

# POLSINELLI | TrBK

## DISTRESS INDICES

The Polsinelli/TrBK Distress Indices are prepared and published quarterly. The indices are likely to be contrarian indicators of economic performance, and are intended to reflect the level of economic distress in the US economy by tracking the increase or decrease in comparative Chapter 11 filings for prior quarters and years, based on a rolling four-quarter average.

The indices reflect relevant Chapter 11 filings with assets over \$1 million, and exclude individual and involuntary cases.

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Detailed publication information is set out at the end of this report.

# Welcome to the publication of the 1st Quarter 2015 Report for the **Polsinelli/TrBK Distress Indices**. The indices use filtered Chapter 11 filings as a proxy for measuring distress in the overall U.S. economy and certain subsectors.

## 1st Quarter 2015 HIGHLIGHTS

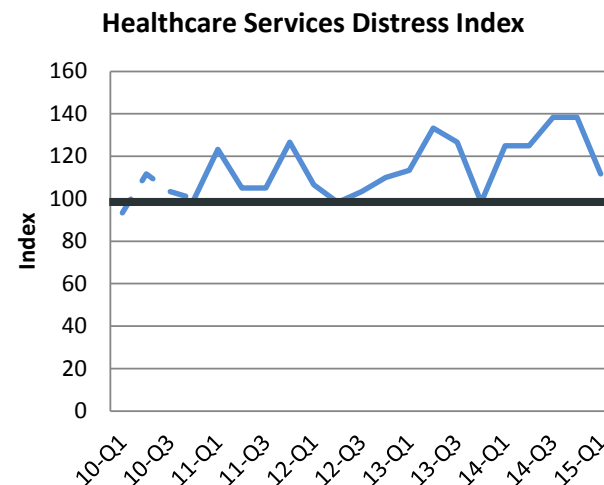
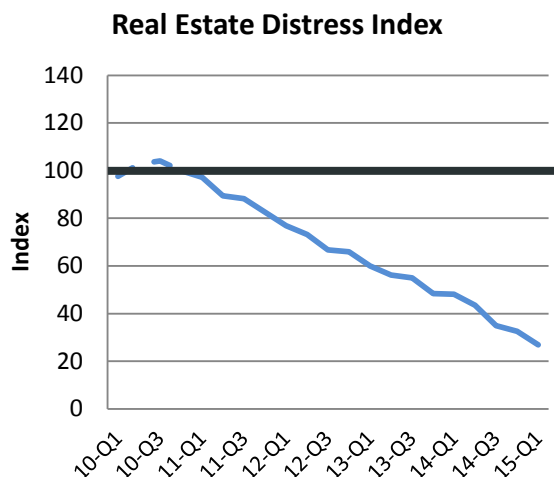
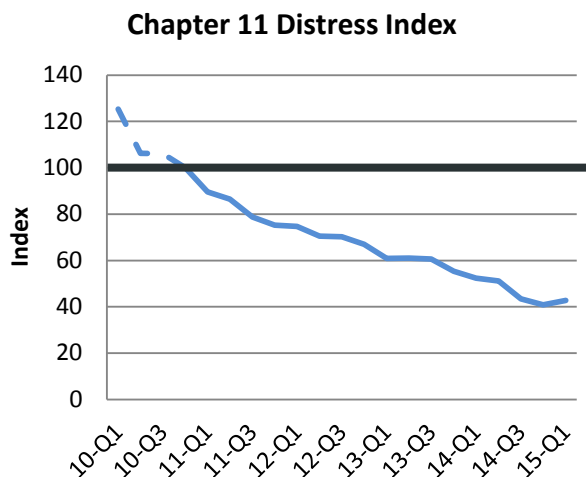
Welcome to the publication of the 1st Quarter 2015 Report for the Polsinelli/TrBK Distress Indices. The indices use filtered Chapter 11 filings as a proxy for measuring distress in the overall U.S. economy and certain subsectors.

The **Chapter 11 Distress Research Index** was 42.76 for the first quarter of 2015. This represents a decline of almost 60% in the index from the start of the index measurement period in the fourth quarter of 2010. However, the index has increased approximately 2 points since the fourth quarter 2014, which is the first noticeable increase in the index since 2010. Compared to the same period one year ago, the index has dropped by just over 18%.

The **Real Estate Distress Research Index** was 26.86 for the first quarter of 2015. This represents a decline of almost 6 points from the fourth quarter index, and a decline of over 70% since the fourth quarter of 2010. Compared to the same period one year ago, the index has dropped by over 44%.

The **Healthcare Services Distress Research Index** was 111.67 for the first quarter of 2015. This represents a decline of just over 26 points since the fourth quarter of 2014. Since the benchmark period of the fourth quarter of 2010, the index is still up by almost 12%. Compared to the same period one year ago, the index has decreased by almost 11%.

While both the Chapter 11 and Real Estate Indices have decreased back to pre-recessionary levels, the Chapter 11 Index has now registered its first noticeable increase. The Real Estate Index continues to fall at a quick pace. The geography of real estate filings continues to shift, with the Northeast region and New York taking a larger share of filings each quarter. The Healthcare Services Index remains above its baseline, but has fallen for the first time in 5 quarters. On a trailing four-quarter average, the percentage of real estate filings among all index-measured Chapter 11 filings have steadily decreased from 19.61% in 2010 to 12.32% now. Healthcare services filings have increased from 1.11% in 2010 to 2.90% now, but this is a decrease from 3.76% of all filings in the last quarter.



## Polsinelli | TrBK Distress Indices: 1st Quarter 2015



Chapter 11 Distress Research Index

**42.76**

Max: 100.00 in 10-Q4  
 Min: 40.78 in 14-Q4



Real Estate Distress Research Index

**26.86**

Max: 100.00 in 10-Q4  
 Min: 26.86 in 15-Q1



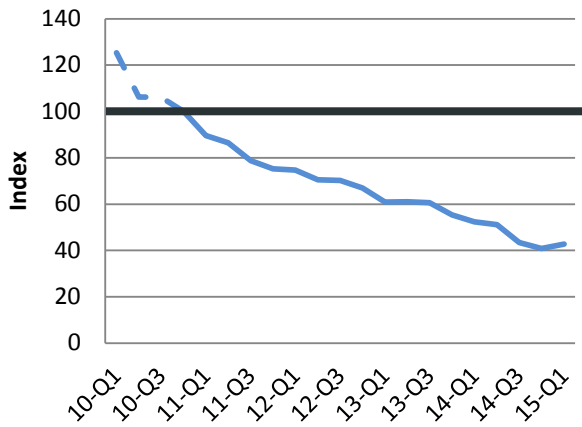
Healthcare Services Distress Research Index

**111.67**

Max: 138.33 in 14-Q3 & 14-Q4  
 Min: 98.33 in 12-Q2 & 13-Q4

Indices based on trailing four quarter average, with trailing four quarters ending 10-Q4 equaling 100 as index baseline; minimum and maximum values based on 10-Q4 index value and forward

**Chapter 11 Distress Index**



For the first quarter of 2015, the Polsinelli/TrBK Chapter 11 Distress Research Index was 42.76. This represents an increase of approximately 2 points from the fourth quarter index, but a drop of almost 10 points against the same period one year ago.

Current	Last	1 Year
42.76	40.78	52.36

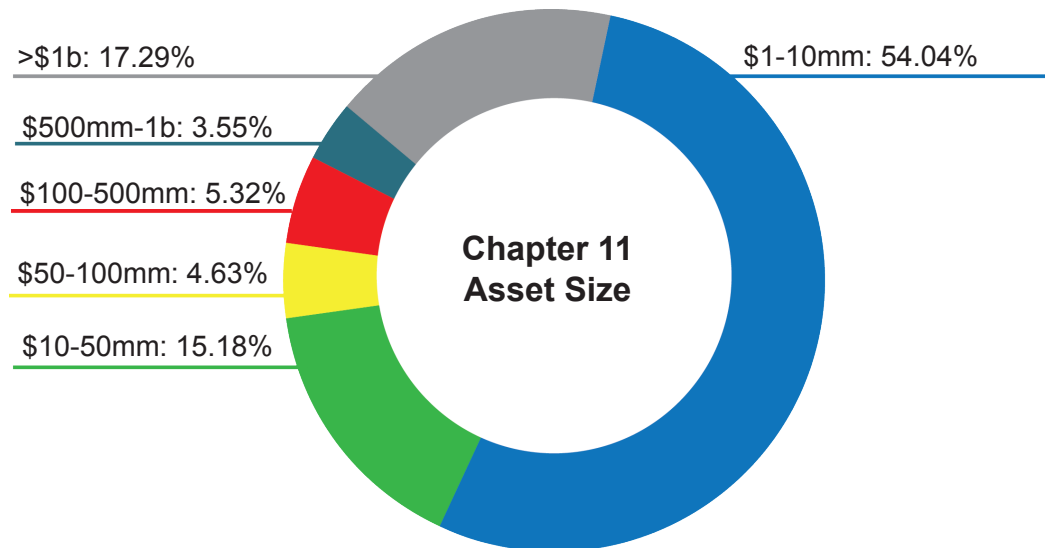
The Chapter 11 Distress Index has steadily declined against its 2010 benchmark. It has never exceeded the benchmark since 2010, and only in two quarters (2013-Q2 and the current quarter) has it been higher than the prior quarter.

**Volatility**

Case filing numbers measured in the Polsinelli/TrBK Chapter 11 Distress Research Index have shown significant volatility over the eighteen-quarter period from 2010-Q4 until now. During that period, filing numbers declined 9 quarters compared to the prior quarter, and increased 8 quarters compared to the prior quarter. The volume of declines far exceeded any increases in filings, however. The index is measured on a trailing four-quarter basis to smooth out this quarterly volatility and provide a better picture of long-term trends. The Chapter 11 Distress Research Index has declined fifteen quarters compared to the prior quarter, and increased only twice, thus reflecting the significant downward trend in general filing levels. The first increase was nominal at .03 points in 2013-Q2, and so the index was essentially flat for two quarters. The current increase of almost 2 points is the first noticeable increase in the index (albeit still within the index's margin of error). The numerous filings by Caesar's Entertainment and its affiliates contributed to the increase in the index.

**Asset Size**

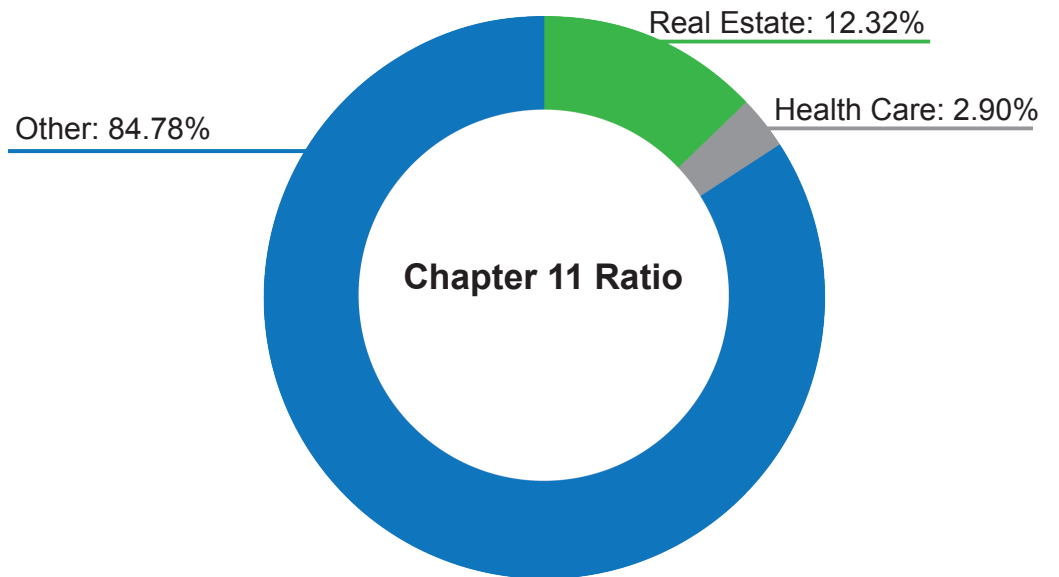
The percentage breakdown of index-filings for the current period by asset size is:



### Real Estate and Healthcare as Percentages of Total Filings

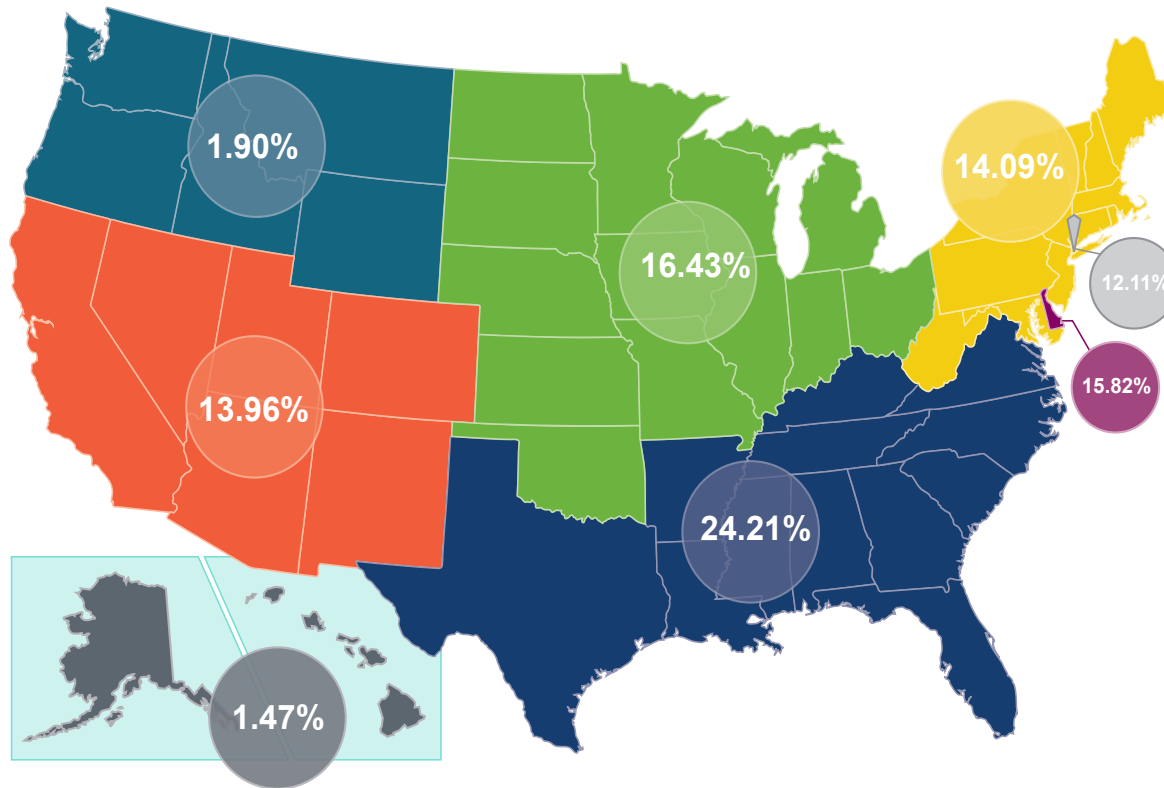
Real estate filings calculated in the Polsinelli/TrBK Real Estate Distress Research Index for the current quarter made up 12.32% of the total filings counted in the Chapter 11 index. This percentage is the lowest ratio of real estate filings to total filings for the index measurement period. The comparison is 19.62% for the benchmark period ending 2010-Q4.

Healthcare services filings measured in the Polsinelli/TrBK Healthcare Services Distress Research Index made up 2.90% of filings in the current period, up from 1.11% in the benchmark period. However compared to fourth quarter 2014 when the percentage was 3.76, the ratio of healthcare filings to total filings has dropped. This is the first drop in percentage of healthcare filings compared to total filings for at least four quarters.



### Geography

The percentage breakdown of index-filings for the current period by geographic region is:



By isolating Delaware and the Southern District of New York and showing these jurisdictions separately, it is possible to get a more accurate picture of distress by region.

#### GEOGRAPHIC REGIONS

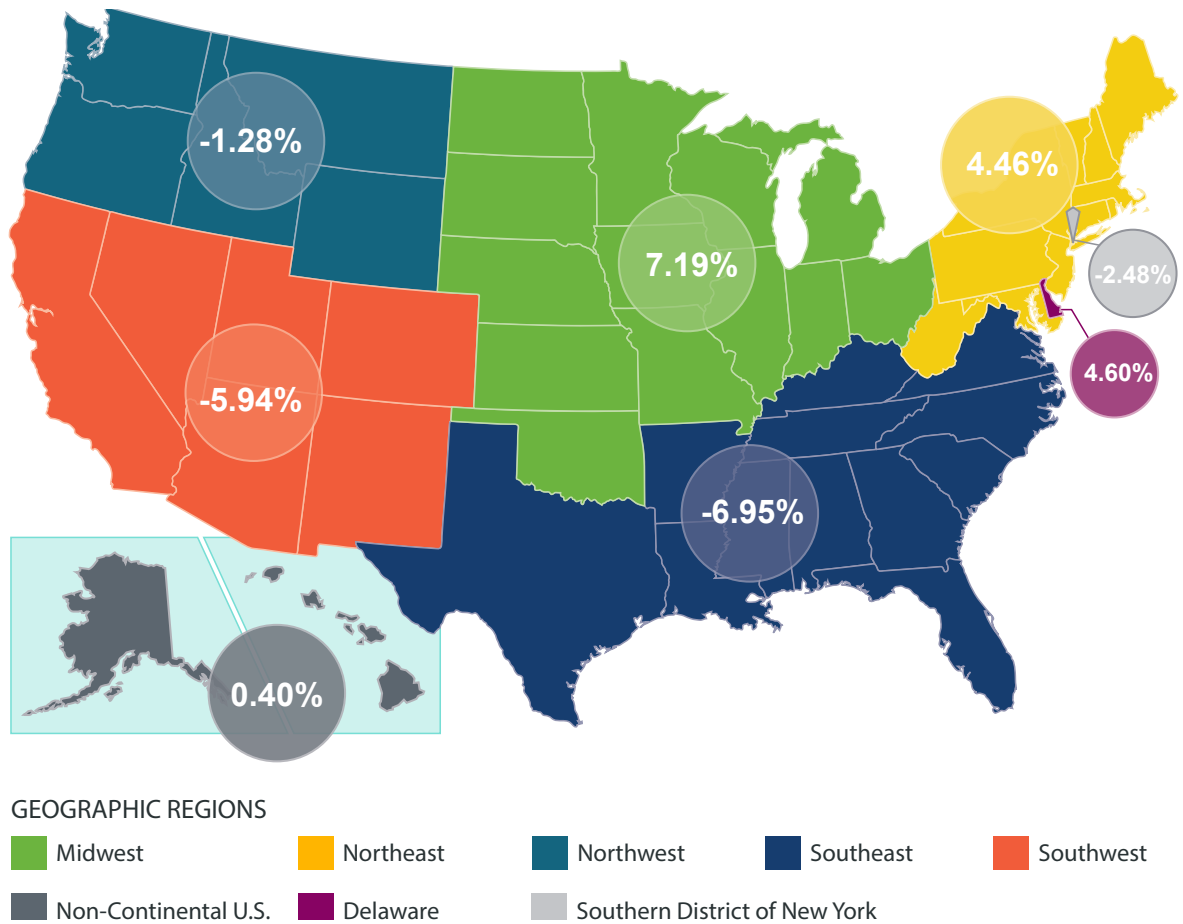
- Midwest
- Northeast
- Northwest
- Southeast
- Southwest
- Non-Continental U.S.
- Delaware
- Southern District of New York

# CHAPTER 11

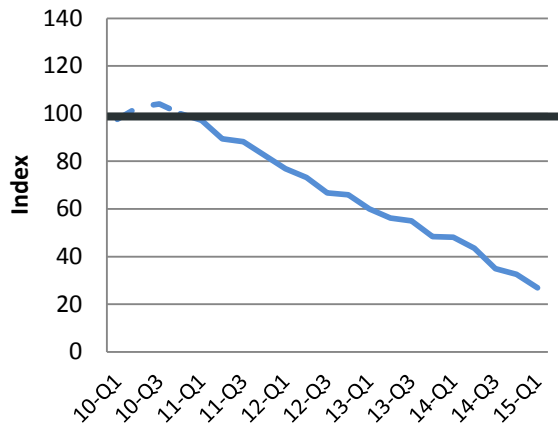
## DISTRESS RESEARCH INDEX

### Change in Geography Since Benchmark Period

Looking at the difference in geographic breakdowns of index filings now versus the benchmark period of fourth quarter 2010, the relative change versus the benchmark is:



**Real Estate Distress Index**



For first quarter of 2015, the Polsinelli/TrBK Real Estate Distress Research Index was 26.86. This represents a decline of almost 6 points from the fourth quarter index, and a drop of more than 20 points from the same period one year ago.

Current	Last	1 Year
26.86	32.61	48.16

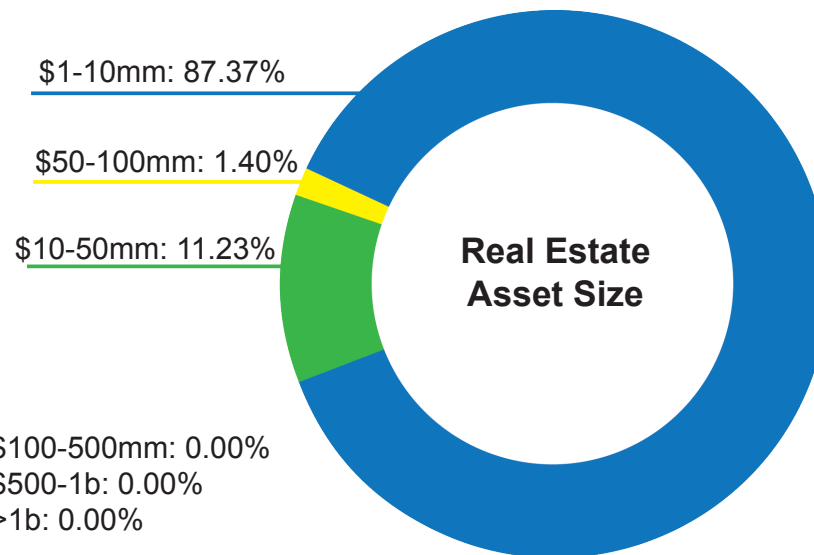
The Real Estate Distress Research Index continues as the only one of the Polsinelli/TrBK Distress Indices that has declined in every quarter since inception.

**Volatility**

Similar to the Chapter 11 Distress Research Index, case filings measured in the Real Estate Distress Research Index show a high level of volatility quarter-on-quarter. For the eighteen quarter period, filing numbers declined 10 quarters compared to the prior quarter, and climbed 7 quarters compared to the prior quarter. The volume of declines far exceeded any increases in filings, however. The index is measured on a trailing four-quarter basis to smooth out this volatility and provide a better picture of long-term trends.

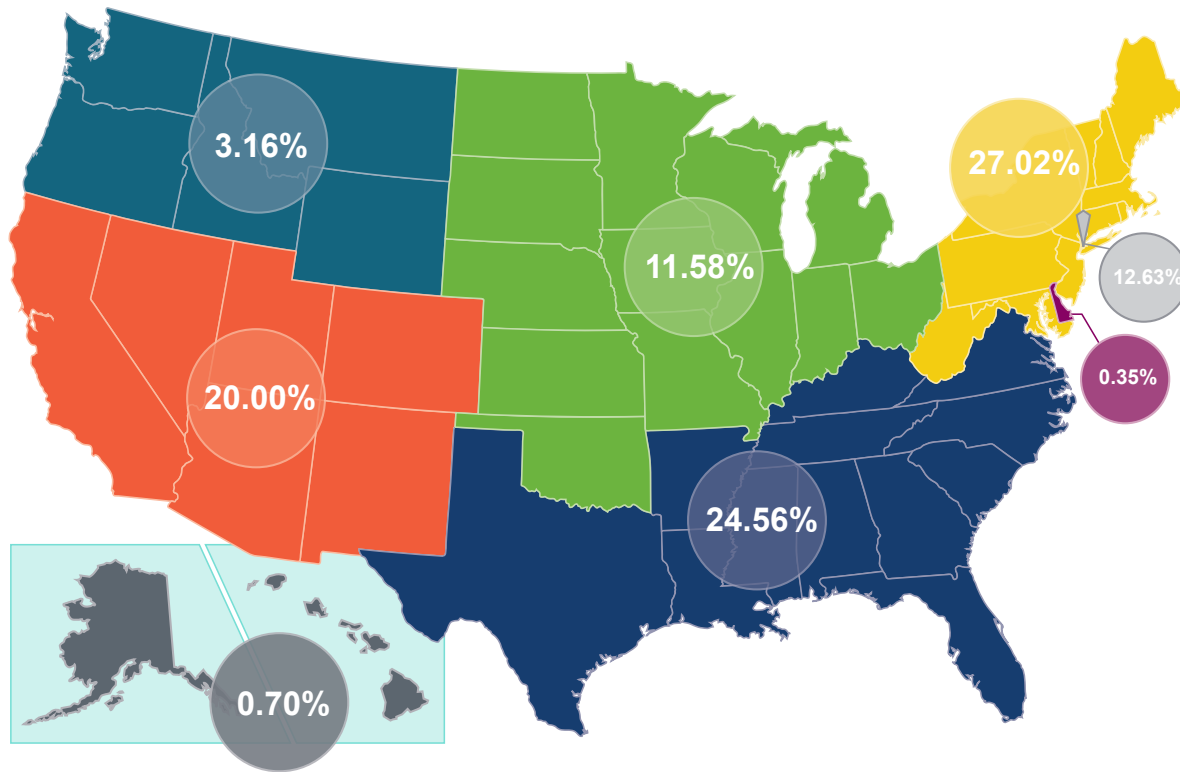
**Asset Size**

The percentage breakdown of index-filings for the current period by asset size is:



**Geography**

The percentage breakdown of index-filings for the current period by geographic region is:



By isolating Delaware and the Southern District of New York and showing these jurisdictions separately, it is possible to get a more accurate picture of distress by region. As shown on the map, data indicates that business single asset real estate filings are much more localized than Chapter 11 filings overall.

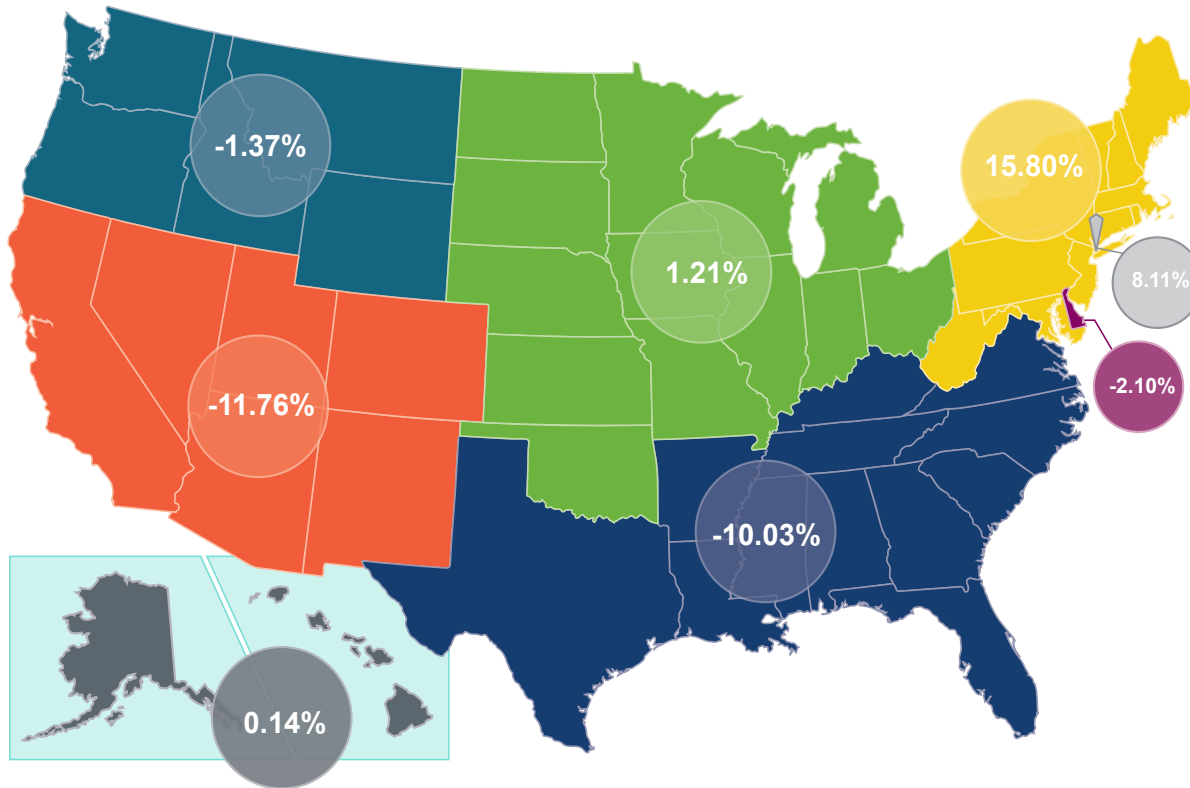
The distribution of filings indicates that much of the remaining real estate distress is focused in the Northeast region (almost 40% when combining the Northeast and the Southern District of New York). This is a continuing trend, and may well be the result of long foreclosure timelines in certain northeastern states.

**GEOGRAPHIC REGIONS**

- Midwest
- Northeast
- Northwest
- Southeast
- Southwest
- Non-Continental U.S.
- Delaware
- Southern District of New York

**Change in Geography Since Benchmark Period**

Looking at the difference in geographic breakdowns of index filings now versus the benchmark period of fourth quarter 2010, the relative change versus the benchmark is

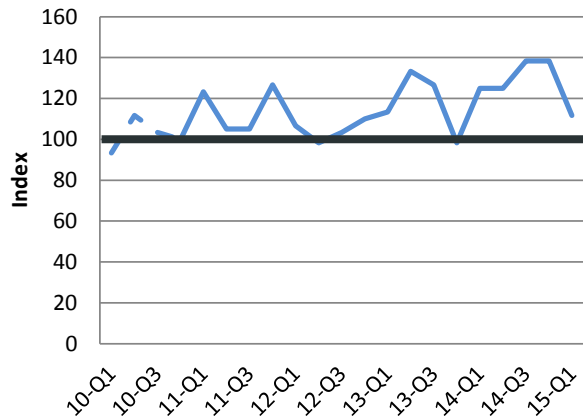


The distribution of filings has changed since the index measurement period in 2010-4Q. While the overall number of filings measured by the Real Estate Index has fallen, a much larger percentage of the new filings have been centered in the Northeast and the Southern District of New York.

**GEOGRAPHIC REGIONS**

- Midwest
- Northeast
- Northwest
- Southeast
- Southwest
- Non-Continental U.S.
- Delaware
- Southern District of New York

**Healthcare Services Distress Index**



For the first quarter of 2015, the Polsinelli/TrBK Healthcare Services Distress Research Index fell to 111.67. This is the first decline in the index since fourth quarter 2013. While the Index has fallen by approximately 27 points since the last quarter, the Healthcare Services Index is the only one of the three distress indices that remains above its baseline. Further, it is almost 70 points above the Chapter 11 index representing the broader US economy, and almost 85 points above the Real Estate index, suggesting that healthcare services may be decoupled from trends that are affecting the overall economy. The Index decrease in the current quarter indicates that the healthcare services industry is doing better than it has been. Distress may be at lower levels due to the robust M&A market that is widely apparent across the healthcare sector.

Current	Last	1 Year
111.67	138.33	125

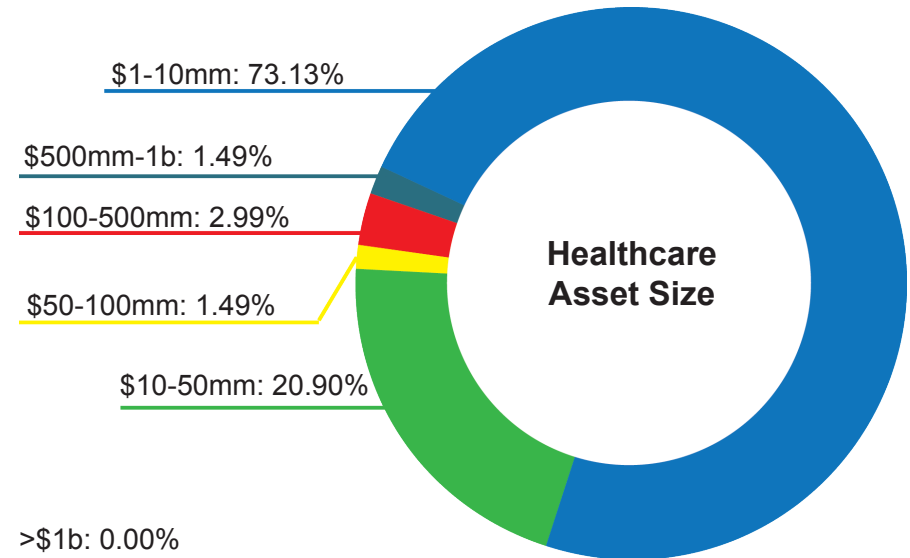
Only twice since 2010 has the index fallen below 100, and each time it was in the high 90's (2012-Q2 and 2013-Q4).

### Volatility

Case filing numbers measured in the Healthcare Services Distress Research Index show similar volatility as the other Polsinelli/TrBK Distress Indices: filing numbers declined 10 quarters compared to the prior quarter, and increased 7 quarters compared to the prior quarter, from 2010-Q4 until now. For the Healthcare Services Index, however, the volume of increased filings has outstripped declines. The index is measured on a trailing four-quarter basis to smooth out this volatility and provide a better picture of long-term trends.

### Asset Size

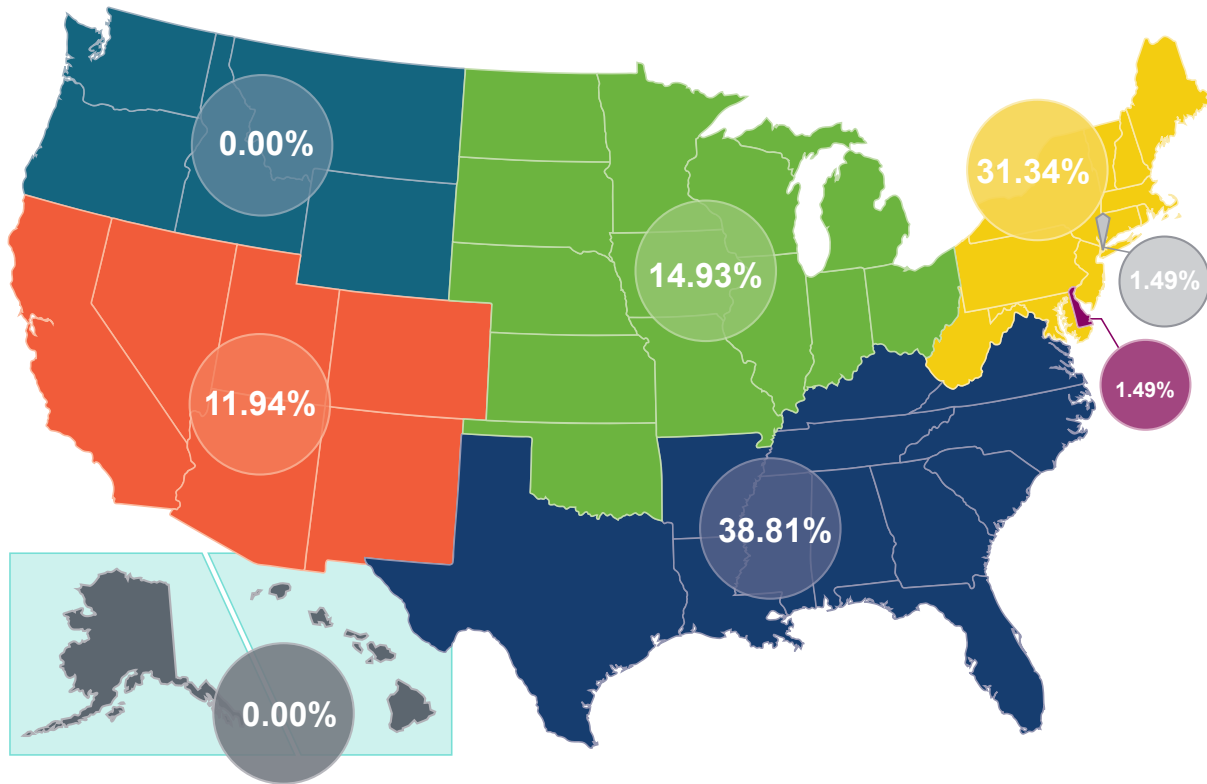
The percentage breakdown of index-filings for the current period by asset size is:



# HEALTHCARE SERVICES DISTRESS RESEARCH INDEX

### Geography

The percentage breakdown of index-filings for the current period by geographic region is:



By isolating Delaware and the Southern District of New York and showing these jurisdictions separately, it is possible to get a more accurate picture of distress by region.

### GEOGRAPHIC REGIONS

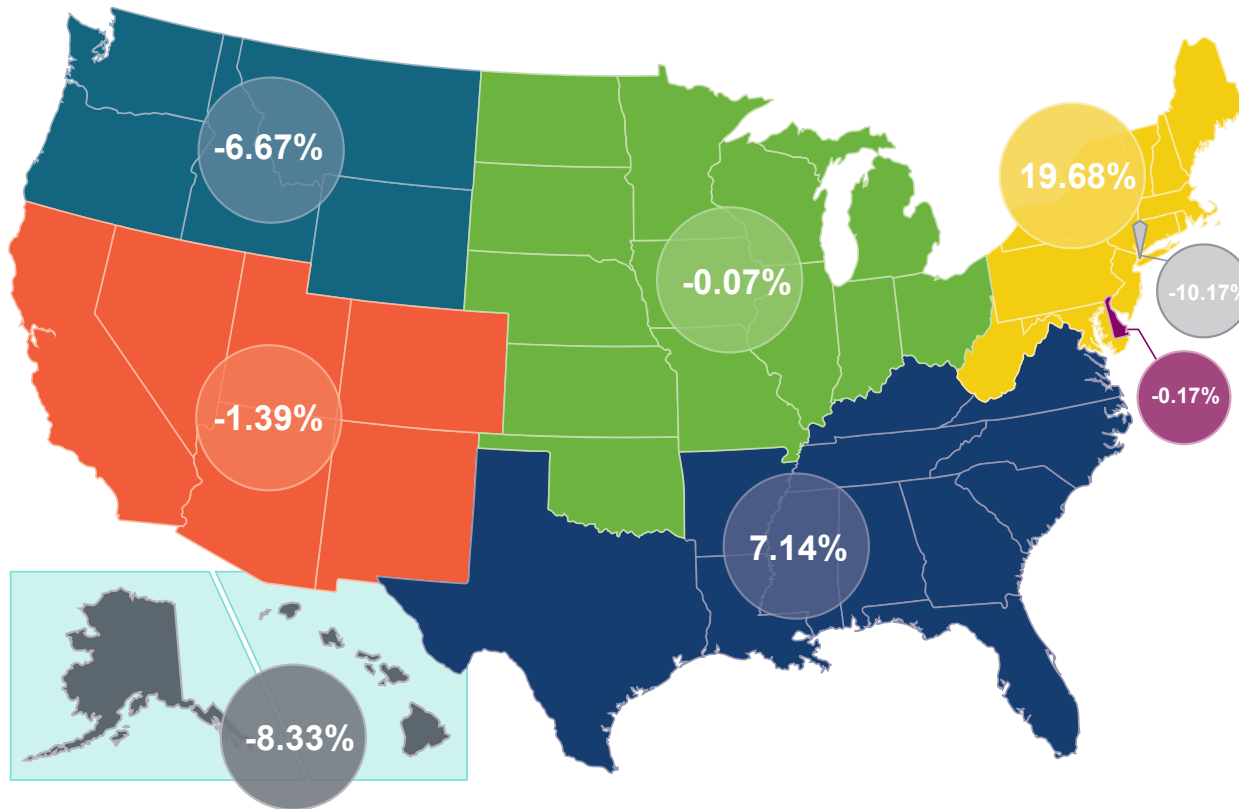
- Midwest
- Northeast
- Northwest
- Southeast
- Southwest
- Non-Continental U.S.
- Delaware
- Southern District of New York

# HEALTHCARE SERVICES

## DISTRESS RESEARCH INDEX

### Change in Geography Since Benchmark Period

Looking at the difference in geographic breakdowns of index filings now versus the benchmark period of fourth quarter 2010, the relative change versus the benchmark is:



### GEOGRAPHIC REGIONS

- Midwest
- Northeast
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### Understanding The Polsinelli/TrBK Distress Indices

The Polsinelli/TrBK Distress Indices<sup>®</sup> are research indices based on Chapter 11 bankruptcy filing data. The Chapter 11 Distress Research Index serves as the primary index, and is based on filings by entities with assets scheduled at greater than \$1 million dollars as represented on initial Chapter 11 petitions. Individuals and involuntary filings are excluded from the calculation.

The Real Estate Distress Research Index and the Healthcare Services Distress Research Index are subsets of the Chapter 11 Distress Research Index, with each requiring the presence of one additional, and different, criterion. The Real Estate Distress Research Index requires that a filing be classified as a “single asset real estate” case as indicated on the Chapter 11 petition. These filings typically involve companies that are solely in the business of owning and leasing a single property such as an office building, healthcare facility, retail outlet, or multifamily apartment building. The Healthcare Services Distress Research Index requires that the debtor be classified as a “healthcare business” as indicated on the Chapter 11 petition in order to be counted; based on this definition, non-service healthcare businesses are generally excluded from the Healthcare Services Distress Research Index.

The Polsinelli/TrBK Distress Indices also include in their calculation business filings under Chapter 9 (municipalities) and Chapter 15 (international) that meet the \$1 million threshold criteria, but these are generally a very small number of filings by comparison to Chapter 11.

The indices are likely to be contrarian indicators of economic performance, so that a low index value is likely to occur in a strong economy, and a higher index value is likely to occur when financial distress is escalating. Thus, the indices are one indicator intended to suggest potential health or trouble in the economy. The indices track the increase or decrease in comparative Chapter 11 filings for prior quarters and years. The indices provide economic information that may not be reflected by the broader stock market averages, because the indices include both public and private company information.

The indices are calculated from 2010 through the present, and are benchmarked based on filing numbers in 2010. The indices are based on independent data collected and provided exclusively by the TrollerBk.com bankruptcy service, and not U.S. government statistical information (although that information is likely to be consistent within a margin of error).

While information for each individual quarter is available from 2010 forward, the indices are calculated on a rolling four-quarter basis in order to control for volatility, and to provide a more relevant picture of existing and long-term trends.

The historical filing information from which the Polsinelli/TrBK Distress Indices are calculated is available for purchase to the public from the TrollerBk.com bankruptcy service. In addition, weekly reports of newly filed cases anticipated to meet the criteria for the indices are also available for purchase from the TrollerBk.com bankruptcy service on a subscription basis.

### Publication Information

The Polsinelli/TrBK Distress Indices are licensed to Polsinelli PC for publication purposes. Summaries of any annual reports are also licensed to Polsinelli PC by a Polsinelli affiliate. Sales of bankruptcy filing data are handled solely by TrollerBk.com.

The indices are research indices intended for informational and educational use only. Data is provided exclusively by the TrollerBk.com bankruptcy service, and the Indices are prepared with assistance from CBIZ Valuation Group, LLC. As research indices, the Polsinelli/TrBK Distress Indices are subject to restatement for up to two years. Pursuant to statistical precision analysis, the bankruptcy data used to generate the indices is calculated to be accurate to at least a +/- 6% margin of error at a 95% confidence level.

The Indices are published quarterly, generally within 45 days after the end of each calendar quarter, and are overseen by an Index Advisory Committee consisting of Bobby Guy (Polsinelli), Robert Dempsey (Polsinelli), Richard Romero (CBIZ Valuation Group, LLC), Prof. Matthew S. Shotwell, Ph.D (Vanderbilt University\*), and a representative from TrollerBk.com. All publications are subject to copyright and legal protections, including patent pending. Permission to reprint the indices themselves is granted to recipients so long as appropriate attribution is given to Polsinelli/TrBK and the indices are presented in their original formats with their appropriate names.

The indices are edited by Bobby Guy and Robert Dempsey, with assistance from contributing authors Jeremy Johnson (Chapter 11 Distress Research Index), Shanti Katona (Real Estate Distress Research Index), and members of the Mergers & Acquisitions, Real Estate, and Bankruptcy & Restructuring teams at Polsinelli.

For more information on the Polsinelli/TrBK Distress Indices, and for media inquiries, please contact Bobby Guy at [615.259.1151](tel:615.259.1151) or [bguy@polsinelli.com](mailto:bguy@polsinelli.com).

To purchase the historical data from which the indices are computed, or for weekly notices regarding all new cases likely to meet the criteria for the indices, contact third party data provider TrollerBk.com, at [210.816.3103](tel:210.816.3103) or [info@TrollerBk.com](mailto:info@TrollerBk.com).

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\*Matthew S. Shotwell, Ph.D., is Assistant Professor, Department of Biostatistics, Vanderbilt University, and acts as an independent consultant in connection with the Polsinelli/TrBK Distress Indices. No affiliation between the indices and Vanderbilt University is expressed or implied.