

# FBT | TrBK

## DISTRESS INDICES

The FBT/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.

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

For more information on the FBT/TrBK Distress Indices, contact:  
[info@distressindex.com](mailto:info@distressindex.com)

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

# Welcome to the publication of the 3rd Quarter 2014 Report for the **FBT/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.

## 3rd Quarter 2014 HIGHLIGHTS

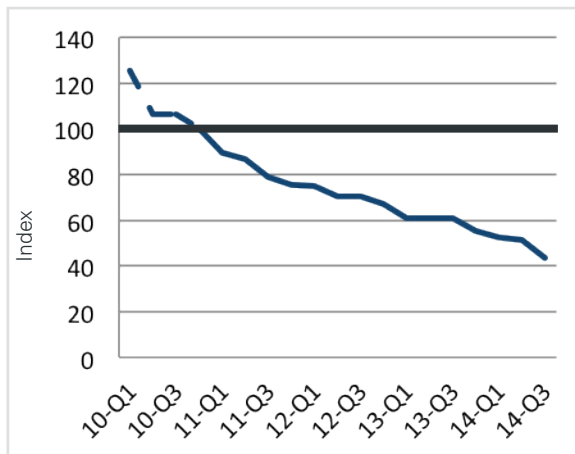
The **Chapter 11 Distress Research Index** was 43.41 for the third quarter of 2014. This represents a decline of more than 55% in the index from the start of the index measurement period in the fourth quarter of 2010, and a decline of almost 7 points from the second quarter of 2014. Compared to the same period one year ago, the index has dropped by almost 30%. The Chapter 11 Distress Research Index has shown a decline in every quarter since 2010 except one (2013-Q2). Based on preliminary data for earlier periods, the last time Chapter 11 filings were this low was prior to the beginning of the Great Recession, and during the quarter the Dow Jones Industrial Average reached its historic high of more than 14,000 points.

The **Real Estate Distress Research Index** was 34.97 for the third quarter of 2014. This represents a decline of almost 9 points from the second quarter, and a decline of over 65% since the fourth quarter of 2010. Compared to the same period one year ago, the index has dropped by more than 36%. Based on preliminary data for earlier periods, the last time single asset real estate filings were this low was prior to the beginning of the Great Recession, similar to the Chapter 11 Distress Research Index.

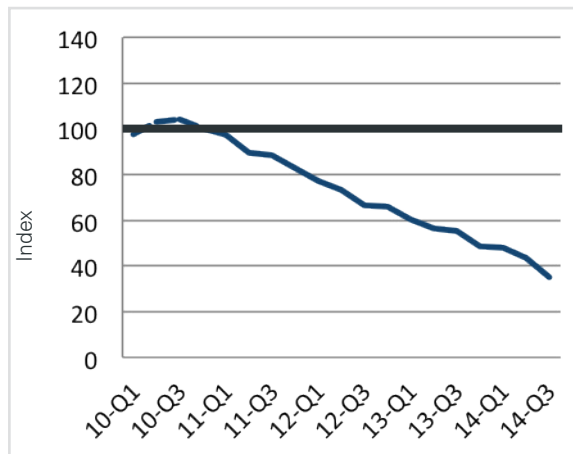
The **Healthcare Services Distress Research Index** was 138.33 for the third quarter of 2014. This represents an increase of more than 13 points from the second quarter of 2014. The Healthcare Services Distress Research Index has increased by more than 38% relative to the fourth quarter of 2010. Compared to the same period one year ago, the index has increased by more than 9%. Based on preliminary data for earlier periods, the last time healthcare services filings were this high was during the Great Recession.

While both the Chapter 11 and Real Estate Indices continue to see significant drops since 2010 back to pre-recessionary levels, the Healthcare Services Index shows a strong upward trend. Furthermore, 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 15.80% now, while healthcare services filings have increased from 1.11% in 2010 to 3.53%.

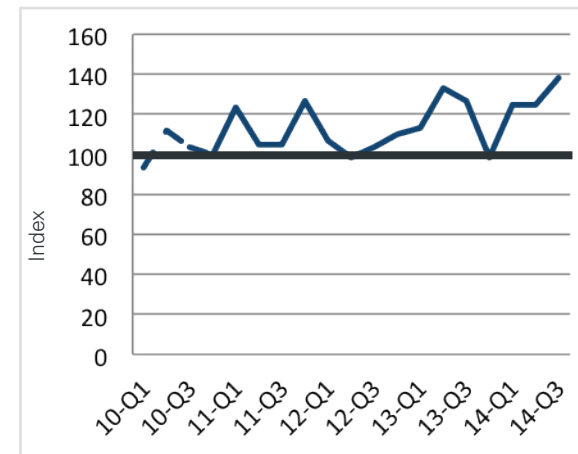
Chapter 11 Distress Research Index



Real Estate Distress Research Index



Healthcare Services Distress Research Index



## FBT|TrBK Distress Indices: 3rd Quarter 2014



Chapter 11 Distress Research Index

43.41

Max: 100.00 in 10-Q4  
Min: 43.41 in 14-Q3



Real Estate Distress Research Index

34.97

Max: 100.00 in 10-Q4  
Min: 34.97 in 14-Q3



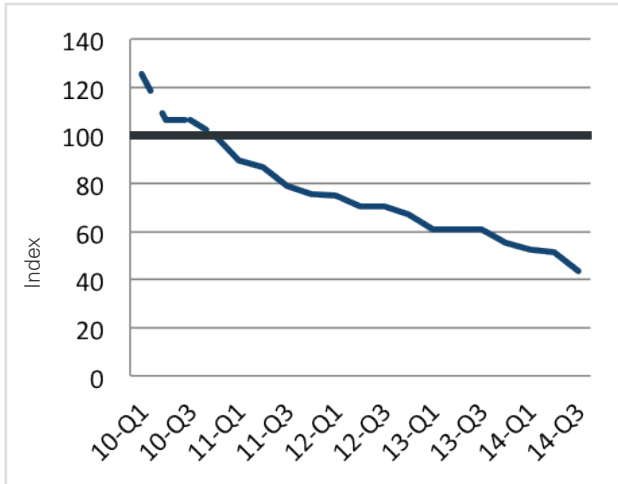
Healthcare Services Distress Research Index

138.33

Max: 138.33 in 14-Q3  
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 Research Index



For the third quarter of 2014, the FBT/TrBK Chapter 11 Distress Research Index was 43.41. This represents a drop of more than 7 points from the first quarter, and a drop of more than 17 points against the same period one year ago.

Current	Last	1 Year
43.41	51.14	60.62

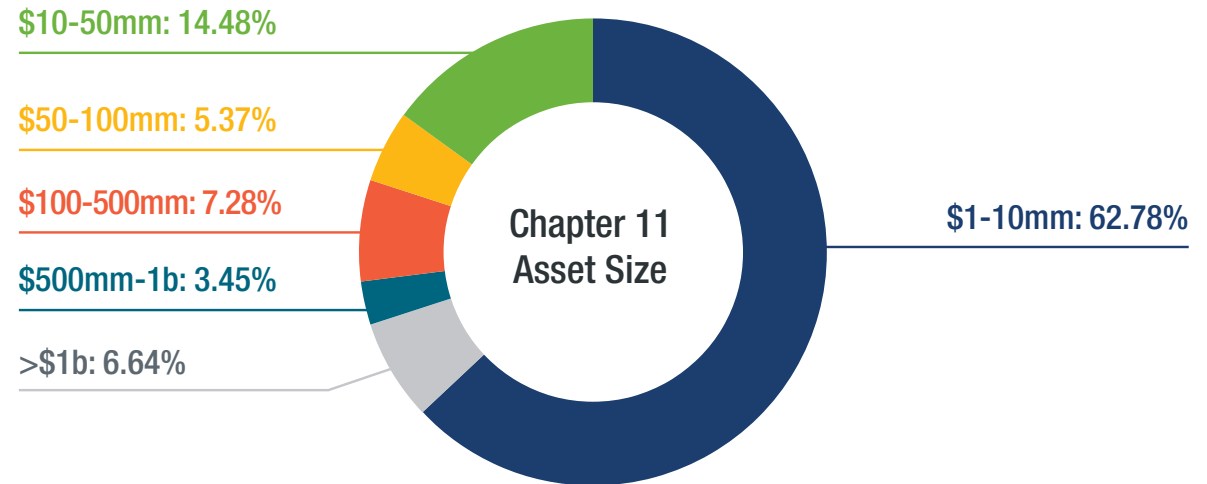
The Chapter 11 Distress Index shows a steady decline against its 2010 benchmark. It has never exceeded the benchmark since 2010, and only in one quarter (2013-Q2) has it been higher than the prior quarter.

### Volatility

Case filing numbers measured in the FBT/TrBK Chapter 11 Distress Research Index have shown significant volatility over the sixteen-quarter period from 2010-Q4 until now. During that period, filing numbers declined 9 times compared to the prior quarter, and increased 6 times compared to the prior quarter. However, the volume of declines far exceeded any increases. 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 fourteen times compared to the prior quarter, and increased only once, thus reflecting the significant downward trend in general filing levels.

### Asset Size

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

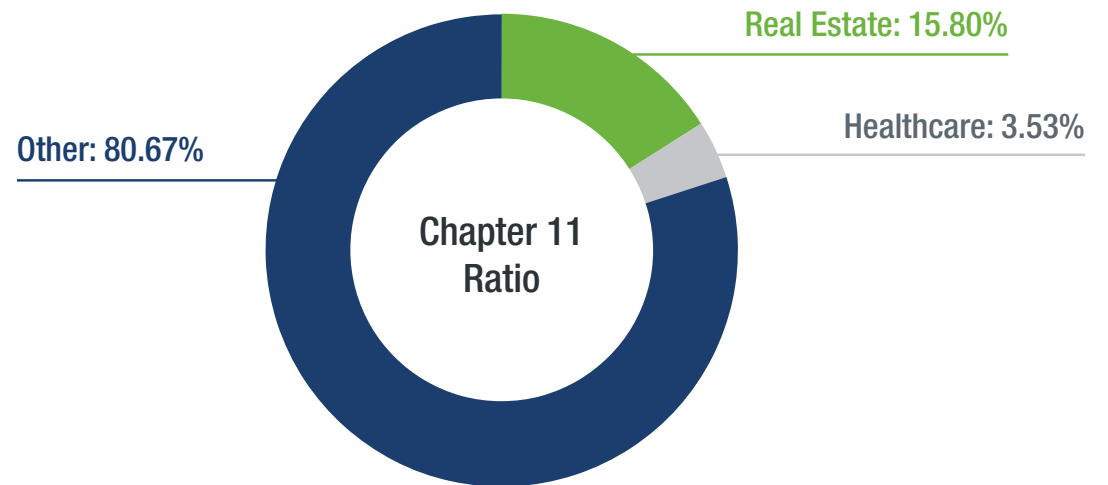


# Chapter 11 Distress Research Index

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

Real estate filings calculated in the FBT/TrBK Real Estate Distress Research Index for the current quarter made up 15.80% of the total filings counted in the Chapter 11 index. This is the lowest ratio of real estate filings to total filings for the index measurement period, and compares to 19.62% for the period ending 2010-Q4.

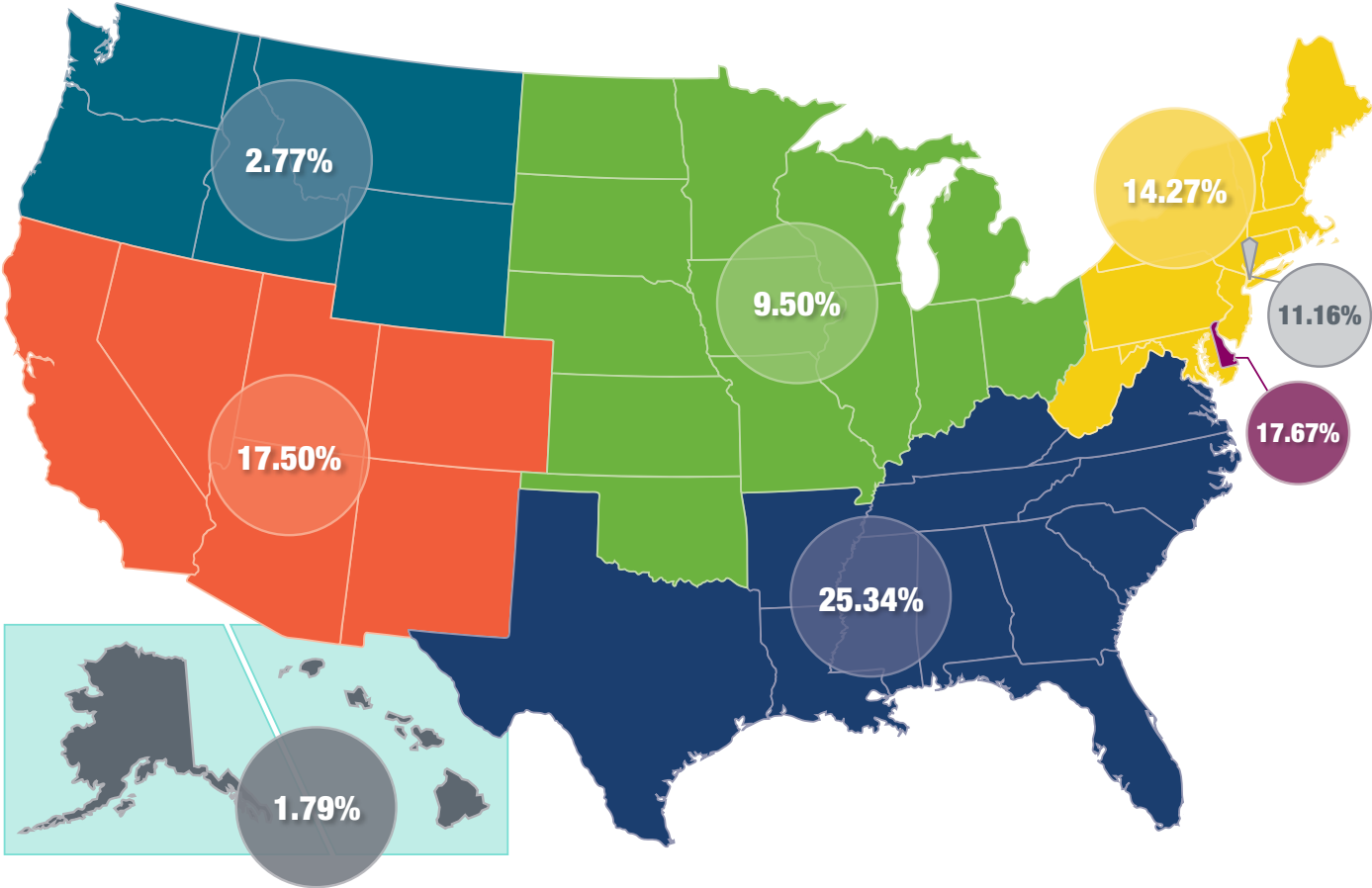
In contrast, healthcare services filings measured in the FBT/TrBK Healthcare Services Distress Research Index have moved from 1.11% in the benchmark period to 3.53% of total index-measured filings in the current trailing four-quarters. This is the highest ratio of healthcare filings to total filings for the index measurement period.



# Chapter 11 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 as jurisdictions separately, it is possible to get a more accurate picture of distress by region.



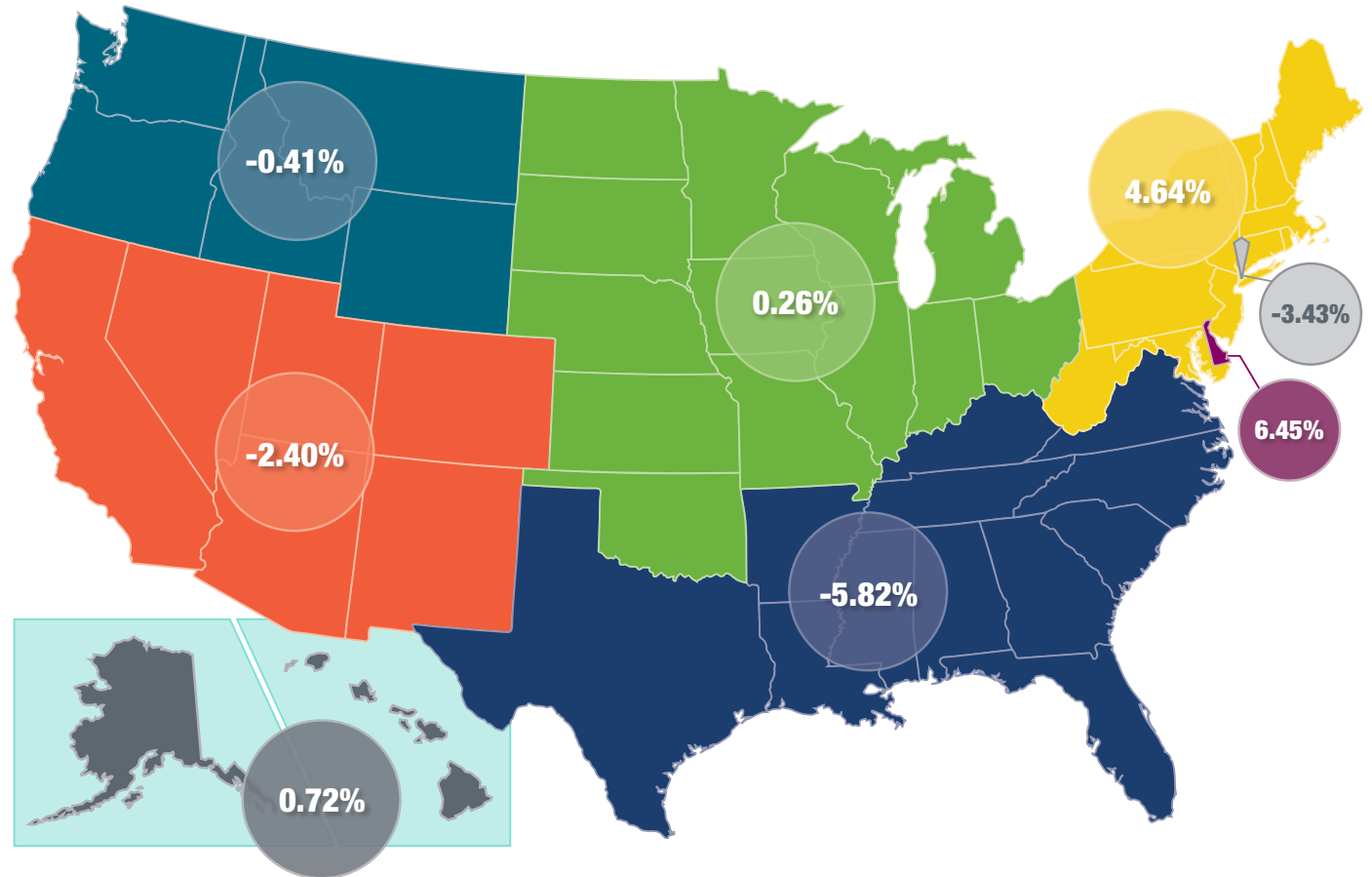
**Geographic Regions**

- Delaware
- Midwest
- Northeast
- Northwest
- Non-Continental U.S., Territories, and Protectorates
- Southeast
- Southwest
- 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 shows the following:

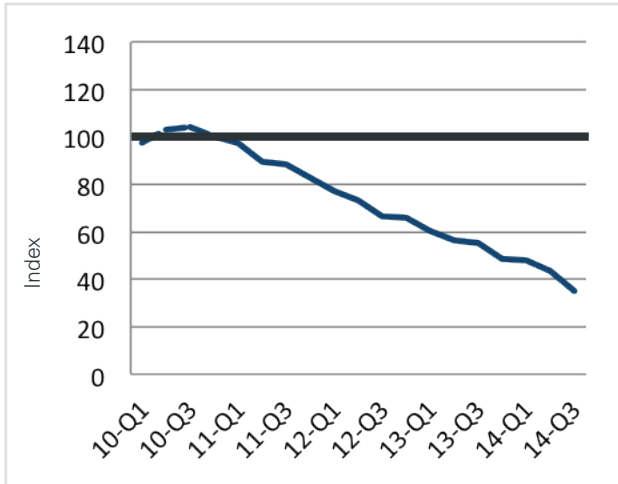


### Concluding Thoughts

If index-eligible Chapter 11 filings are a reasonable proxy for distress in the economy, distress levels have dropped significantly since the benchmark period of 2010, the year after the end of The Great Recession. As to distribution, current filings across the U.S. tend to be more heavily distributed in the Northeast -- even after isolating the favored venues of Delaware and the Southern District of New York -- suggesting that the Northeast has more residual distress to be worked out from The Great Recession than other parts of the U.S.

### Geographic Regions

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



For third quarter of 2014, the FBT/TrBK Real Estate Distress Research Index was 34.97. This represents a decline of almost five points from the first quarter of the year, and a drop almost 13 points from the same period one year ago.

Current	Last	1 Year
34.97	43.54	55.04

The Real Estate Distress Research Index is the only one of the FBT/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 sixteen quarter period, filing numbers declined 9 times compared to the prior quarter, and climbed 6 times compared to the prior quarter. The index is measured on a trailing four-quarter basis to smooth out this volatility and provide a better picture of long-term trends.

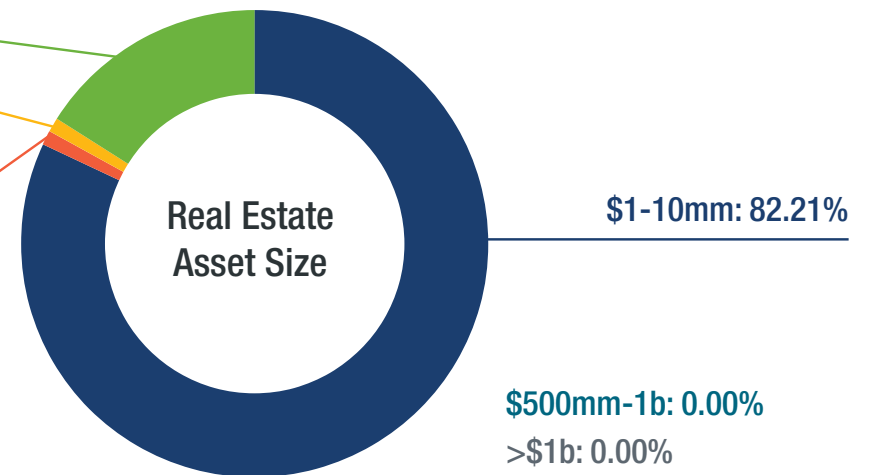
### Asset Size

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

**\$10-50mm: 16.98%**

**\$50-100mm: 0.27%**

**\$100-500mm: 0.54%**

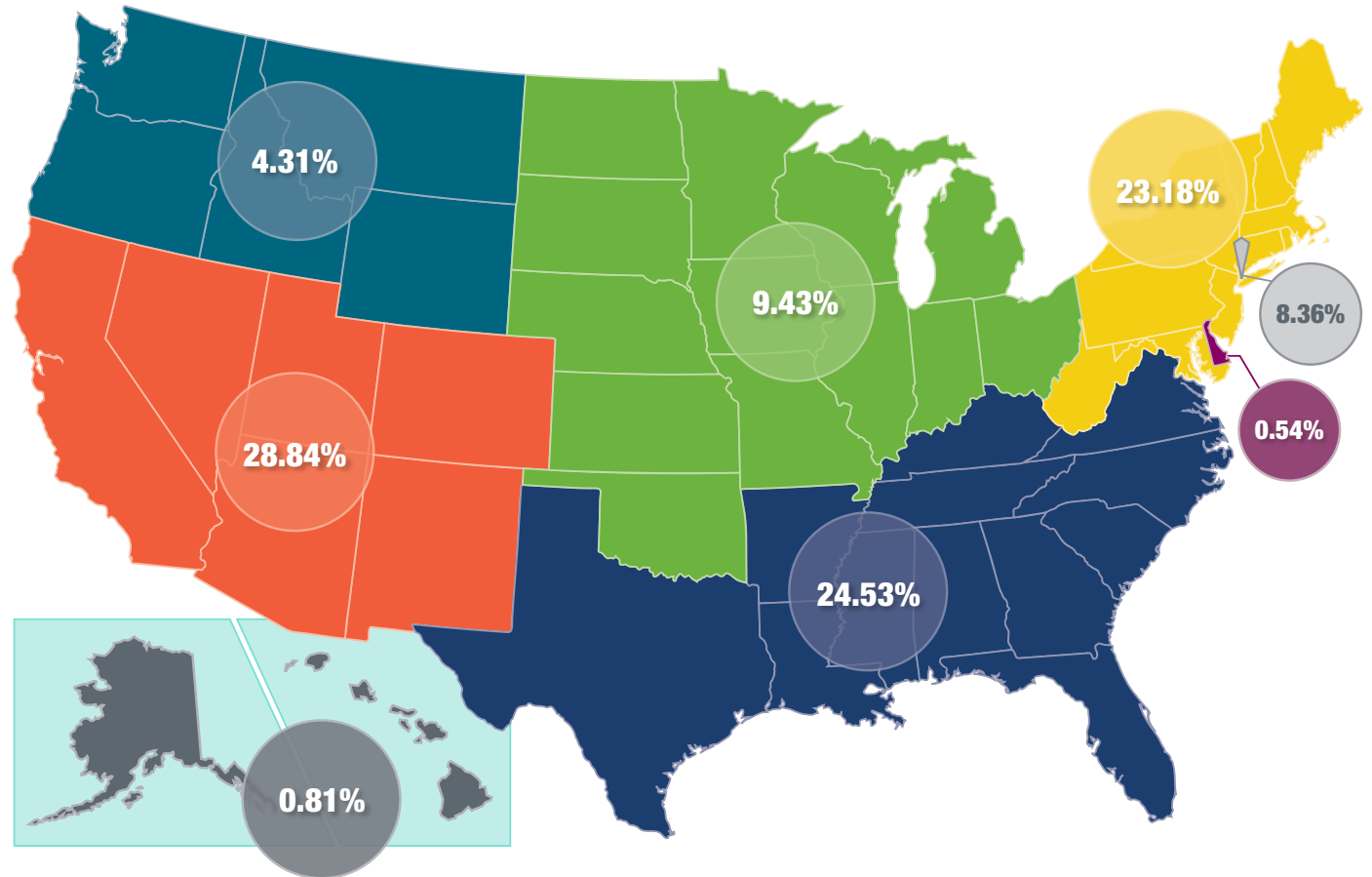


# Real Estate Distress Research Index

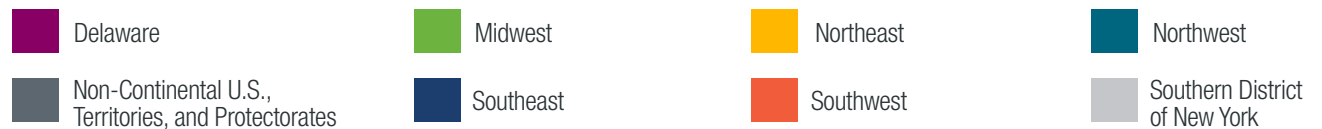
### Geography

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 as jurisdictions separately, it is possible to get a more accurate picture of distress by region.



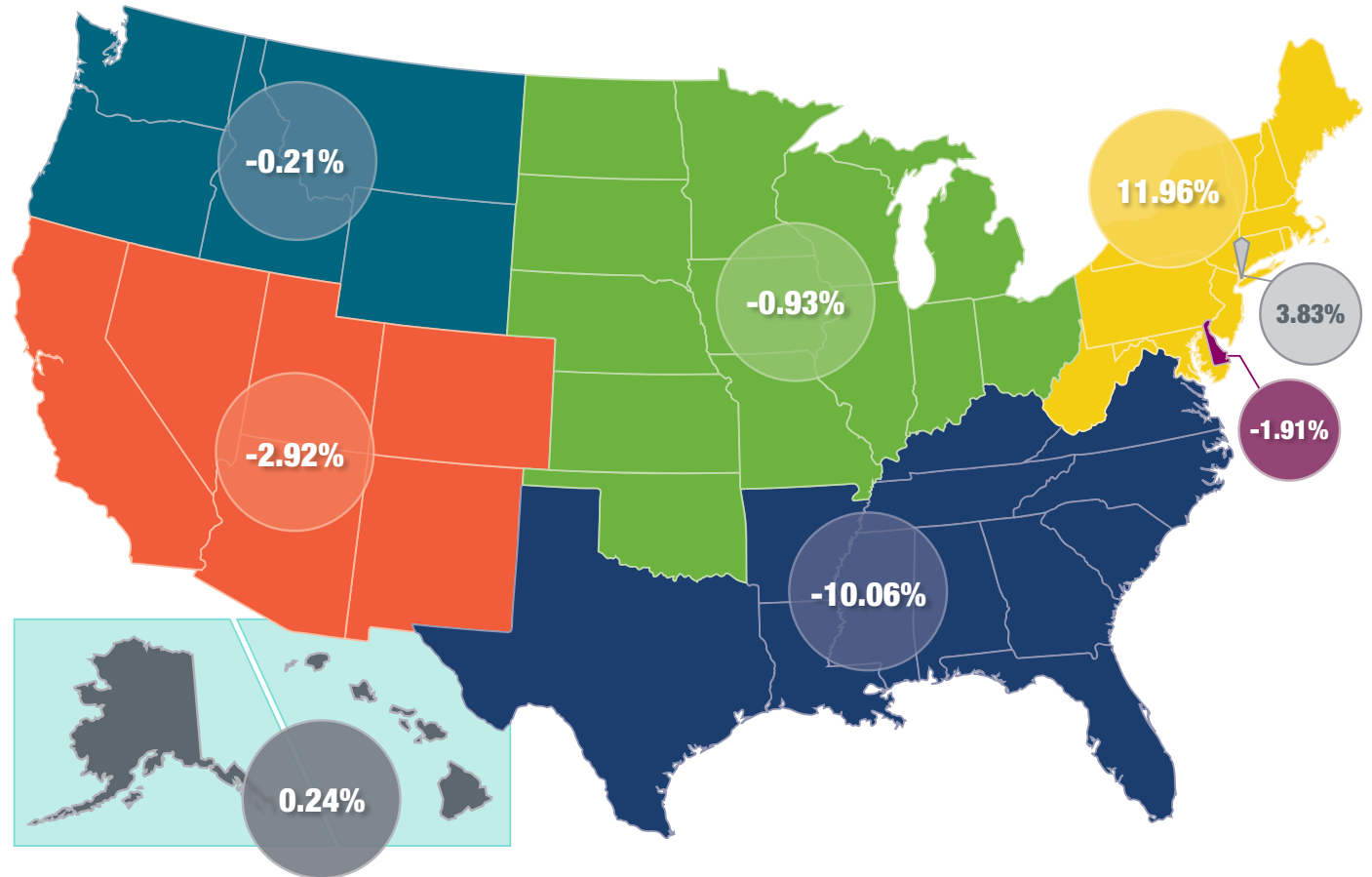
### Geographic Regions



# Real Estate 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 shows the following:



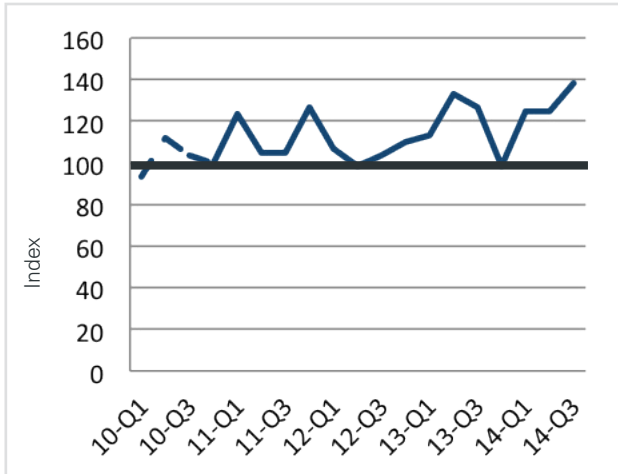
### Concluding Thoughts

The declining Real Estate Index indicates that the high levels of real estate distress from The Great Recession appear to have fallen to pre-recessionary levels. The highest level of distress in real estate continues to be in the Northeast. Distressed investing opportunities in real estate are likely fewer than in years past and more difficult to identify. In addition, the trending distribution in the size of real estate filings suggests that remaining distressed opportunities are also smaller in size.

### Geographic Regions

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

# Healthcare Services Distress Research Index



For the third quarter of 2014, the FBT/TrBK Healthcare Services Distress Research Index was 138.33. This is an increase of more than 13 points from the prior quarter, and is the highest level registered by the index since its benchmark period. In contrast to a general decline in bankruptcy filings since 2010, the trend line since the fourth quarter of 2010 continues upward.

Current	Last	1 Year
138.33	125.00	126.67

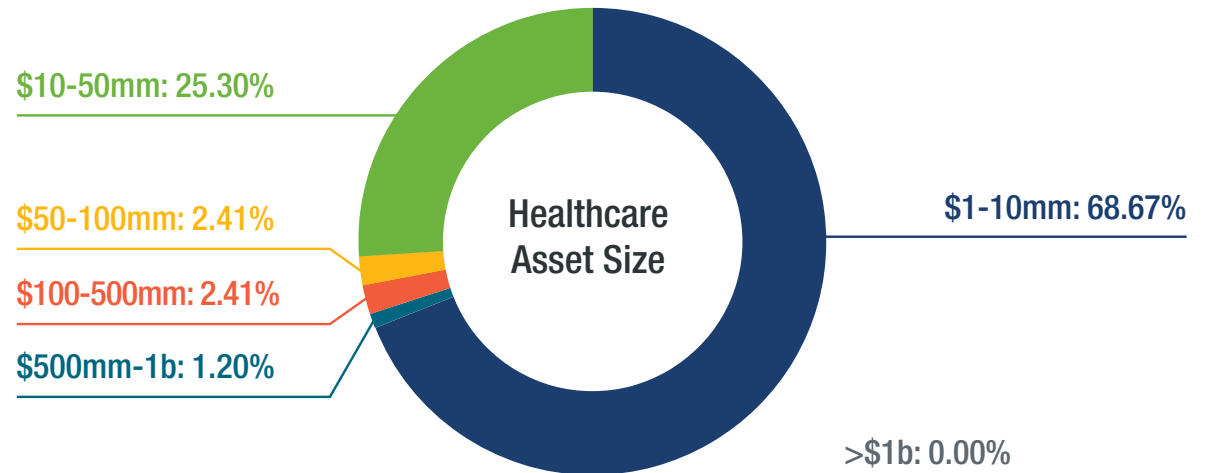
Only twice since 2010 has the index fallen below 100, and each time it was in the high 90's (2012-Q2 and 2013-Q4).

### Volatility

Case filing numbers measured in the Healthcare Services Distress Research Index show the same volatility as the other FBT/TrBK Distress Indices: filing numbers declined 9 times compared to the prior quarter, and increased 6 times compared to the prior quarter, from 2010-Q4 until now. For the Healthcare Services Index, however, gains have 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

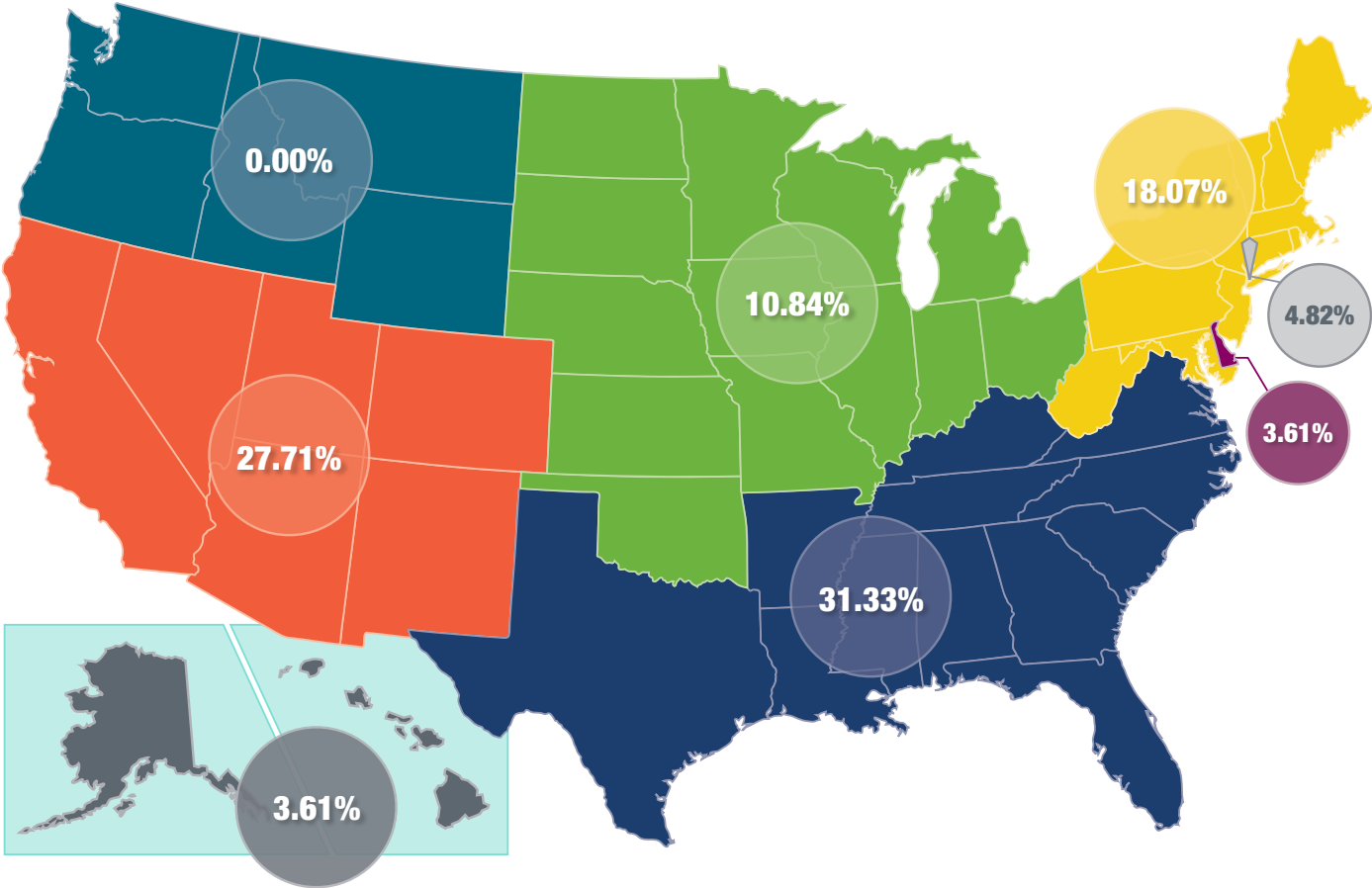
The percentage breakdown of index-filings for the current period by asset size is:



# 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 as jurisdictions separately, it is possible to get a more accurate picture of distress by region.



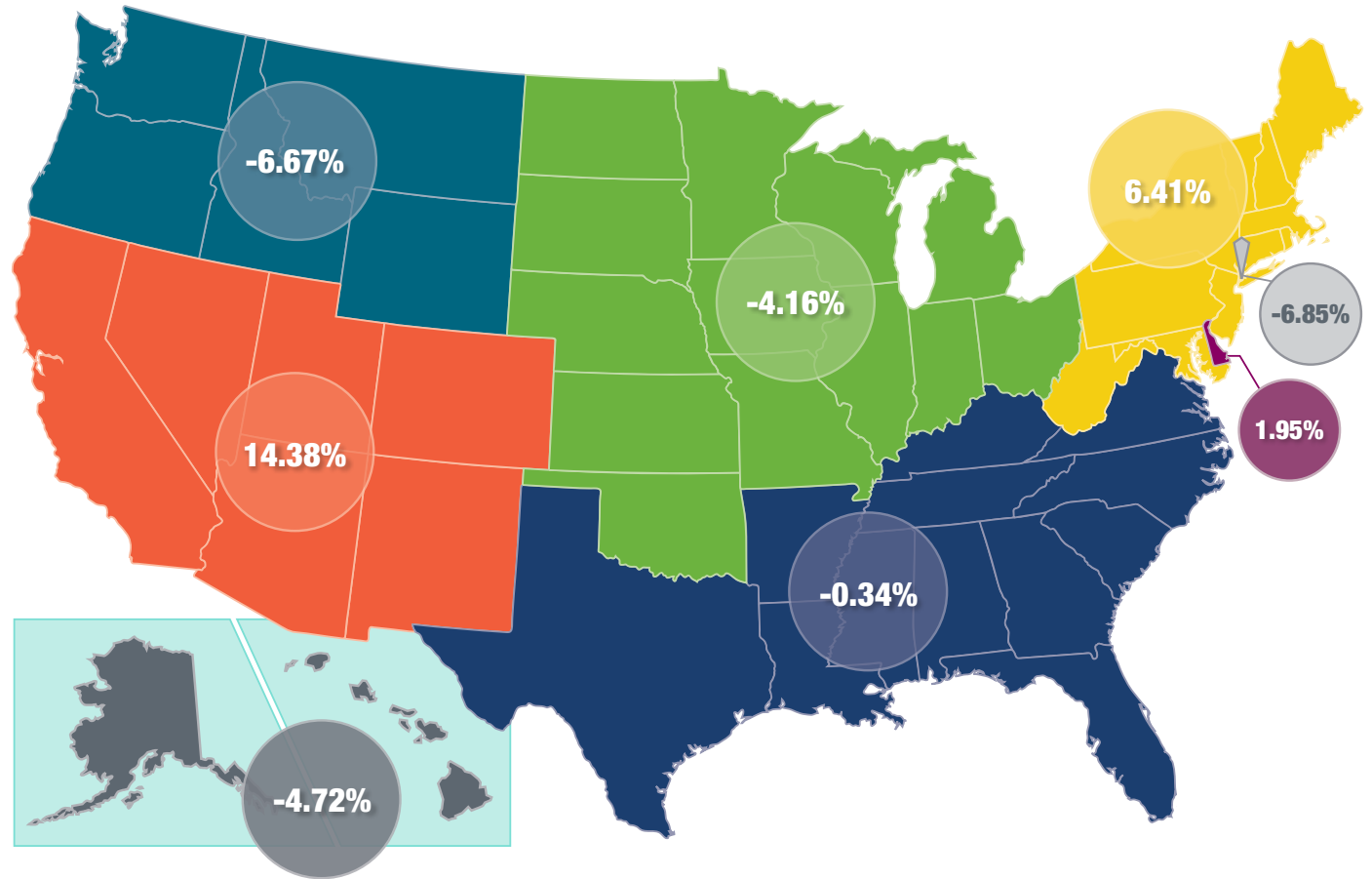
**Geographic Regions**

- Delaware
- Midwest
- Northeast
- Northwest
- Non-Continental U.S., Territories, and Protectorates
- Southeast
- Southwest
- 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 shows the following:



### Concluding Thoughts

Distress in the healthcare services sector appears to be decoupling from distress in other sectors of the U.S. economy. The Healthcare Services Index indicates that the sector is experiencing continued and increasing amounts of distress. The last time the frequency of index-eligible Healthcare Services filings was this high was near the end of the Great Recession. Results from the next quarter will be very interesting to watch.

### Geographic Regions

- Delaware
- Midwest
- Northeast
- Northwest
- Non-Continental U.S., Territories, and Protectorates
- South
- Southwest
- Southern District of New York

### Understanding The FBT/TrBK Distress Indices:

The FBT/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 FBT/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 FBT/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 FBT/TrBK Distress Indices© are published by FBT Financial Indices LLC, a subsidiary of the multi-state law firm of Frost Brown Todd LLC, in conjunction with bankruptcy information provider 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 FBT/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 (FBT), Robert Dempsey (FBT), 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 FBT/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 Ronald Gold (Real Estate Distress Research Index), Douglas Lutz (Chapter 11 Distress Research Index), and members of the Mergers & Acquisitions, Real Estate, and Bankruptcy & Restructuring teams at Frost Brown Todd LLC.

**For more information on the FBT/TrBK Financial Indices, and for media inquiries, please contact Bobby Guy at 615.251.5557 or [bguy@distressindex.com](mailto:bguy@distressindex.com).**

The indices and analysis are available at [www.distressindex.com](http://www.distressindex.com). Future quarterly reports are via email for free by signing up at [www.distressindex.com/signup](http://www.distressindex.com/signup).

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 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 FBT/TrBK Distress Indices. No affiliation between the indices and Vanderbilt University is expressed or implied.