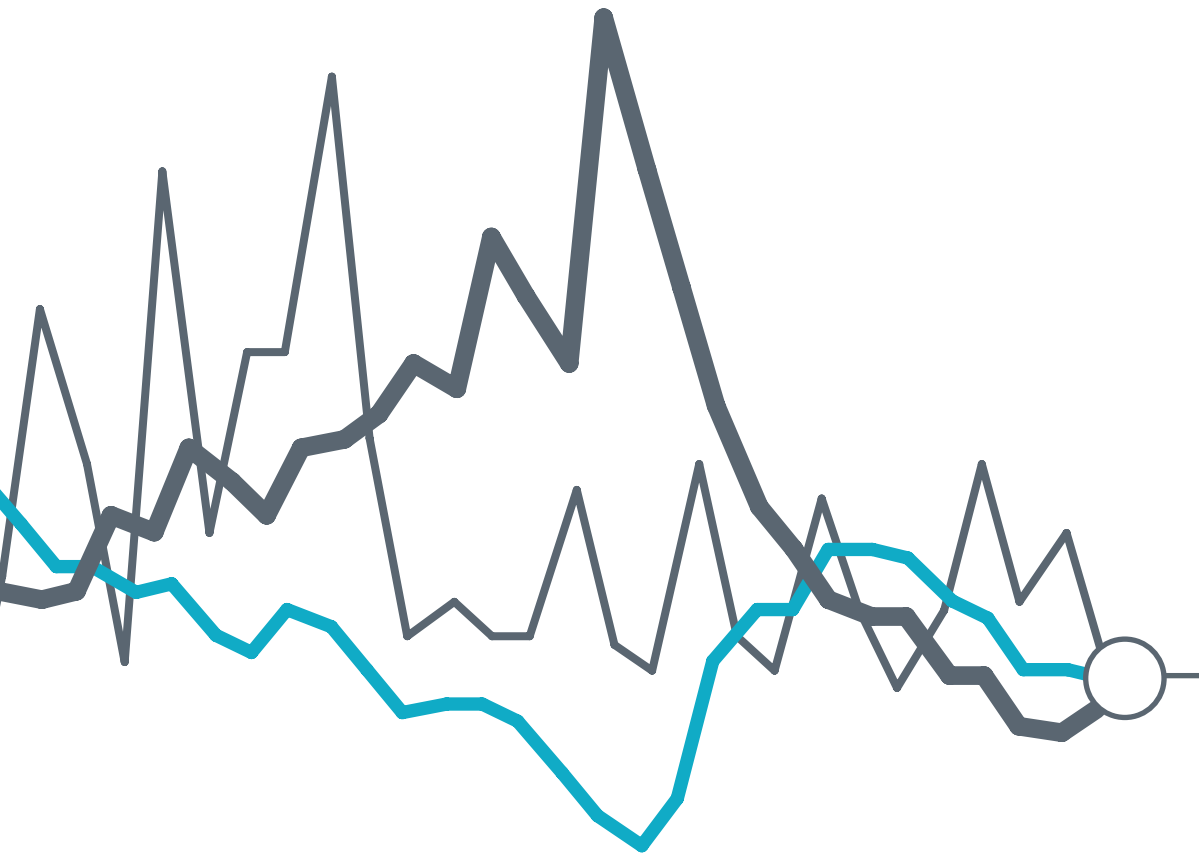


# 1st

Quarter 2016

ANALYSIS



## 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 U.S. 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 more than \$1 million, and exclude individual and involuntary cases.

For more information on the Polsinelli | TrBK Distress Indices, contact:

Bobby Guy

[bguy@polsinelli.com](mailto:bguy@polsinelli.com)

Robert Dempsey

[rdempsey@polsinelli.com](mailto:rdempsey@polsinelli.com)

or go to [www.distressindex.com](http://www.distressindex.com)

Bankruptcy data is provided exclusively by TrollerBk.com.  
[www.trollerbk.com](http://www.trollerbk.com)

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

# Welcome to the 1st Quarter 2016 Report for the **Polsinelli | TrBK Distress Indices**. The indices use filtered Chapter 11 filings as a proxy for distress in the overall U.S. economy and certain subsectors.

## 1st Quarter 2016 HIGHLIGHTS

Importantly, the Chapter 11 Index has been restated in the current quarter in order to remain consistent with its criteria, made necessary due to a recent government change in bankruptcy filing forms. The Chapter 11 Index is affected only slightly (less than one point at any time since the benchmark period), and the Real Estate and Healthcare Services Indices are not affected. The restatement is discussed further in the next section detailing the Chapter 11 Index.

The **Chapter 11 Distress Research Index** was 44.98 for the first quarter of 2016. The index increased by three-quarters of a point versus the last period, and has increased for 4 out of the last 5 quarters. Compared to the same period one year ago, the index is just over 2 points higher than its prior value, or approximately 5%. However, compared to its benchmark period of the fourth quarter of 2010, the index remains down by more than 55%.

The **Real Estate Distress Research Index** was 25.82 for the first quarter of 2016. This is an increase of almost 1 point since the last quarter, and is only the second time since inception that the index has moved upward. Compared to the same period one year ago, the index is almost stable, having decreased by just over 1 point and having moved within a range of only 3 points over the last 5 quarters. While the index appears to be stabilizing, the index is down by more than 74% against its benchmark in the fourth quarter of 2010.

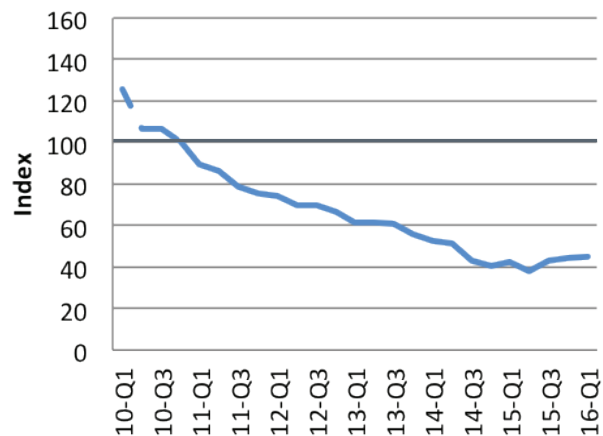
The **Healthcare Services Distress Research Index** was 151.67 for the first quarter of 2016. This is the highest the index has registered during its measurement period, and this represents an increase of 30 points since the last quarter. Compared to the same period one year ago, the index has increased by 40 points, or approximately 36%. The index is more than 50% above its benchmark in the fourth quarter of 2010.

The current quarter marks the first time that all three indices have increased. With several quarters of increase for the Chapter 11 Index, a significant increase in the Healthcare Service Index to its highest point, and the Real Estate Index having stabilized with a slight increase, the 1st Quarter results suggest that distress is now increasing across the U.S. economy for the first time post-Great Recession. However, by comparison, the level of distress now remains far below that of even the benchmark period of the fourth quarter of 2010, which was more than a year after the quarters generally considered to comprise The Great Recession.

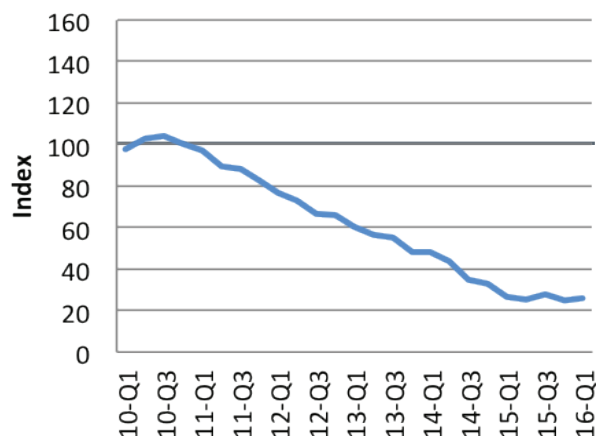
On a trailing four-quarter average, the percentage of real estate filings among all index-measured Chapter 11 filings has decreased from 19.61% in 2010 to 11.47% now, having stayed relatively flat since the last quarter. Healthcare services filings have increased from 1.11% in 2010 to 3.81% now, including an increase since the last quarter of approximately three-quarters of a point to the highest percentage of overall filings since the beginning of the indices.

*For a look at the underlying causes that led the Healthcare Index to its prior high in fourth quarter 2014, see the Polsinelli | TrBK Distress Indices Special Report: Causes of Healthcare Distress in 2014, released on August 13, 2015 and available at [www.distressindex.com](http://www.distressindex.com).*

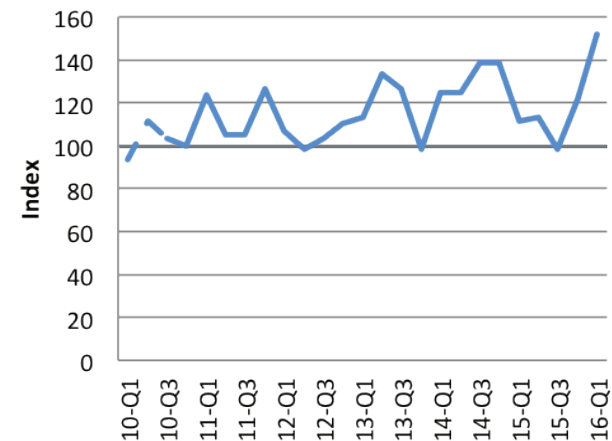
**Chapter 11 Distress Index**



**Real Estate Distress Index**



**Healthcare Services Distress Index**



**Polsinelli | TrBK Distress Indices: 1st Quarter 2016**

Chapter 11 Distress Index

**44.98**

Max: 100.00 in 10-Q4  
 Min: 37.81 in 15-Q2

Real Estate Distress Index

**25.82**

Max: 100.00 in 10-Q4  
 Min: 24.88 in 15-Q4

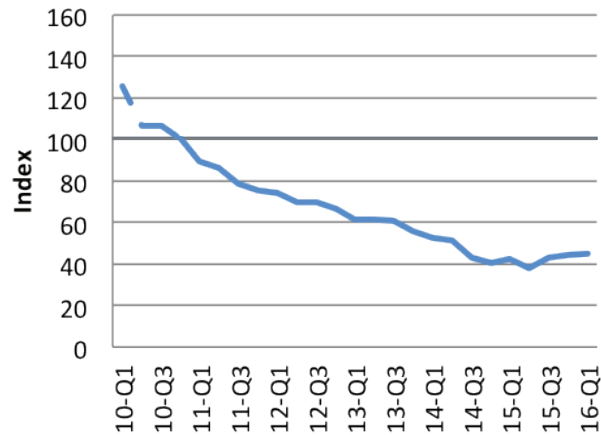
Healthcare Services Distress Index

**151.67**

Max: 151.67 in 16-Q1  
 Min: 98.33 in 12-Q2, 13-Q4, and 15-Q3

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 2016, the Polsinelli|TrBK Chapter 11 Distress Research Index was 44.98. This represents an increase of approximately three-quarters of one point from the fourth quarter index, and is the highest the index has been since June 2014.

Current	Last	1 Year
44.98	44.25	42.52

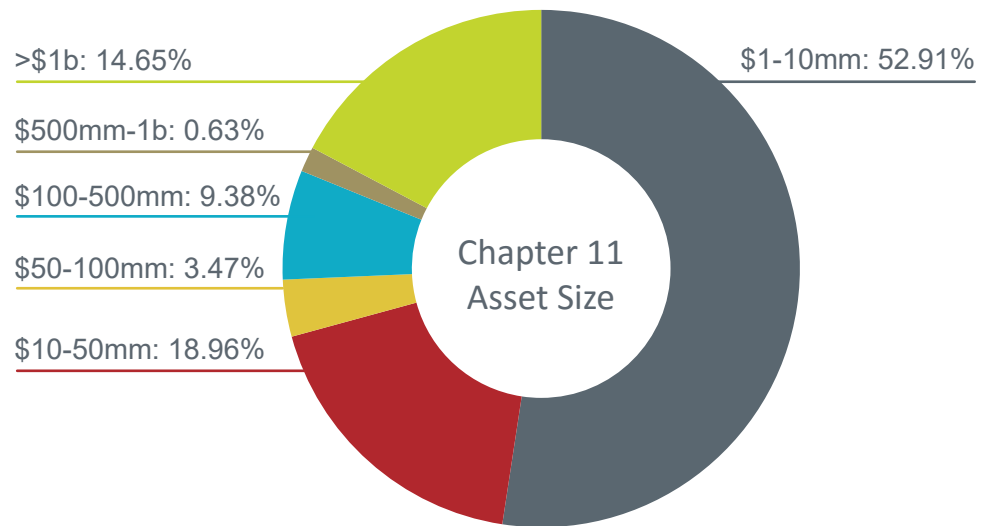
While the Chapter 11 Distress Index has declined significantly against its 2010 benchmark, it has increased for four out of the last five quarters, and now appears to indicate increasing distress in the US economy. The index hit its low of 37.81 in the second quarter of 2015, and has increased by almost 6% since that time.

**Volatility**

Case filing numbers measured in the Polsinelli|TrBK Chapter 11 Distress Research Index have shown significant volatility over the twenty-two quarter period from 2010-Q4 until now. During that period, filing numbers declined 11 quarters compared to the prior quarter, and increased 10 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 16 quarters compared to the prior quarter, and increased 5 times, thus reflecting the significant downward trend in general filing levels since 2010. The first increase was nominal at .03 points in 2013-Q2, and so the index was essentially flat for two quarters. The other four increases have all been in 2015 and 2016, suggesting that overall distress is now trending upward again.

**Asset Size**

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





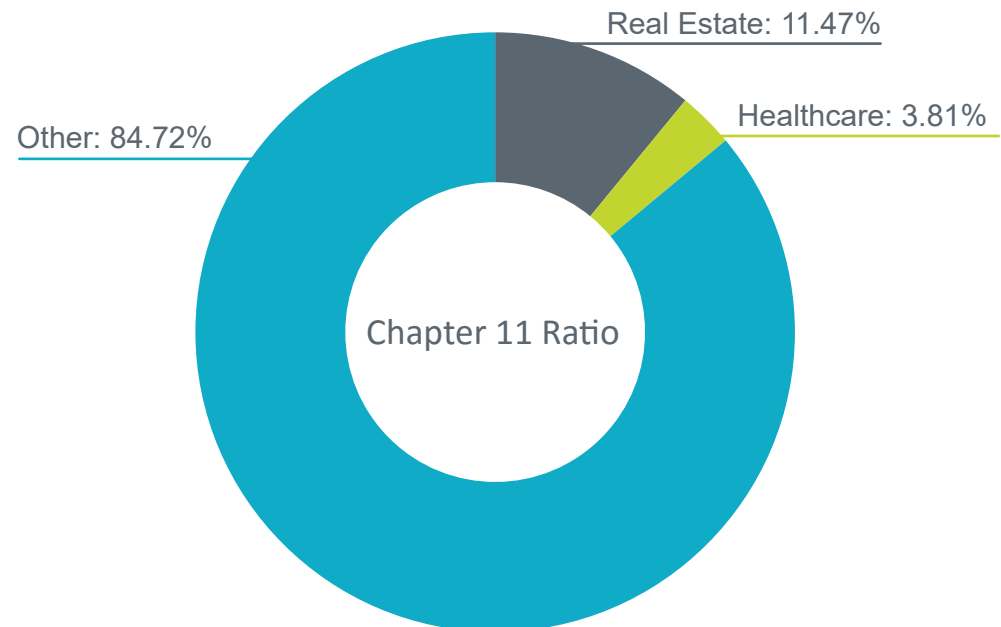
# CHAPTER 11

## DISTRESS RESEARCH INDEX

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

**Filings** Real estate filings calculated in the Polsinelli|TrBK Real Estate Distress Research Index for the current quarter made up 11.47% of the total filings counted in the Chapter 11 index. This is almost flat since the last quarter (approximately two-tenths of one point), and the last quarter was the lowest that real estate distress has measured as a component of overall distress. This is likely because overall distress measured in the indices has increased significantly in the last year while real estate distress has increased only slightly.

Healthcare services filings measured in the Polsinelli|TrBK Healthcare Services Distress Research Index made up 3.81% of filings in the current period, up from 3.11% in the last period. Healthcare filings as a percentage of overall filings have been as low as 1.11% at the beginning of the measurement period, and the current period represents the highest percentage they have reached.

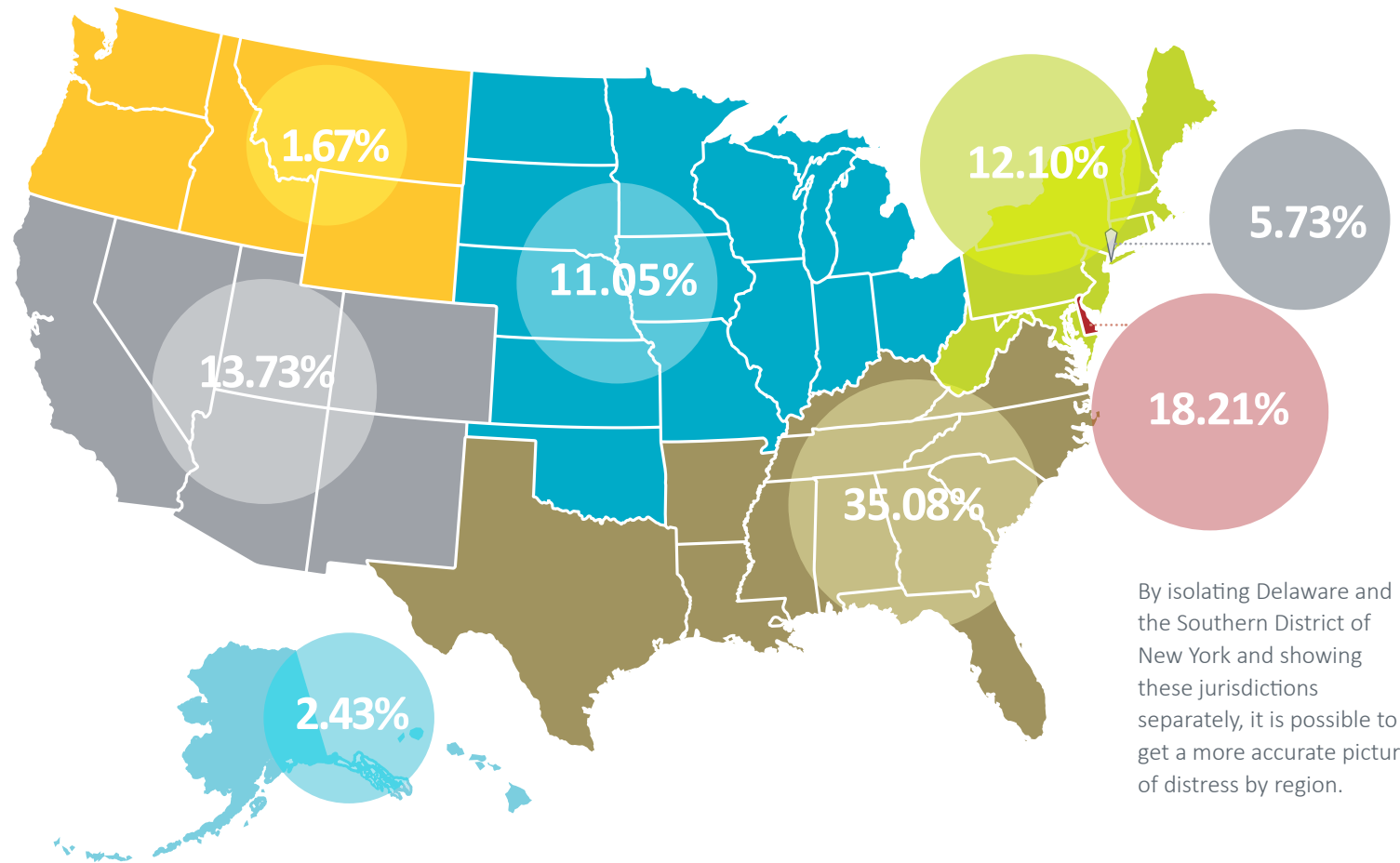


**Geography**

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

**GEOGRAPHIC REGIONS**

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



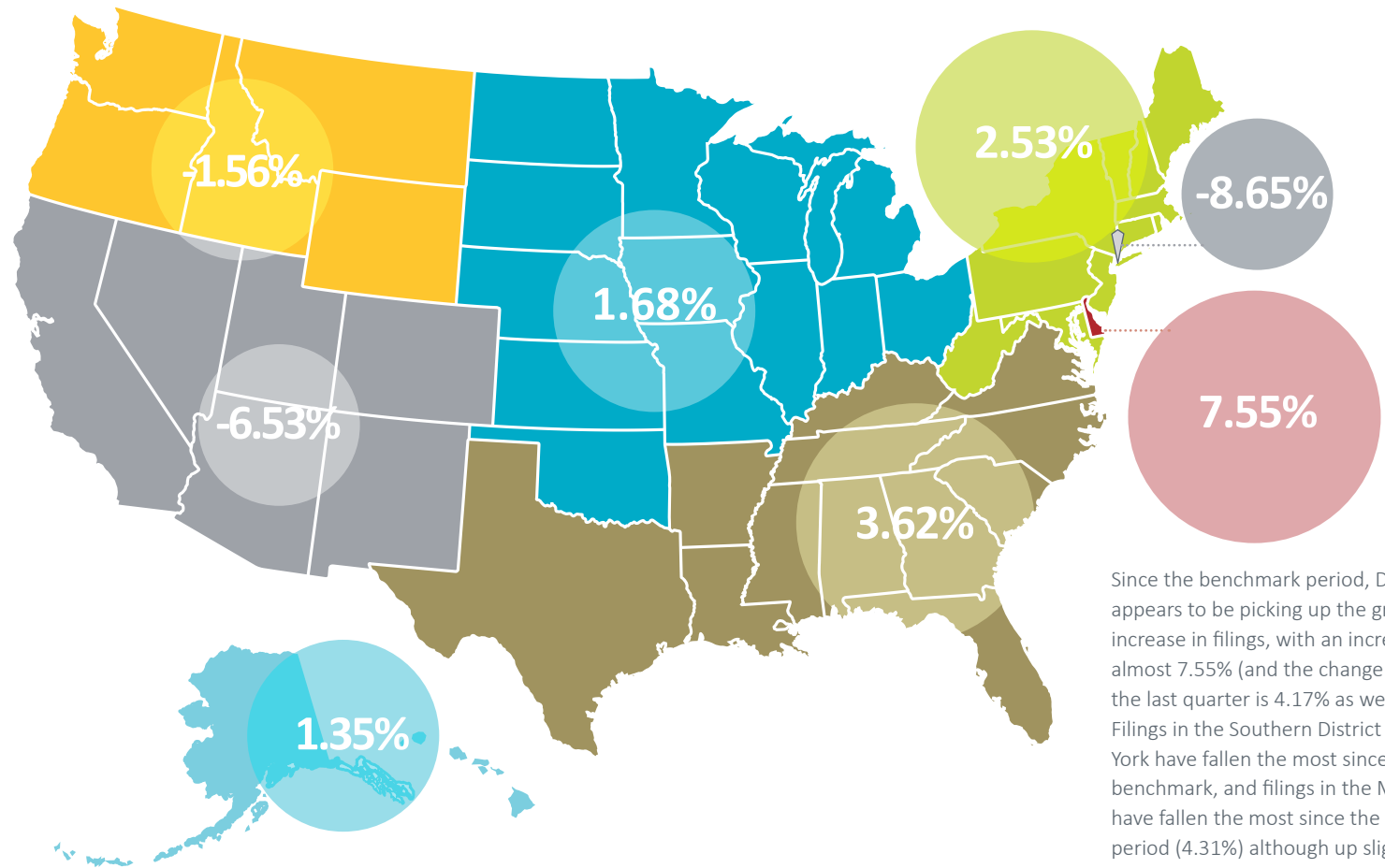
By isolating Delaware and the Southern District of New York and showing these jurisdictions separately, it is possible to get a more accurate picture of distress by region.

**Change in Geographic Distribution 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
- Non-Continental U.S. & Territories
- Northeast
- Delaware
- Northwest
- Southern District of New York
- Southeast
- Southwest



Since the benchmark period, Delaware appears to be picking up the greatest increase in filings, with an increase of almost 7.55% (and the change since the last quarter is 4.17% as well). Filings in the Southern District of New York have fallen the most since the benchmark, and filings in the Midwest have fallen the most since the last period (4.31%) although up slightly since the benchmark period.



# CHAPTER 11

## DISTRESS RESEARCH INDEX

May 2016

### **Restatement of the Chapter 11 Distress Research Index for First Quarter 2016**

On December 1, 2015, the Administrative Office of the US Courts made significant changes to bankruptcy filing forms. One result is that petitions under Chapter 15 (the bankruptcy chapter related to international filings) no longer show the size of the assets involved in the case. As a result, in order to remain consistent with the index criteria, the Chapter 11 Distress Research Index no longer includes Chapter 15 filings.

To prevent any distortion in the Chapter 11 Index, the Index has been restated since its benchmark period of the fourth quarter of 2010. Chapter 15 filings have always been a very small number of overall filings counted in the Chapter 11 Index, and the restatement results in less than a one point change in any quarter since the benchmark period, and usually significantly less. For example, the difference in the current quarter is less than 0.13 in the index value (44.98 as restated, and 44.85 if not restated).

The Real Estate and Healthcare Services Indices are unaffected by the restatement. While they are both subsets of the Chapter 11 Index, no Chapter 15 filings had qualified under their additional criteria, and accordingly, the exclusion of Chapter 15 does not affect either of these indices.

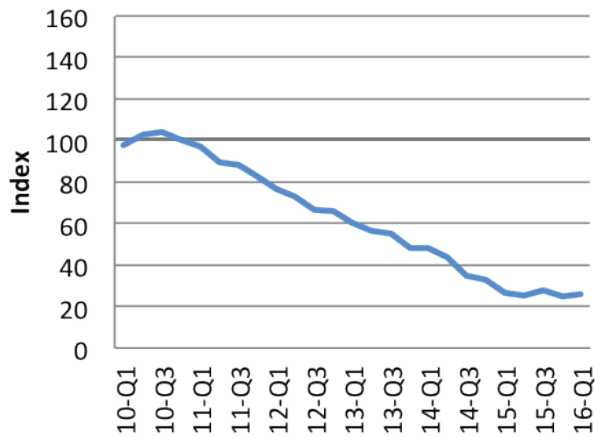
Real Estate and Healthcare Services as percentages of all Chapter 11's counted in the Index would change only slightly (less than two-tenths of 1 percent) in the first quarter of 2016 if historical Chapter 15 filings continued to be counted and all Chapter 15's filed since the government change were counted.

In addition, geography in the Chapter 11 Index is largely unaffected. All figures for the first quarter of 2016 would be within one-quarter of one point of the numbers shown in the current report, if all Chapter 15's were counted. The only exceptions are Delaware and the Southern District of New York, which would each be within one-half of a point higher than shown on the report.



# REAL ESTATE DISTRESS RESEARCH INDEX

## Real Estate Distress Index



For the first quarter of 2016, the Polsinelli|TrBK Real Estate Distress Research Index was 25.82. This represents an increase of almost one point since the last quarter, and a decrease of just over one point in the last year.

Current	Last	1 Year
25.82	24.88	26.86

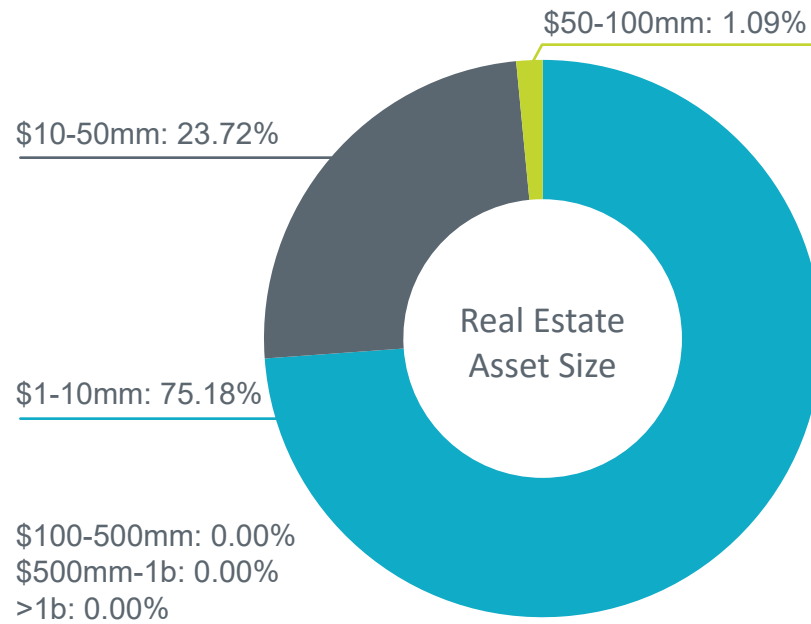
The Real Estate Distress Research Index appears to have stabilized, having moved within a range of only 3 points over the last year. The index has increased for 2 of the last 4 quarters, and the percentage of real estate filings to total filings has increased slightly when the total number of filings in the Chapter 11 Index has increased significantly, suggesting real estate distress is increasing, albeit more slowly than overall distress.

### 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 twenty-two quarter period, filing numbers declined 11 quarters compared to the prior quarter, and climbed 10 quarters compared to the prior quarter. The volume of declines far exceeded any increases in filings, resulting in the 74% drop in the index over the last 5 years. 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:

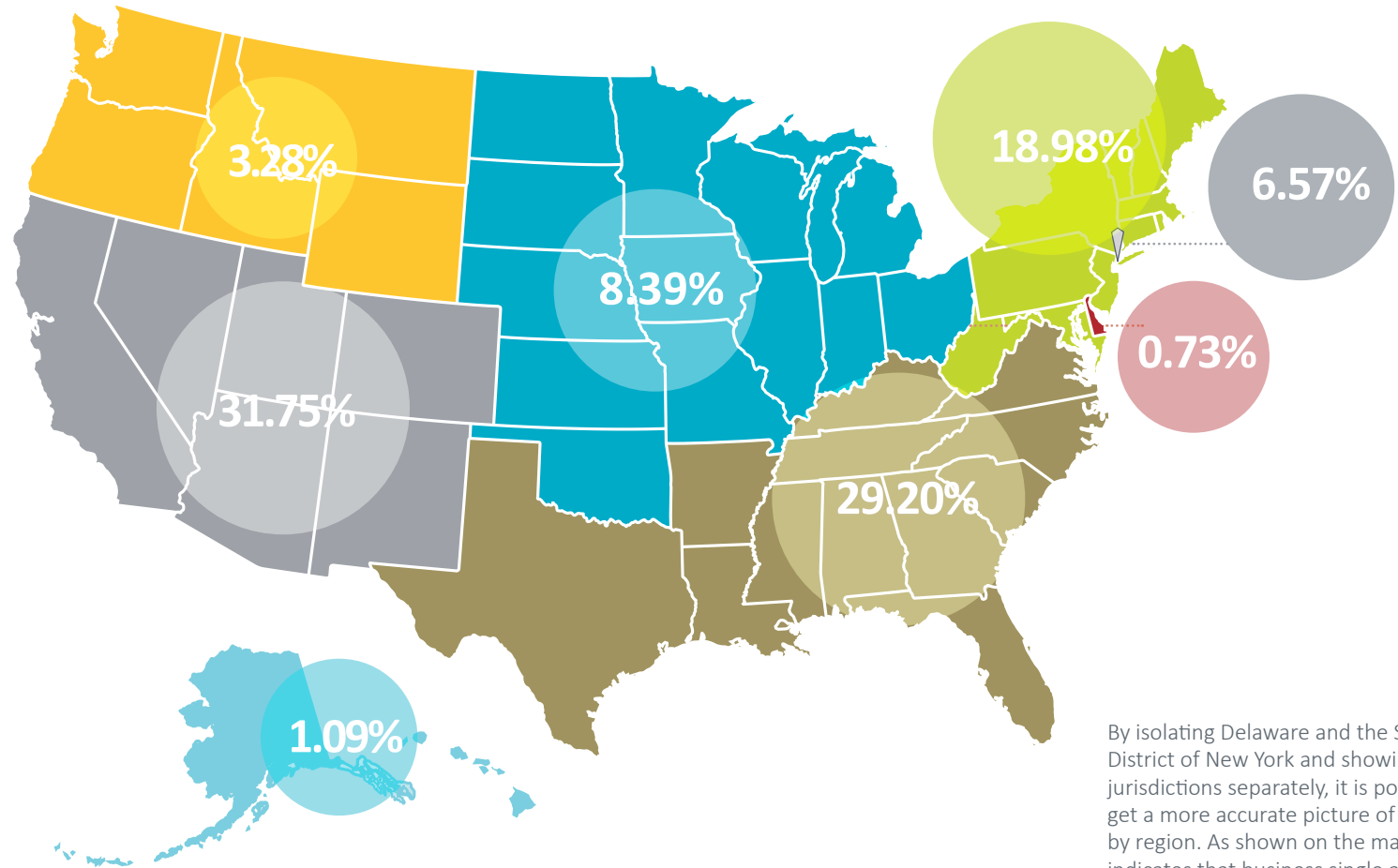


**Geography**

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

**GEOGRAPHIC REGIONS**

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



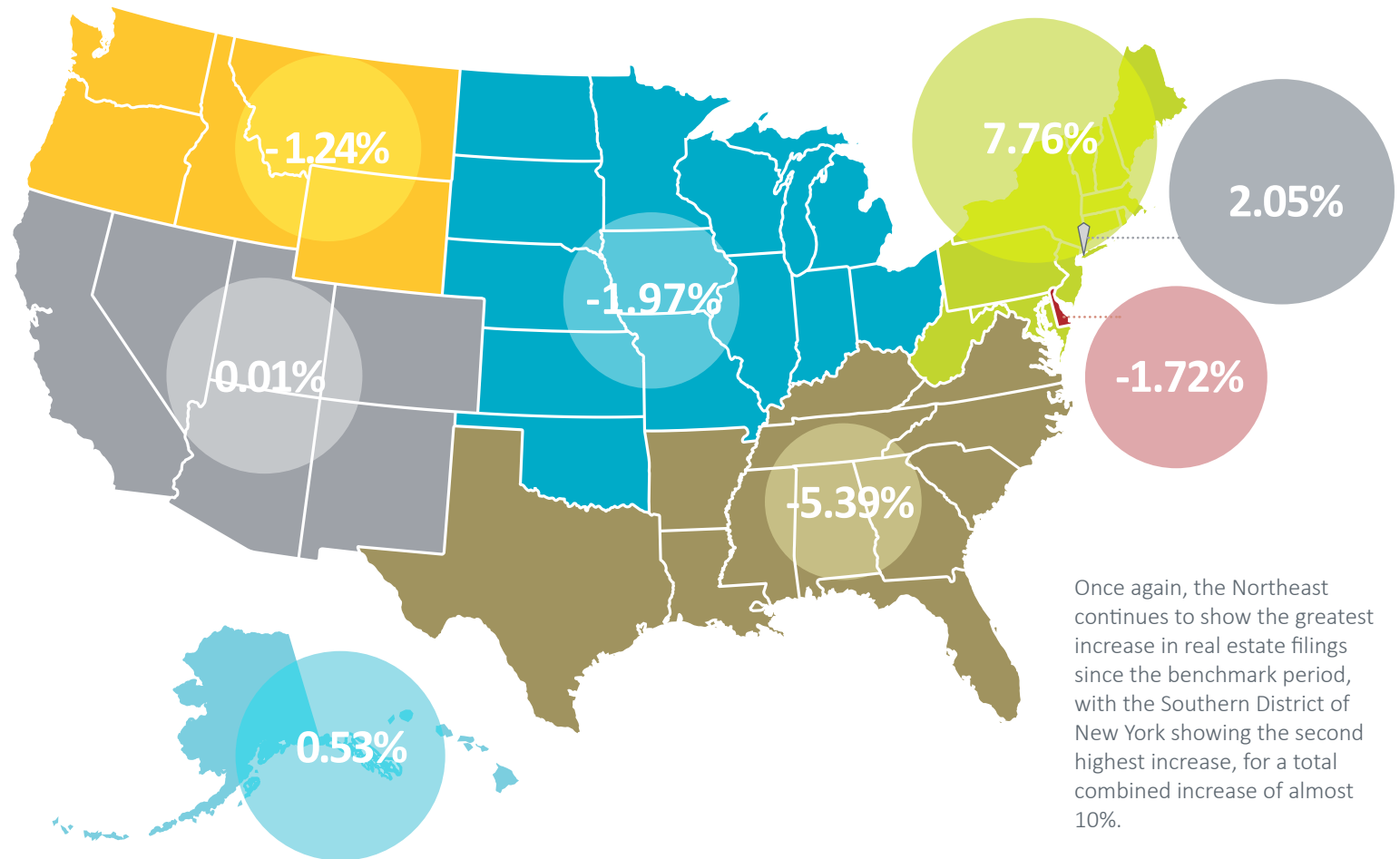
By isolating Delaware and the Southern District of New York and showing these jurisdictions separately, it is possible to get a more accurate picture of distress by region. As shown on the map, data indicates that business single asset real estate filings are much more localized than Chapter 11 filings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

**Change in Geographic Distribution 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:

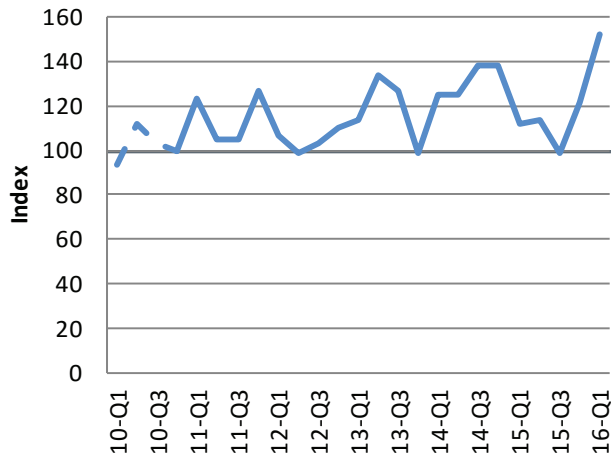
**GEOGRAPHIC REGIONS**

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



Once again, the Northeast continues to show the greatest increase in real estate filings since the benchmark period, with the Southern District of New York showing the second highest increase, for a total combined increase of almost 10%.

### Healthcare Services Distress Index



For the first quarter of 2016, the Polsinelli|TrBK Healthcare Services Distress Research Index increased to 151.67. This is a significant increase since the last quarter, and is the highest the index has measured in its history. The Healthcare Index remains much higher than the both the Chapter 11 Index representing the broader US economy, and the Real Estate Index, although all three indices are now showing an upward trend for the first time since 2010.

For a look at the underlying causes that are creating financial distress in the healthcare services industry, see the Polsinelli|TrBK Distress Indices Special Report: Causes of Healthcare Distress in 2014, released on August 13, 2015 and available at [www.distressindex.com](http://www.distressindex.com).

Current	Last	1 Year
151.67	121.67	111.67

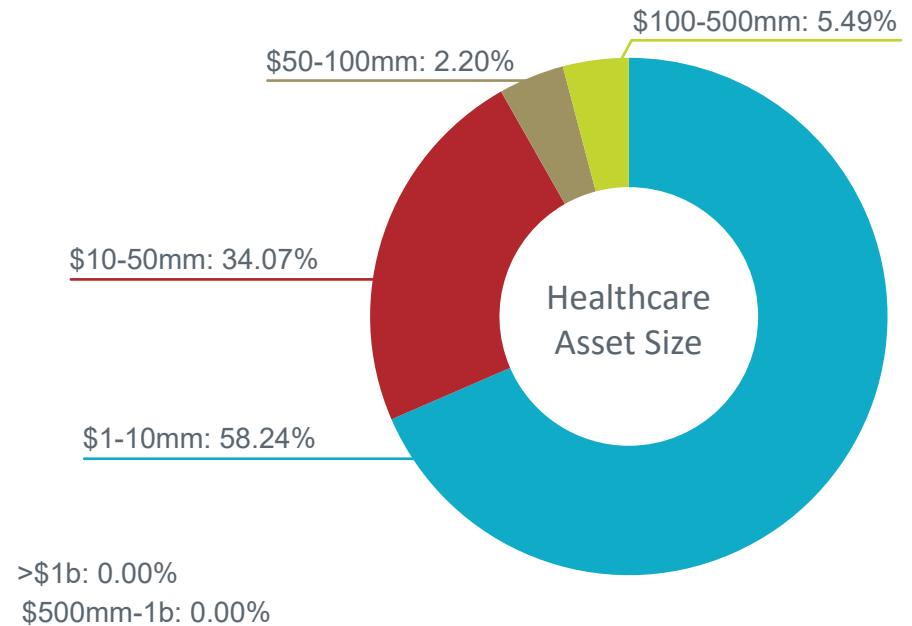
Healthcare Services filings continue to increase as a percentage of other filings. The Healthcare Index tends to show more quarter-on-quarter volatility than the other indices.

### 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 11 quarters compared to the prior quarter, and increased 10 quarters compared to the prior quarter, from 2010-Q4 until now. For the Healthcare Services Index the volume of increased filings has generally outstripped declines, resulting in an index value that is more than 50% higher than the benchmark. The index is measured on a trailing four-quarter basis to smooth out 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:

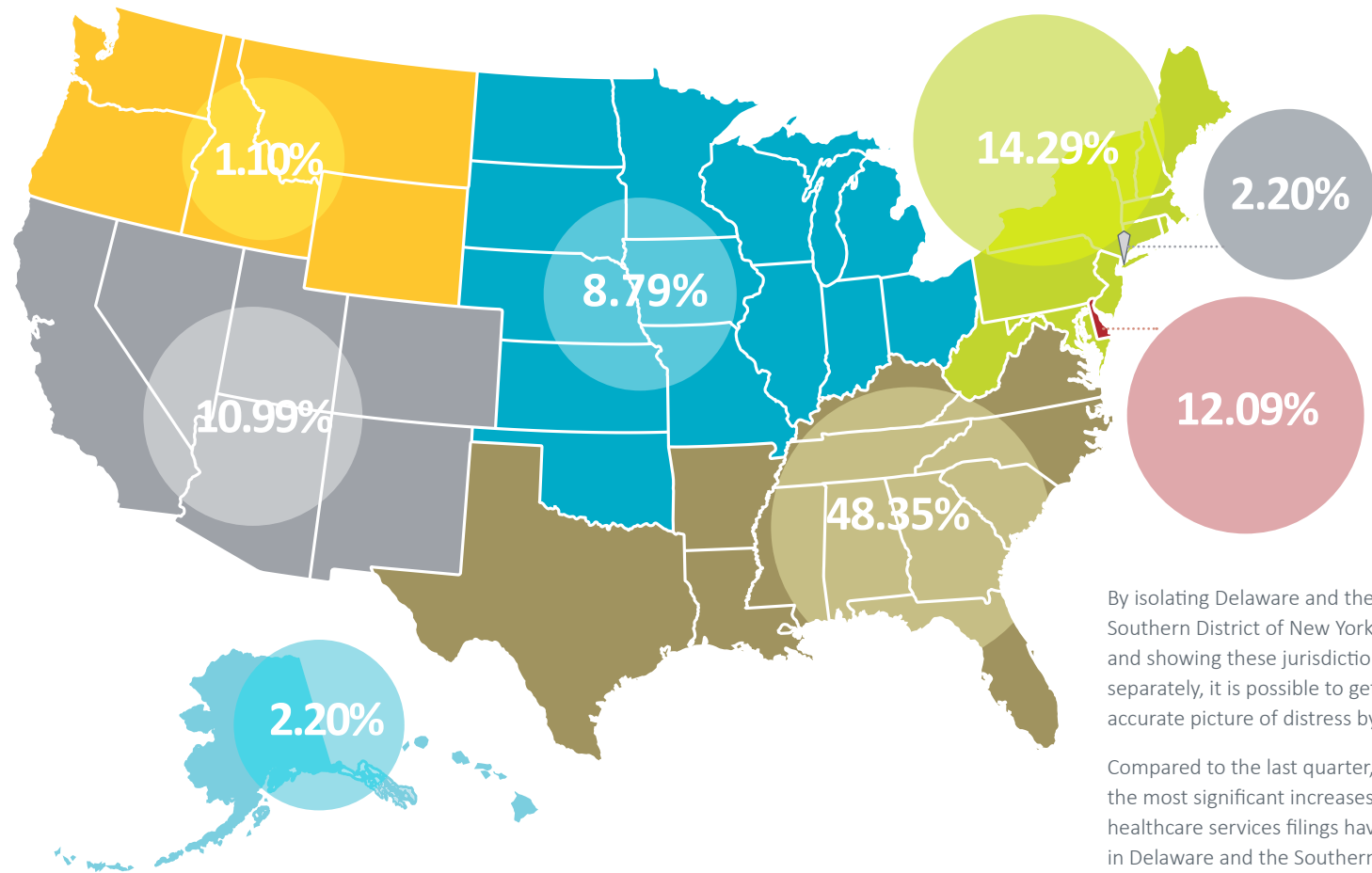


### Geography

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

### GEOGRAPHIC REGIONS

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



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.

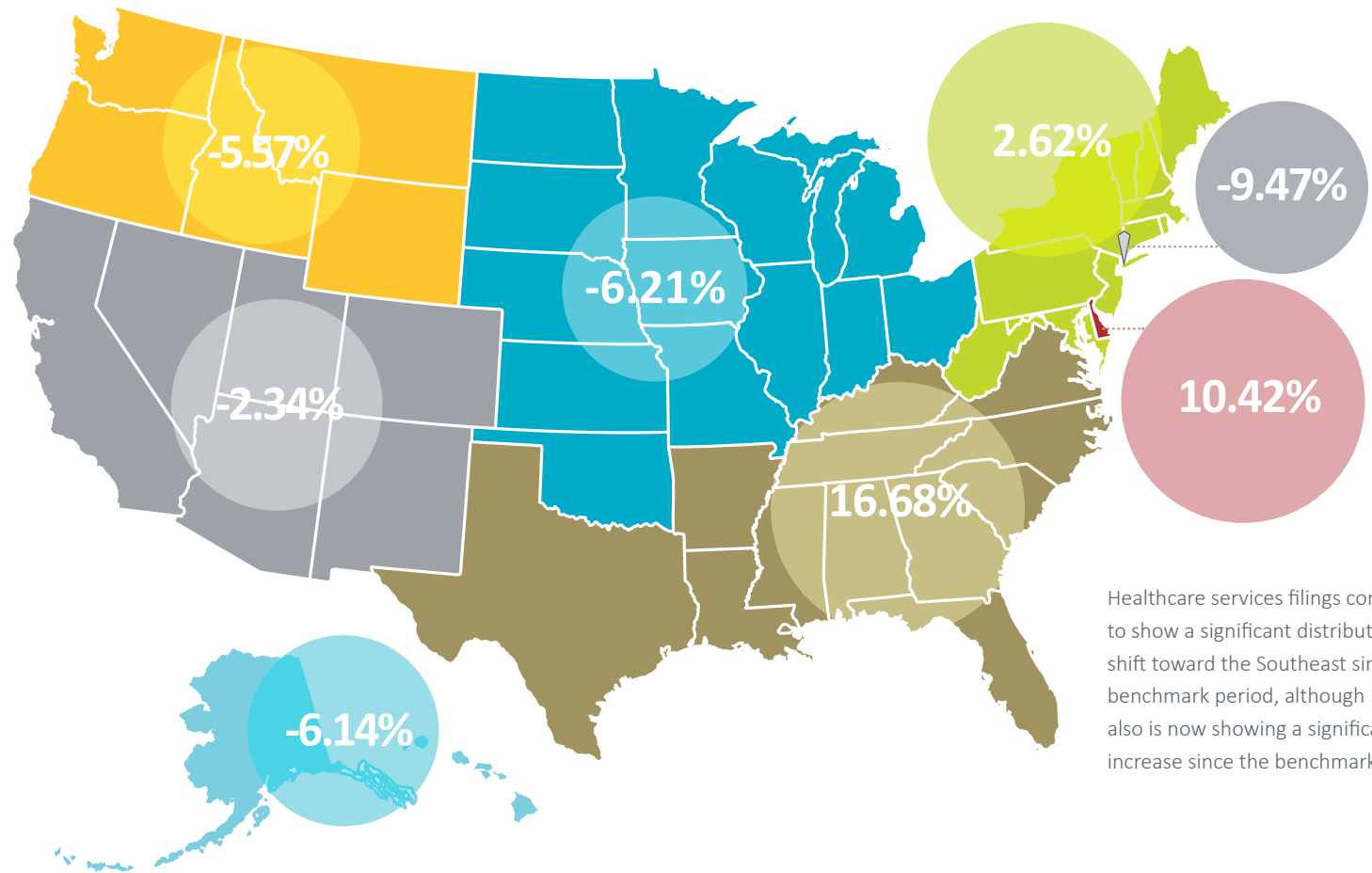
Compared to the last quarter, the most significant increases in healthcare services filings have been in Delaware and the Southern District of New York.

**Change in Geographic  
 Distribution 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
- Non-Continental U.S. & Territories
- Northeast
- Delaware
- Northwest
- Southern District of New York
- Southeast
- Southwest



Healthcare services filings continue to show a significant distribution shift toward the Southeast since the benchmark period, although Delaware also is now showing a significant increase since the benchmark period.

### Understanding The Polsinelli | TrBK Distress Indices

The Polsinelli|TrBK Distress Indices© 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) that meet the \$1 million threshold criteria, but these are generally a very small number of filings by comparison to Chapter 11. The Indices previously tracked business filings under Chapter 15 (international) as well, but in order to remain consistent with their criteria, the Indices now exclude Chapter 15 because recent government changes mean that Chapter 15 petitions no longer show asset size. The Chapter 11 Index was restated as a result in the first quarter of 2016, with the effect being less than one point in any quarter since the benchmark period, and there was no effect on the Real Estate and Healthcare Services Indices. Chapter 15's comprise a small number of overall filings.

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](http://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](http://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. 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 [615.259.1511](tel:615.259.1511) 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](http://TrollerBk.com), at [210.816.3103](tel:210.816.3103) or [info@TrollerBk.com](mailto:info@TrollerBk.com).

**Disclaimer:** The Polsinelli|TrBK Distress Indices are research indices. The indices and information contained herein involve assumptions, compilations, and analysis, and there can be no assurance that the information is error-free. Polsinelli PC, Polsinelli LLC in California, Polsinelli Financial Indices, LLC, TexHost, LLC, and their members, associates, staff, advisors, and agents shall not have any liability for any information contained herein, including any errors or incompleteness. The contents of this publication are not intended, and should not be considered, as accounting, tax, investment, or legal advice. Further, this information is not intended to and does not provide a recommendation with respect to any security or investment strategy, and any discussion of particular topics is not meant to be comprehensive and may be subject to change. Further, the choice of a lawyer, financial advisor, investment advisor, or other professional is an important decision, should not be made based solely on any advertisement, and no recommendation is made herein.

\*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.