (FL)	Land Sec'd	701123AA9	NR	8.6	Nov-12	Nov-09	Prager Sealy & Co	DEFAULT
Better Hsg Fnd--Blue Station (IL)	Loc Hsg	45202LCC6	NR	24.2	Dec-19	Feb-19	Stifel Nicolaus & Co	DEFAULT
Better Hsg Fnd--Ernst Port (IL)	Loc Hsg	45202LBV5	NR/A-/NR/NR	18.9	Jun-19	Oct-18	Stifel Nicolaus & Co	DEFAULT
Better Hsg Fnd--Icarus Port (IL)	Loc Hsg	45202LBL7	NR/A-/NR/NR	50.9	Jun-19	Oct-18	Stifel Nicolaus & Co	DEFAULT
Better Hsg Fnd--Shoreline Port (IL)	Loc Hsg	45202LBF0	NR/BBB/NR/NR	13.1	Jun-19	Oct-18	Stifel Nicolaus & Co	DEFAULT
Park Terr/Grove Pk Apts (NJ)	Loc Hsg	29680PEJ5	NR/BBB/NR/NR	8.8	Dec-18	Dec-17	Raymond James & Assocs	DEFAULT
Southcentral MN Pooled Hsg Prog (MN)	Loc Hsg	841291AA5	NR	19.6	pre-2009	Jul-10	Miller & Schroeder Finl	DEFAULT
Detroit Pension Bonds (MI)	Loc NonGO	25113PAN5	AAA (ins'd)	1,350.7	Jun-13	Mar-13	UBS Financial Services	DEFAULT
PR Pub Bldg Auth (PR)	Loc NonGO	745235R37	Baa1/BBB/BBB+/NR	4,043.3	Jul-16	Jul-15	Goldman Sachs & Co	DEFAULT
Nat'l Ctr for Law Enforcement (DC)	Other NFP	25483VQQ0	NR	75.9	Jan-19	Jul-17	Herbert J. Sims & Co	DEFAULT
Charleston Town Parking Ctr (WV)	Parking	160511BL4	NR	15.6	Dec-17	Jan-18	Crews & Associates	DEFAULT
Alleghany House (NC)	Retire	74442PKF1	NR	1.3	Jan-20	Jan-20	n.a.	DEFAULT
Amsterdam at Harborside (NY)	Retire	63166UAQ4	NR	209.8	Jan-15	Mar-15	n.a.	DEFAULT
Colorado Sr Res d/b/a Casey's Pond (CO)	Retire	19648AYC3	NR	44.7	Dec-15	Oct-14	BB&T Capital Markets	DEFAULT
Inverness Vill Comm (OK)	Retire	67884WAV1	NR	63.3	Jan-19	Jan-18	n.a.	DEFAULT
Lake Lure Assisted Living (NC)	Retire	74442PKD6	NR	2.3	Jan-20	Jan-20	n.a.	DEFAULT
Lakeview Village (NC)	Retire	74442PKB0	NR	1.8	Jan-20	Jan-20	n.a.	DEFAULT
Reidsville House (NC)	Retire	74442PKE4	NR	1.9	Jan-20	Jan-20	n.a.	DEFAULT
Senter's Memory Care (NC)	Retire	74442PKA2	NR	-	Jan-20	Jan-20	n.a.	DEFAULT
Silver Creek St Augustine (FL)	Retire	14052WBW6	NR	29.4	Aug-15	Nov-15	BB&T Capital Markets	DEFAULT
Magen David Yeshivah (NY)	Ind Sch	64971CF25	A (ins'd)	18.6	n.a.	Jun-10	Credit Lyonnais	Support
The Falls at Bristol (VA)	Land Sec'd	110354AQ0	NR	31.2	n.a.	May-16	Stifel Nicolaus & Co	Support
American Eagle Portfolio (FL)	Retire	140542EB3	NR/BBB/NR/NR	218.2	n.a.	Jan-20	Piper Jaffray & Co	Support
Provident Village at Creekside Project (GA)	Retire	19078TAB9	NR	23.1	n.a.	Apr-19	Herbert J. Sims & Co	Support
38 Studios, LLC (RI)	State	762236DW4	AAA (ins'd)	11.8	n.a.	Dec-12	Wells Fargo Bank Na	Support
Provident OK Ed Res - Cross Vill Std Hsg (OK)	Std Hsg	678908Y99	NR/BBB-/NR/NR	251.7	n.a.	Jul-18	RBC Capital Markets	Support
Frederick Co Jefferson Tech (MD)	TIF/TAB	355612AA0	NR	33.1	n.a.	Jan-19	Citigroup Global Mkts	Support
Pleasant Vall Hosp (WV)	Hospital	575194BM6	NR	2.1	n.a.	Feb-12	Edward D Jones & Co Lp	Other
RePower South Berkley (Green Bonds) (SC)	IDB	83704DAC0	NR	43.9	n.a.	Jan-20	n.a.	Other
IAH Pub Fac Corp (TX)	Jail	44921FAN0	NR	23.8	n.a.	Sep-17	n.a.	Other
Castle Pines Met Dist 1 (CO)	Land Sec'd	14847AAA3	NR	5.5	n.a.	Jan-20	DA Davidson & Co	Other
AHA-C.J. McLin Apts (OH)	Loc Hsg	23982CAD9	NR/BBB+/NR/NR	3.6	n.a.	Oct-19	Stifel Nicolaus & Co	Other
AHA-Colonial Vill/Athens Gardens Apts (OH)	Loc Hsg	73419RAD4	NR/BBB/NR/NR	4.9	n.a.	Oct-19	Stifel Nicolaus & Co	Other
GMF: Alabama Pool (AL)	Loc Hsg	74441XBC2	NR/A-/NR/NR	26.0	n.a.	Oct-18	Merchant Capital	Other
GMF: Forest Cove (GA)	Loc Hsg	74441XAP4	NR/A-/NR/NR	19.3	n.a.	Oct-18	Merchant Capital	Other
GMF: Indiana4 LLC (IN)	Loc Hsg	74441XAF6	NR/A-/NR/NR	12.3	n.a.	Oct-18	Merchant Capital	Other
GMF: Peace Lake Towers (LA)	Loc Hsg	546276BU9	NR/A-/NR/NR	10.4	n.a.	Oct-18	Merchant Capital	Other
GMF: Serenity Towers Apts (TN)	Loc Hsg	586169FA7	NR/A-/NR/NR	12.2	n.a.	Oct-18	Merchant Capital	Other
GMF-Stonekey Apartments (IN)	Loc Hsg	45528TAK0	NR	5.3	n.a.	Apr-17	Merchant Capital	Other
Ralston Towers (GA)	Loc Hsg	199121AC8	NR/A-/NR/NR	9.3	n.a.	Aug-19	Merchant Capital	Other
North Shore Ice Arena (IL)	Other NFP	45202UAS3	NR	7.1	n.a.	Nov-18	Oppenheimer & Co	Other
Christian Care Ctrs (TX)	Retire	590743CU2	NR/NR/BBB-/NR	52.9	n.a.	Feb-19	BC Ziegler & Co	Other
North Liberty Wtr (IA)	Wtr/Swr	660460EG7	NR	1.9	n.a.	Jan-18	UMB Bank N.A.	Other
GMF: JFK Towers (NC)	Loc Hsg	266785AF1	NR/A-/NR/NR	-	n.a.	Oct-18	Merchant Capital	Resolved
Crystal City COPs (TX)	Loc NonGO	229129CC3	NR	-	Aug-16	Apr-17	Crews & Associates	Resolved
AE Nursing Ctrs (WI)	Retire	97710BBY7	NR	-	May-19	Dec-18	Red Capital Markets	Resolved

Figure A: Borrowers new to the MMA database shown in white

WEEKLY REVIEW (continued)

RE-IMPAIRMENTS: The hospital hit by a cyberattack is **Pleasant Valley Hospital** in WV, with non-rated bonds sold by **Mason County** in 2003 and 2006. Pleasant Valley first entered the **MMA** database in February 2012 on notice that it didn't meet its rate covenant in FY11 but promised that this was a one-time situation. Six years later, the hospital came through on that promise, publishing financials that finally showed full compliance. Now a new notice states that FY19 coverage is down to 0.78x, attributing the drop to a ransomware cyberattack but also admitting that patient volumes have been declining. The cyber-side is being remedied via the engagement of a cyber liability consultant to facilitate settlements with affected vendors. A regular consultant has also been hired to advise on how to reduce spending amid lower utilization and reposition some business units to provide new services. The trustee is taking no action for now, and the reserve is fully funded.

WEEKLY REVIEW (continued)

The other re-impairment is **North Liberty Water** in IA, which had become impaired with a January 2018 report of missed debt service coverage in FY17. The borrower was switched to resolved a year later when FY18 financials disclosed no continuing violation. But now FY19 shows another drop below, albeit a small one, at 1.16x vs the 1.20x target.

OTHER SAFE SECTOR UPDATES: **Detroit pension bonds** disclosed a payment distribution to five different CUSIPs. The **38 Studios** financing in RI noted another state replenishment of the reserve fund; \$13M this time. And the **Crystal City, TX certificates of participation**, which had been in default since 2017, have been moved to Resolved status following the city's payment of all past due amounts this month.

PUERTO RICO UPDATES: **PREPA** provided another disclosure on the status of the debt restructuring, which continues to face political resistance by the legislature despite over 90% of bondholder consents being received. And the **PR PBA** noted more payment defaults and insurance draws where applicable.

CONTINUING DEFAULTERS: **Thomas Health System** in WV filed for chapter 11 protection but intends to remain operational during the case. **Enviro Water Minerals** green bond IDB in TX defaulted again, while the **Lynxs Richmond Cargoport** IDB in VA and the **Texas Pellets** IDB in TX both made partial distributions to holders, the latter entailing \$2.3M of interest accrued. **Parker Road CDD** in FL disclosed that its 2007B bonds were fully retired at par plus interest last July; the 2007As remain outstanding and in default. Four of the **Better Housing Foundation multifamily projects** noted that defaults are continuing and the trustee has accelerated loan payments due. In at least one case—**Blue Station**—the trustee notes unauthorized transfers of revenues to the parent company.

Park Terrace/Grove Park Apartments in NJ made a partial payment. The **National Center for Law Enforcement** museum notes still deteriorating financials and a few initiatives to try and get people to actually visit. The trustee for the **Charleston Town Parking** in WV has commenced foreclosure proceedings, a sale to happen at the end of February. The five **Wisconsin Public Finance Authority** retirement projects in NC that defaulted this month—**Alleghany House, Lake Lure, Lakeview Village, Reidsville House, and Senter's Memory Care**—all noted that their redemption at a price of 101 is now to happen on 2/29.

The trustee for **Amsterdam at Harborside** retirement in NY has waived covenant defaults and amended the installment sale agreement that makes future compliance easier. Amsterdam will be redeeming its 2014B bonds with funds being set aside each month. **Colorado Sr Residences (Casey's Pond)** retirement has a second forbearance agreement running through 1/1/21 with some additional accounting responsibilities and other requirements. **Inverness Village Community** retirement in OK isn't making its payment as the facility has been sold and proceeds are in the process of being distributed. **Silver Creek St Augustine** made a distribution.

SUPPORT: **Magen David Yeshivah** independent school in NY is again paying debt service with the assistance of ACA. **The Falls at Bristol** land secured bonds in VA note that the Cabela's store on the property has closed, which isn't good. **Provident Village at Creekside** retirement in GA drew on reserves to make its January payment. **Provident's Cross Village at the University of Oklahoma** student housing notes Provident's lawsuit that alleges OU made false promises to get the transaction completed; mediation will begin next week. And the **Frederick Co Jefferson Tech** TIF in MD posted that one its special taxes has collected only half of its levy.

OTHER: **IAH Public Facilities Corporation** jail bonds in TX note a dramatic decline in occupancy since August. These are the taxable restructuring certificates created out of the old IAH bonds in 2017; the taxables have struggled from the beginning. Two **AHA multifamily projects** have new HUD letters classifying them as troubled assets at risk of losing their HAP payments. **Ralston Towers** multifamily in GA has had its HAPs terminated; the trustee is looking for guidance. The closing on the **GMF multifamily projects** has been pushed back to 2/28. **North Shore Ice Arena** in IL is still not meeting its covenants but has not tapped reserves. And the **Christian Care Retirement Center** in TX has a new forbearance agreement that allows the borrower to make some improvements.

RESOLVED: **GMF's JFK Towers** housing project in NC has been sold, bonds defeased. And the **AE Nursing Center** in WI also made a final distribution of \$1.25M, in part with proceeds from a sale of its interests in a master note.

USER GUIDE AND DEFINITIONS

MMA tracks all default and impairment notices filed as "Events" pursuant to SEC Rule 15c2-12 on the MSRB's EMMA system. Our database now includes 2,100 unique, individual issuers and nearly 20,000 related CUSIPs. We are attempting to show the number and amount of outstanding municipal bonds where there has been trouble and that trouble has not been cured. Each issuer's situation is categorized within one of the following labels. "DEFAULT" is defined as a full or partial missed payment of scheduled principal and/or interest to bondholders, even when bondholder agree to, or even direct, non-payment. "Support" includes issuers using emergency means (e.g. reserve funds, bond insurance policies, advances under an LOC, etc.) to cover debt service. "Other" implies covenant violations, developer insolvencies, etc. "Impaired" municipal bonds comprise all of the above, including those in DEFAULT. Sometimes we use the word "troubled" or "distressed" as a synonym for "impaired". "Impairments" refers to borrowers becoming impaired in a certain period. "Resolved" means the situation has been cured or bonds defeased. Together, these data provide a point-in-time snapshot of outstanding situations. MMA also tracks default activity on a longitudinal basis. "First Time Defaulter" is an issuer missing payments to bondholders for the first time, although they may formerly have been drawing on reserves or in another form of technical default, and they may well default on future interest or principal payments.

DEFAULT CHARTS

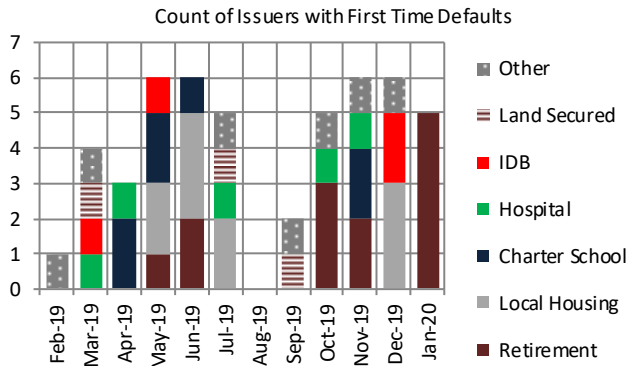


Fig 5: Senior living now in control of rolling 12-month default total

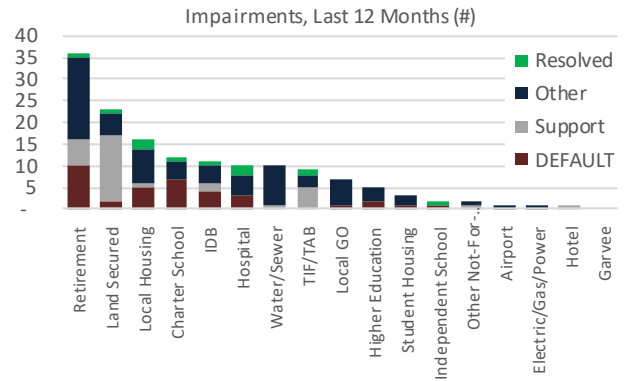


Fig 6: Sr living also leads the rolling 12-month impairment count

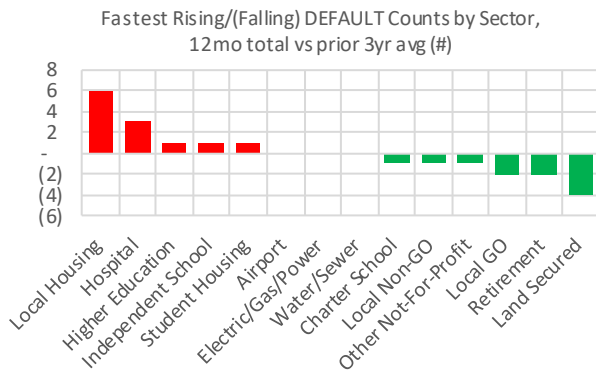


Fig 7: Multifamily defaults accelerating; land secured decelerating

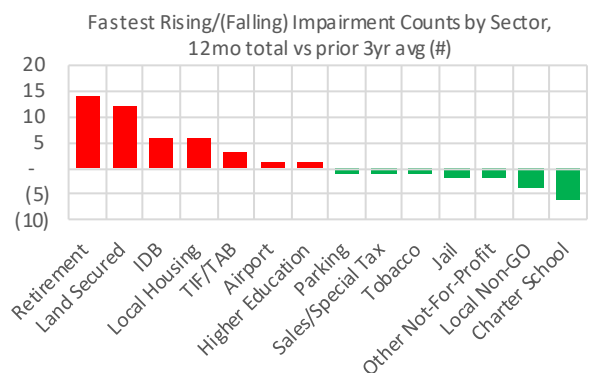


Fig 8: Retirement showing the worst impairment trends

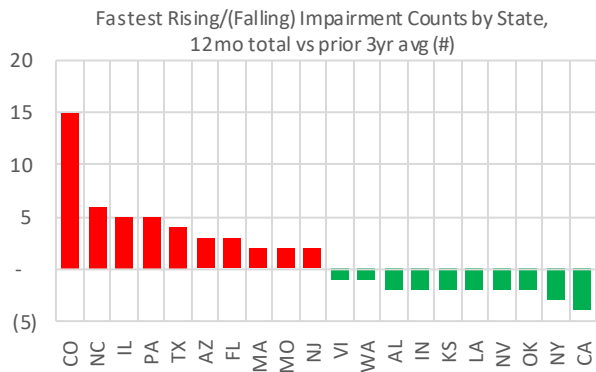


Fig 9: CO showing the most growth in impairments

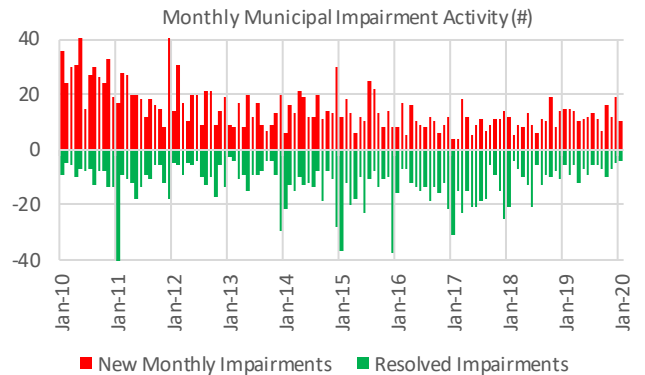


Fig 10: Impaired universe has expanded 10.1% so far in January

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