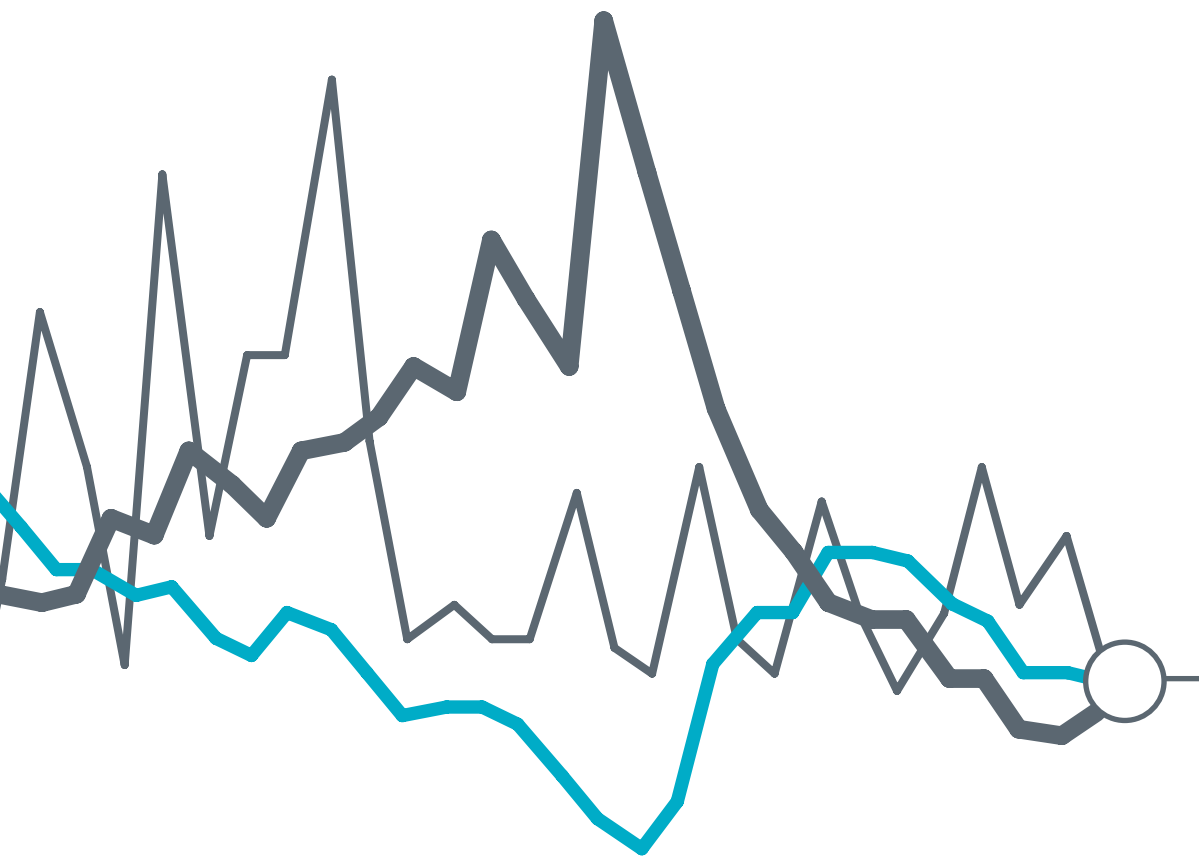


# 1st

Quarter 2019  
ANALYSIS



## POLSINELLI – TrBK

### DISTRESS INDICES

The Polsinelli|TrBK Distress Indices are prepared and published quarterly. The indices are contrarian measures 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:

Jeremy R. Johnson | [jeremy.johnson@polsinelli.com](mailto:jeremy.johnson@polsinelli.com)  
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 2019 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 2019 HIGHLIGHTS

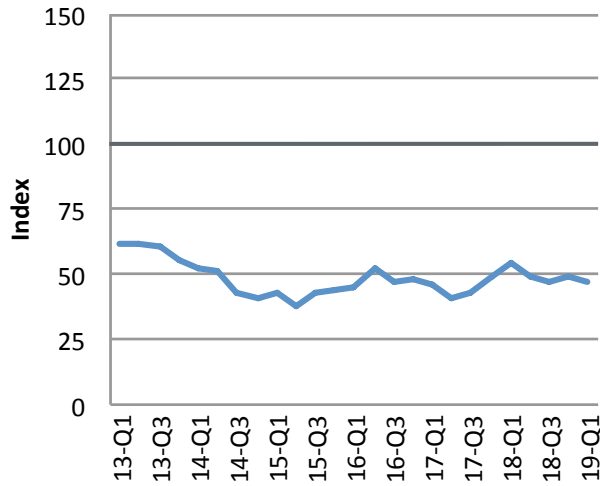
The **Chapter 11 Distress Research Index** was 46.70 for the first quarter of 2019. The Chapter 11 Index decreased approximately 2 points since the last quarter. Compared with the same period one year ago, the index has decreased nearly 8 points and compared with the benchmark period of the fourth quarter of 2010, it is down approximately 53%.

The **Real Estate Distress Research Index** was 22.71 for the first quarter of 2019. The Real Estate Index decreased 2 points since the last quarter and has decreased the last four quarters. Compared with the same period one year ago, the index has decreased over 11 points and compared with the benchmark period, it is down approximately 77%.

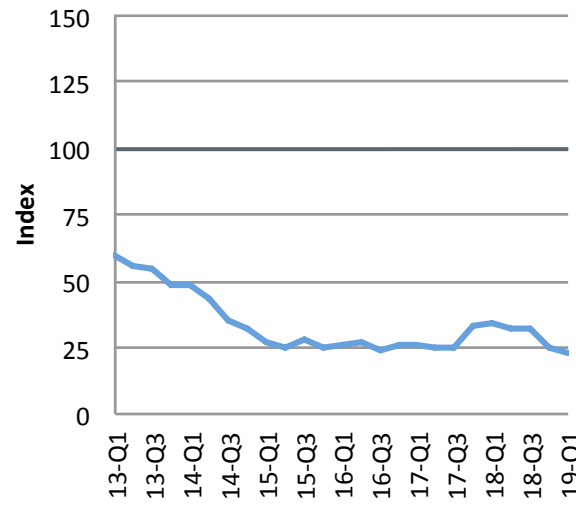
The **Health Care Services Distress Research Index** was 371.67 for the first quarter of 2019. The Health Care Index increased approximately 178 points from last quarter, but has experienced record or near-record highs in each of the last eight quarters. Compared with the same period one year ago, the index has decreased more than 83 points, but compared with the benchmark period of the fourth quarter of 2010, the index is up approximately 271%.

On a trailing four-quarter average, the percentage of real estate filings among all index-measured Chapter 11 filings has decreased from 19.98% in 2010 to 9.72% now, approximately the same as last quarter. Health Care services filings have increased from 1.13% in 2010 to 8.99% last quarter, a decrease of almost 3 points from last quarter.

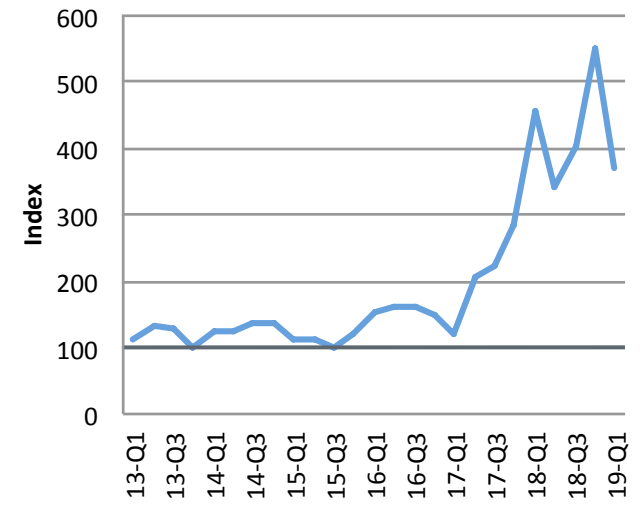
Chapter 11 Distress Index



Real Estate Distress Index



Health Care Services Distress Index



Polsinelli | TrBK Distress Indices: 1st Quarter 2019

Chapter 11 Distress Index

46.70

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

Real Estate Distress Index

22.71

Max: 100.00 in 10-Q4  
Min: 22.71 in 19-Q1

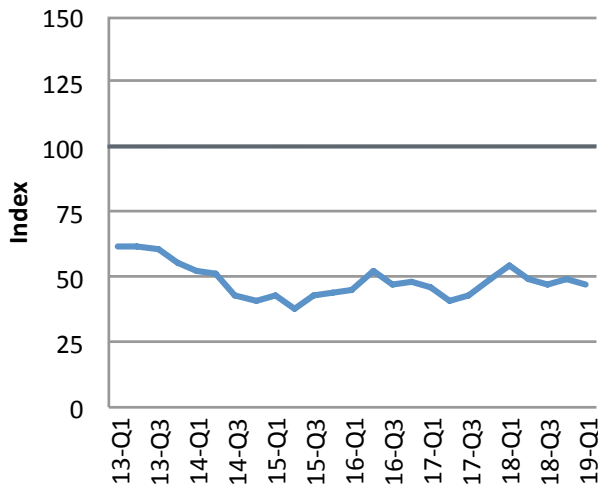
Health Care Services Distress Index

371.67

Max: 550.00 in 18-Q4  
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 2019, the Polsinelli|TrBK Chapter 11 Distress Research Index was 46.70. This represents a decrease of just under 2 points from last quarter.

Current	Last	1 Year
46.70	48.88	54.02

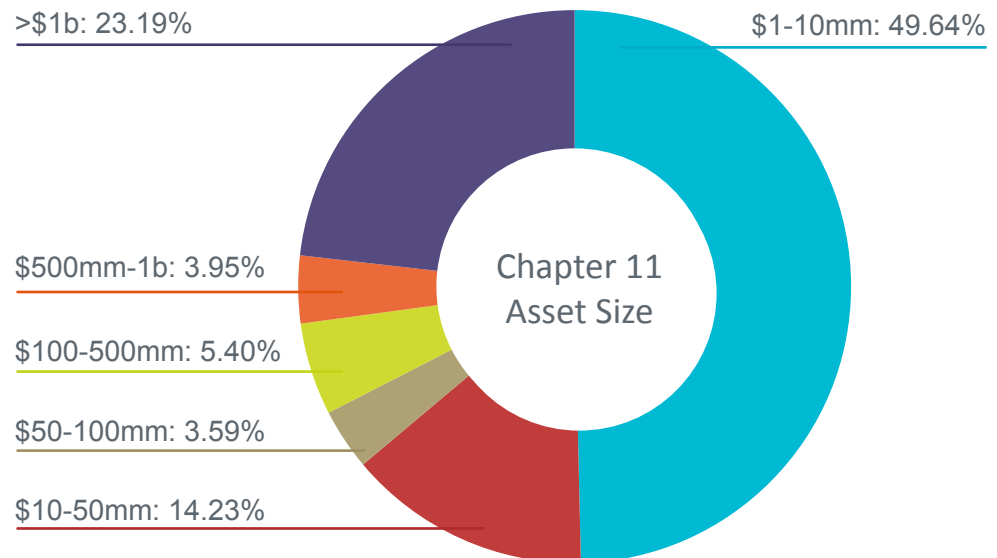
The Chapter 11 Distress Index has declined approximately 53 points from the benchmark period of the fourth quarter of 2010 and has decreased three of the last four quarters.

**Volatility**

Case filing numbers measured in the Polsinelli|TrBK Chapter 11 Distress Research Index have experienced significant volatility since the benchmark period of the fourth quarter of 2010. During this period, the number of filings declined 16 times compared to the prior quarter and increased 17 times. The volume of declines far exceeded any increases in filings. 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 22 times compared to the prior quarter, and increased 11 times, reflecting the significant downward trend in general filing levels since 2010.

**Asset Size**

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



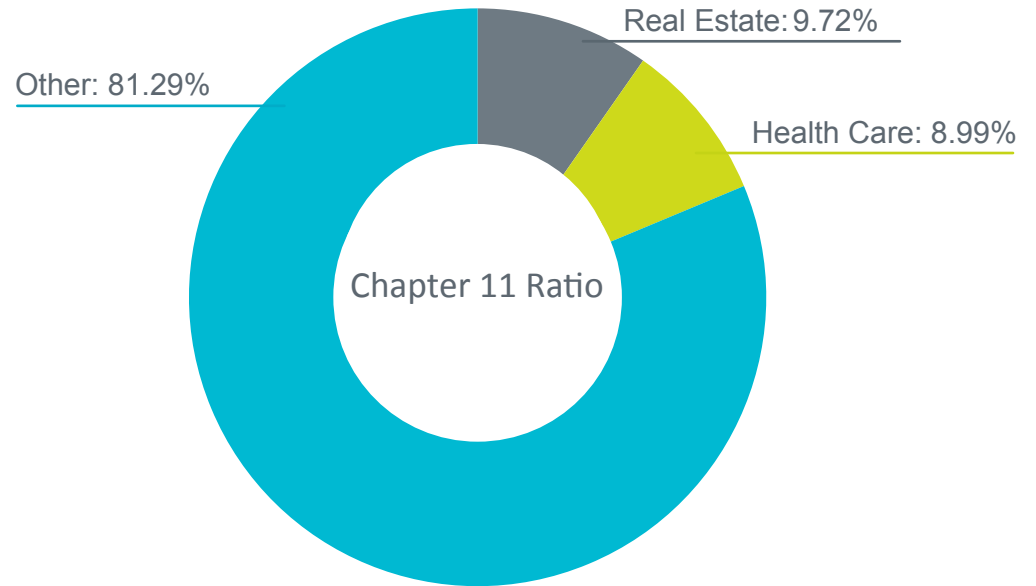


# CHAPTER 11 DISTRESS RESEARCH INDEX

Real Estate and Health Care as Percentages of Total Filings

Real estate filings calculated in the Polsinelli|TrBK Real Estate Distress Research Index represented 9.72% of all filings measured on a rolling four-quarter basis. Although a slight decrease from last quarter, the percentage of single asset real estate filings has remained in the 10-15% range over the last three years.

Health Care services filings measured in the Polsinelli|TrBK Health Care Services Distress Research Index represented 8.99% of all distressed filings on a rolling four-quarter basis. Health care filings have been as low as 1.13% in the benchmark period of the fourth quarter of 2010.

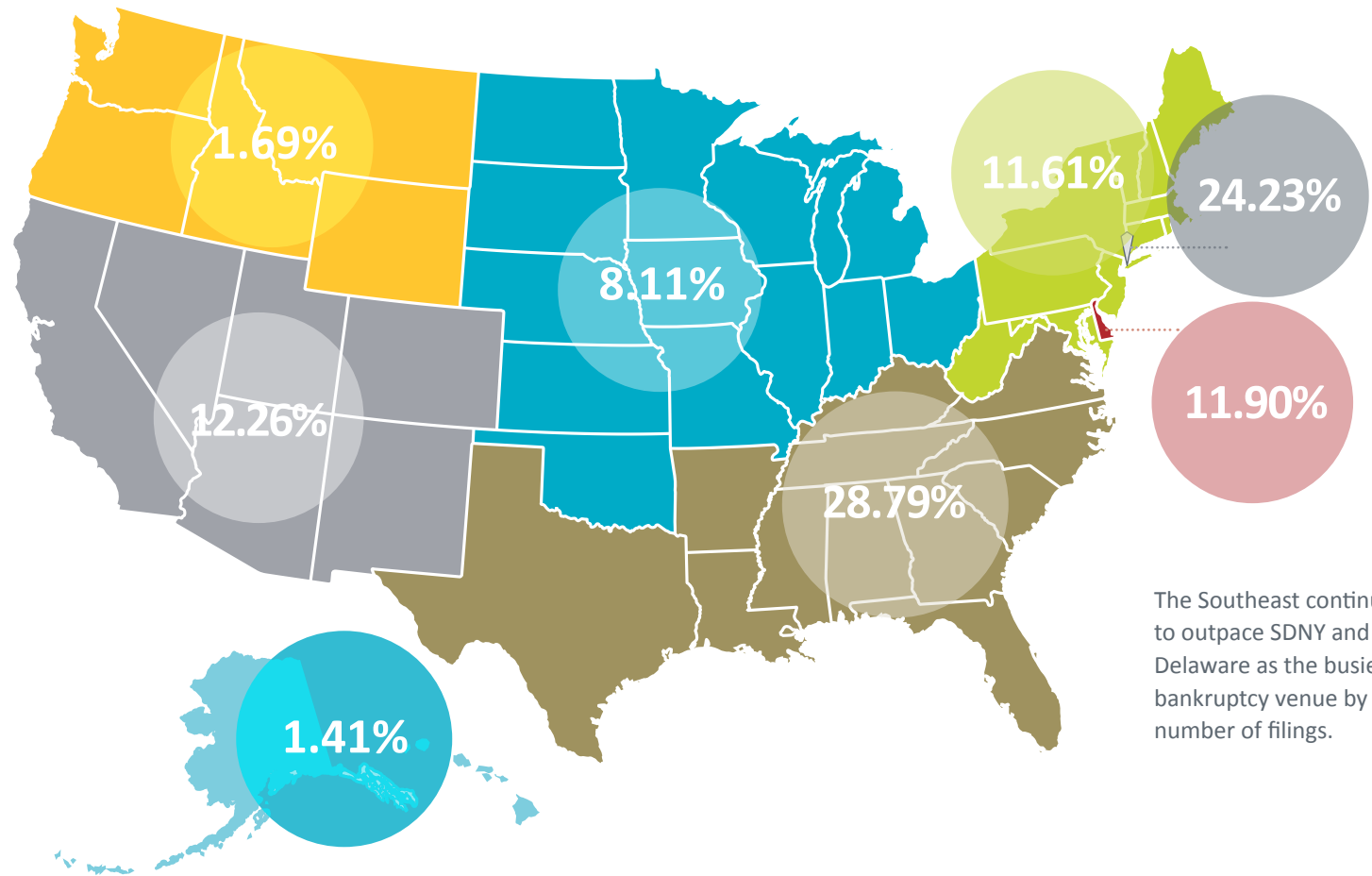


**Geography**

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

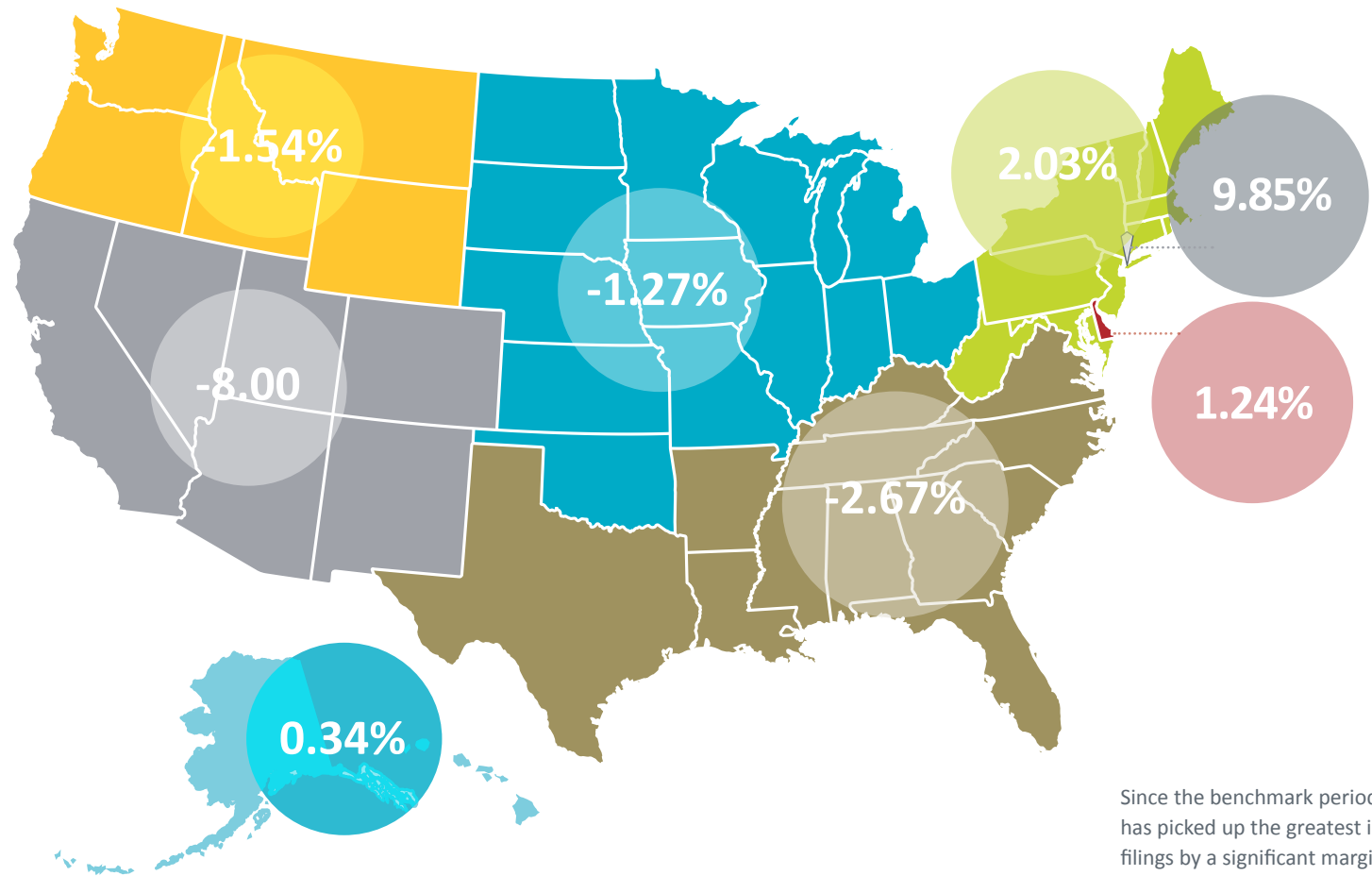


The Southeast continues to outpace SDNY and Delaware as the busiest bankruptcy venue by number of filings.

# CHAPTER 11 DISTRESS RESEARCH INDEX

## Change in Geographic Distribution Since Benchmark Period

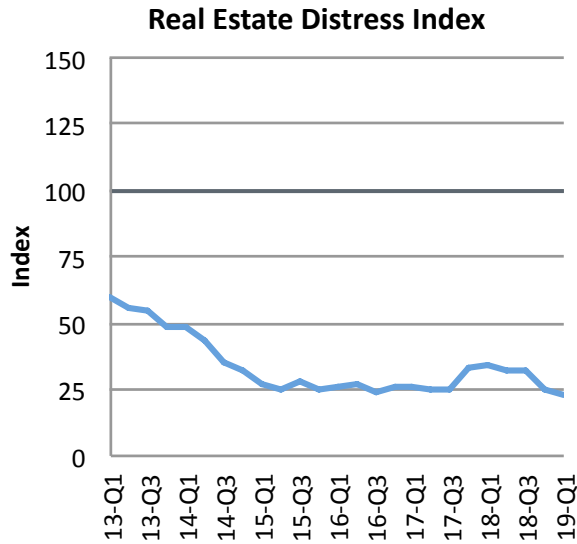
Looking at the difference in geographic breakdowns of index filings now versus the benchmark period of fourth quarter 2010, the relative change versus the benchmark is:



### GEOGRAPHIC REGIONS

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

Since the benchmark period, SDNY has picked up the greatest increase in filings by a significant margin.



For the first quarter of 2019, the Polsinelli/TrBk Real Estate Distress Index was 22.71. This represents a decrease of 2 points since the last quarter.

Current	Last	1 Year
22.71	24.69	33.93

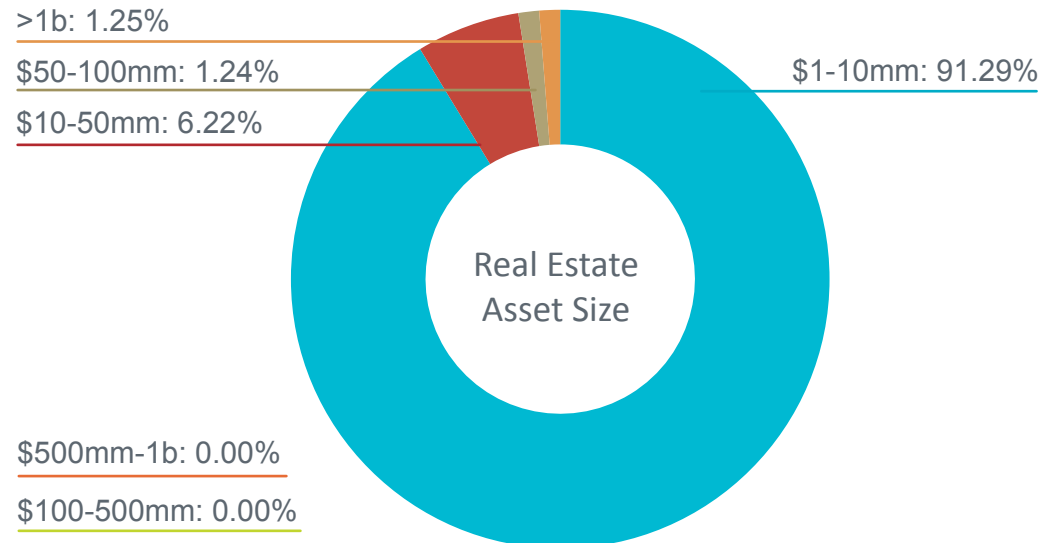
For a first-ever examination of outcomes in single asset real estate (SARE) Chapter 11 bankruptcy cases, see the 2017 Polsinelli|TrBK Distress Indices Special Report: Outcomes in Single Asset Real Estate Chapter 11 Cases in 2016, released on June 6, 2017, and available at [www.distressindex.com](http://www.distressindex.com).

**Volatility**

Similar to the Chapter 11 Distress Research Index, case filings measured in the Real Estate Distress Research Index have experienced significant volatility quarter on quarter. Since the benchmark period of the fourth quarter of 2010, filing numbers declined 17 times compared to the prior quarter and climbed 16 times. The index is measured on a trailing four-quarter basis to smooth out this volatility and provide a better picture of long-term trends. The Real Estate Distress Research Index has declined 26 times compared to the prior quarter and increased 7 times, reflecting the significant downward trend in general filing levels since 2010.

**Asset Size**

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

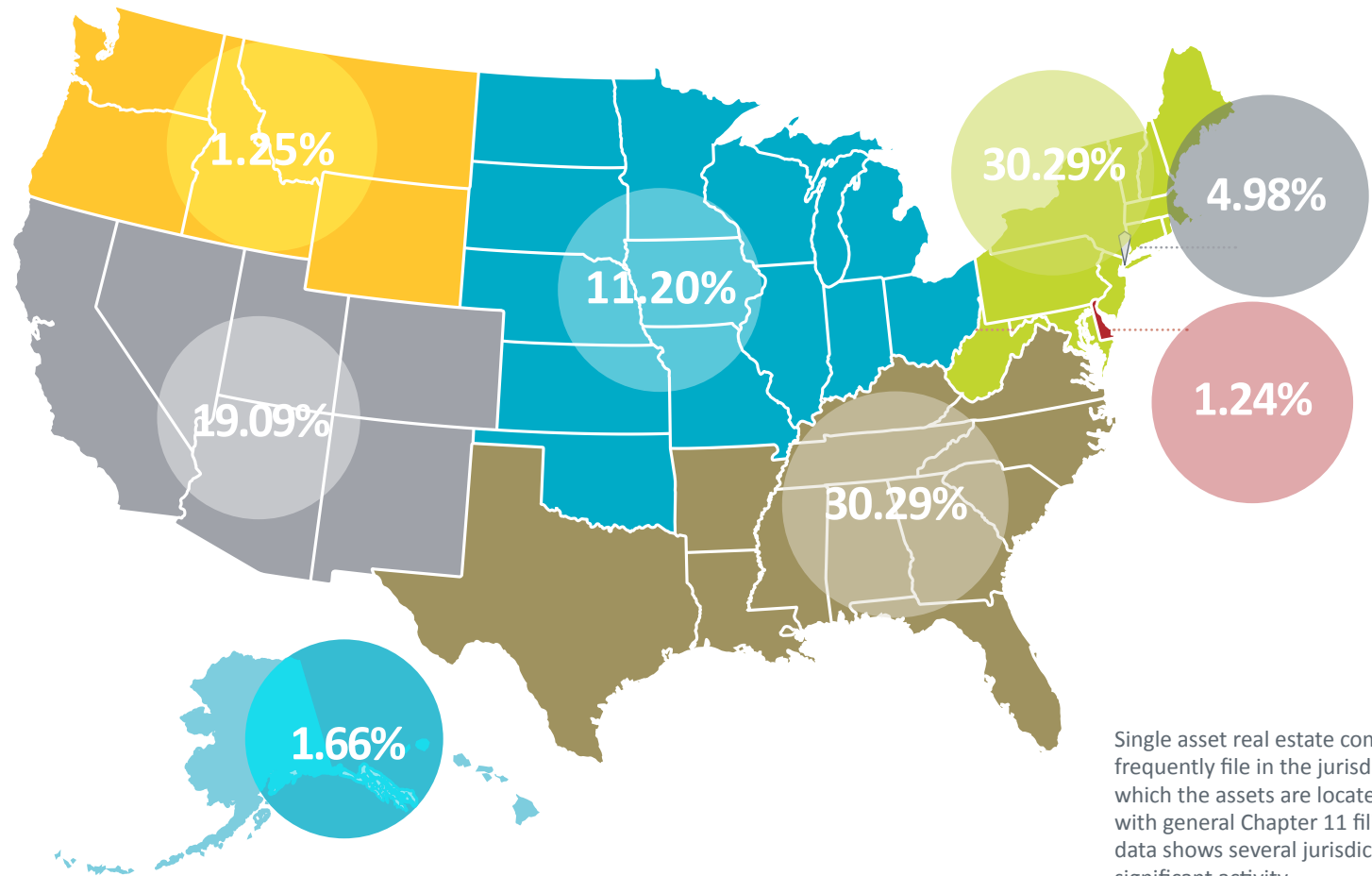


**Geography**

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

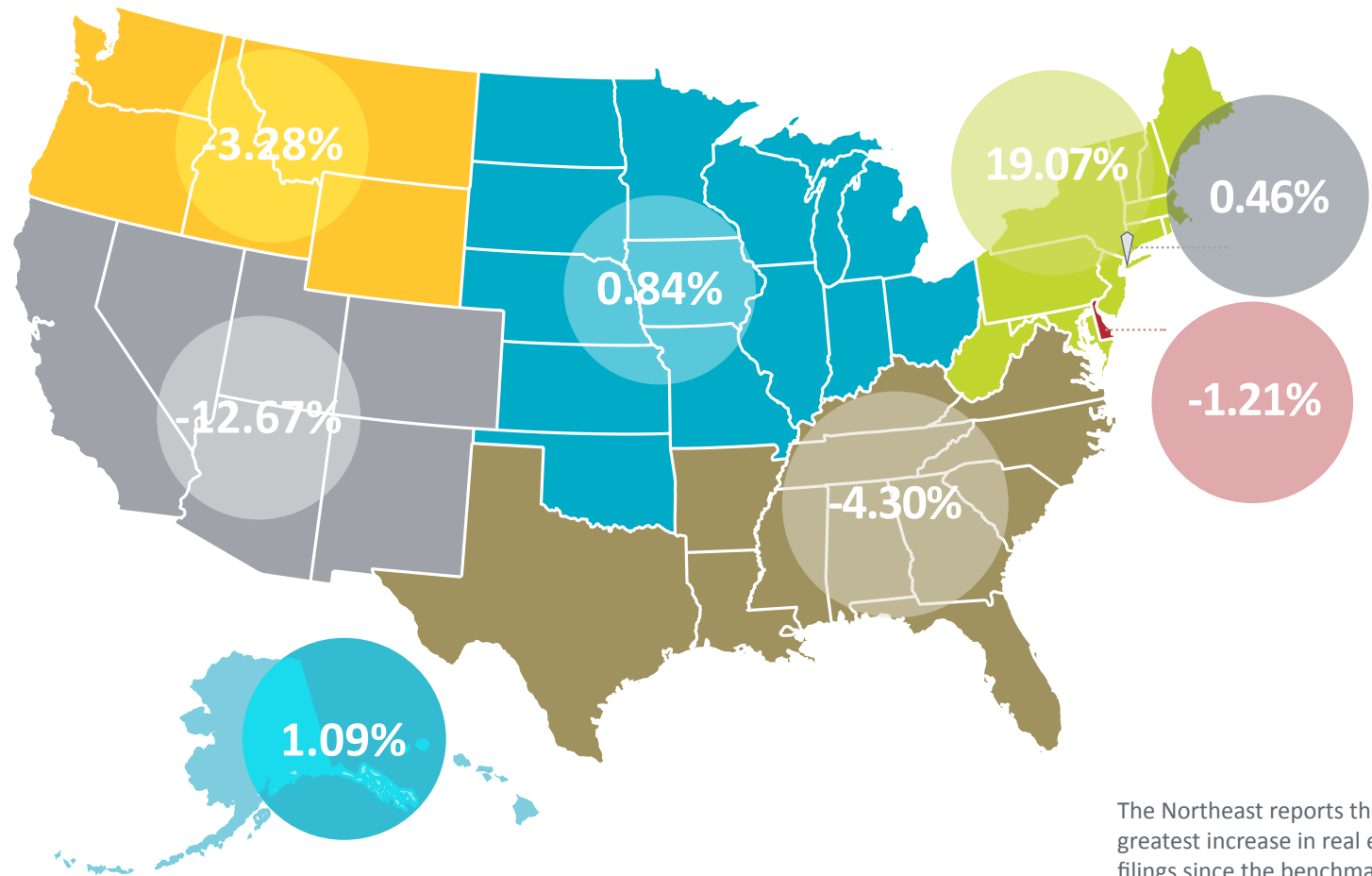


Single asset real estate companies frequently file in the jurisdiction in which the assets are located, compared with general Chapter 11 filings. The data shows several jurisdictions with significant activity.

# REAL ESTATE DISTRESS RESEARCH INDEX

Change in Geographic Distribution Since Benchmark Period

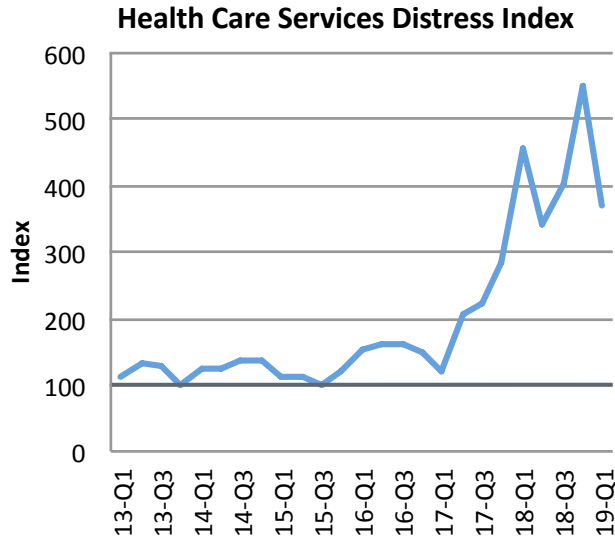
Looking at the difference in geographic breakdowns of index filings now versus the benchmark period of fourth quarter 2010, the relative change versus the benchmark is:



**GEOGRAPHIC REGIONS**

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

The Northeast reports the greatest increase in real estate filings since the benchmark period, followed by SDNY.



For the first quarter of 2019, the Health Care Services Distress Research Index reached 371.67. The index has exceeded the benchmark by at least 100% the last eight quarters. The index continues to show signs of decoupling from the broader U.S. economy as distress remains relatively low in the other indices.

Current	Last	1 Year
371.67	550.00	455.00

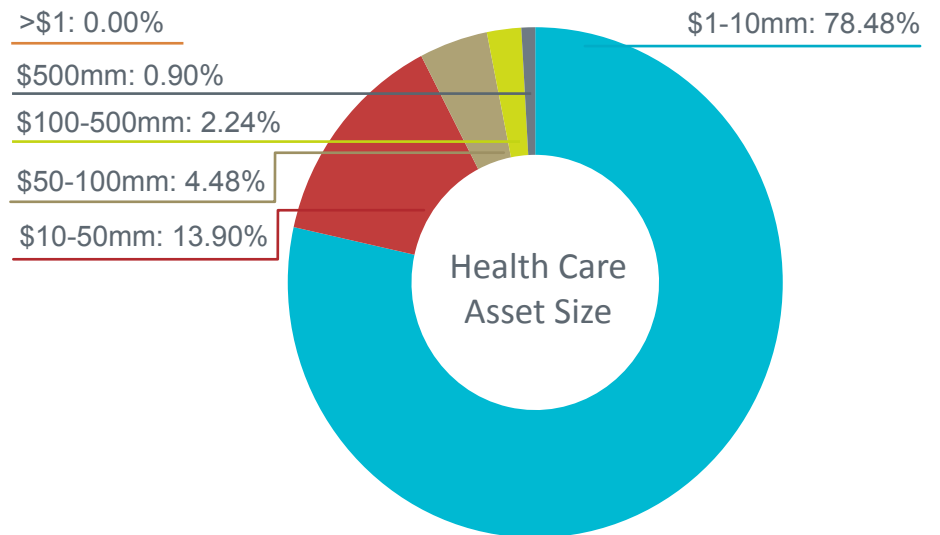
For a look at the underlying causes that are creating financial distress in the health care services industry from previous high levels, see the 2015 Polsinelli|TrBK Distress Indices Special Report: Causes of Health Care Distress in 2014, released on August 13, 2015, and available at [www.distressindex.com](http://www.distressindex.com).

### Volatility

Case filing numbers measured in the Health Care Services Distress Research Index show similar volatility to the other Polsinelli|TrBK Distress Indices when comparing only whether the number is greater or less. Since the benchmark period of the fourth quarter of 2010, filing numbers declined 16 times compared to the prior quarter and increased 17 times, similar to the other indices. For the Health Care Services Index the volume of increased filings has generally outstripped declines, resulting in an index value that is 272% higher than the benchmark period of the fourth quarter of 2010. The index is measured on a trailing four-quarter basis to smooth out volatility and provide a better picture of long-term trends. The Health Care Services Distress Research Index has declined 11 times compared to the prior quarter and increased 18 times, reflecting the significant upward trend in general filing levels since 2010.

### Asset Size

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

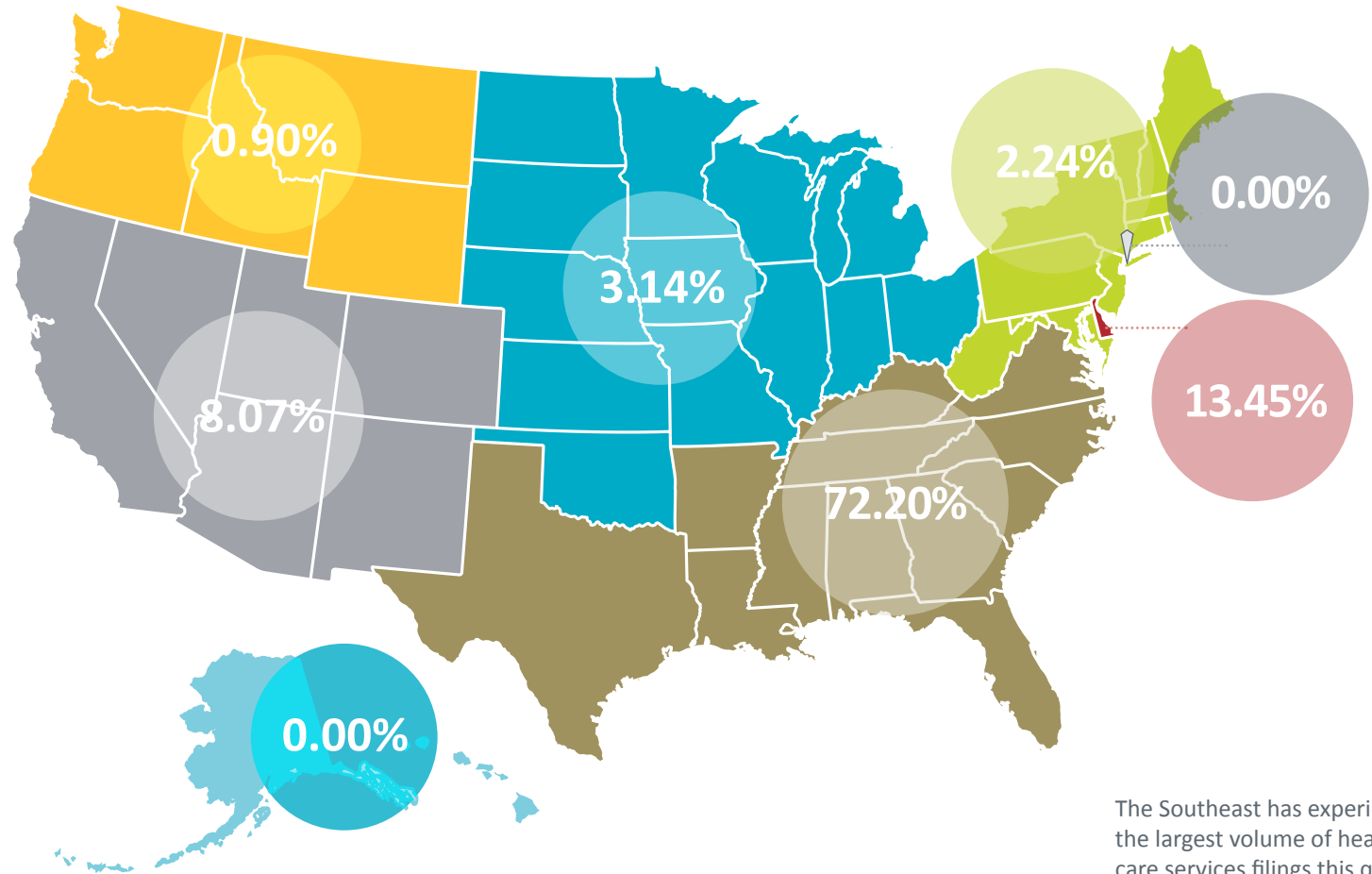


**Geography**

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



The Southeast has experienced the largest volume of health care services filings this quarter, with over half of health care services filings last quarter.

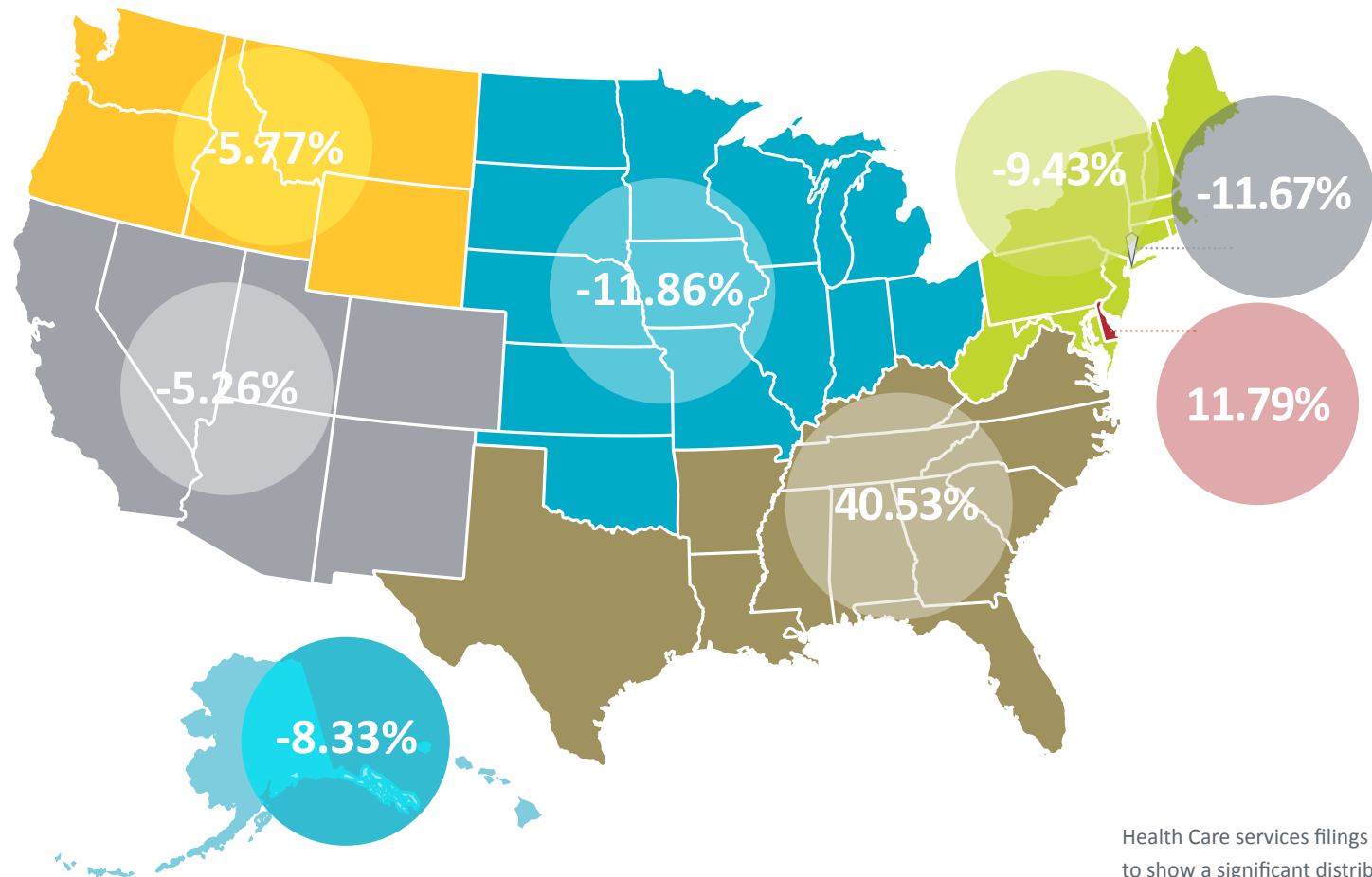
# HEALTH CARE SERVICES DISTRESS RESEARCH INDEX

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



Health Care services filings continue to show a significant distribution shift toward the Southeast since the benchmark period.

### 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 as represented on initial Chapter 11 petitions. Individuals and involuntary filings are excluded from the calculation.

The Real Estate Distress Research Index and the Health Care 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, health care facility, retail outlet or multifamily apartment building. The Health Care Services Distress Research Index requires that the debtor be classified as a “health care business” as indicated on the Chapter 11 petition in order to be counted; based on this definition, non-service health care businesses are generally excluded from the Health Care 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 Health Care Services Indices. Chapter 15 cases comprise a small number of overall filings.

The indices are contrarian measures 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 to the public for purchase 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 HORNE, LLP. 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 Jeremy Johnson (Polsinelli), Bobby Guy (Polsinelli), Robert Dempsey (Polsinelli), Richard Romero (Coker 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, Robert Dempsey and Jeremy Johnson, and members of the Mergers & Acquisitions, Real Estate, Health Care, and Bankruptcy & Restructuring teams at Polsinelli. For more information on the Polsinelli|TrBK Distress Indices, and for media inquiries, please contact Jeremy Johnson at 646.289.6507 or [jeremy.johnson@polsinelli.com](mailto:jeremy.johnson@polsinelli.com), or Bobby Guy at 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 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, advisers 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 adviser, investment adviser or other professional is an important decision and should not be made based solely on any advertisement, and no recommendation is made herein.

Polsinelli PC currently serves as debtors’ counsel to several health care debtors that have filed over the past four quarters, including EBH Topco, LLC, Curae Health, Inc., and Senior Care Centers, LLC.

\*Matthew S. Shotwell, Ph.D., is Associate 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.