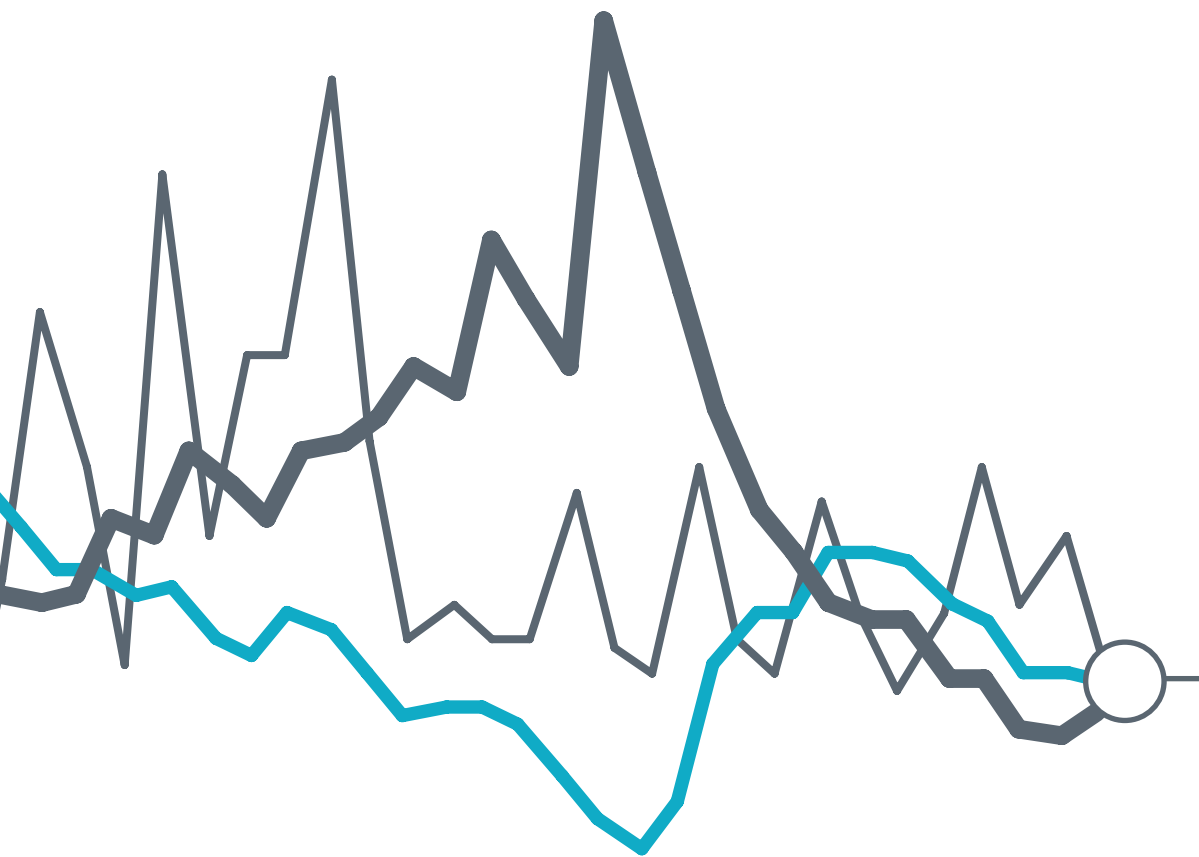


# 4th

Quarter 2017

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 4th Quarter 2017 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.

## 4th Quarter 2017 HIGHLIGHTS

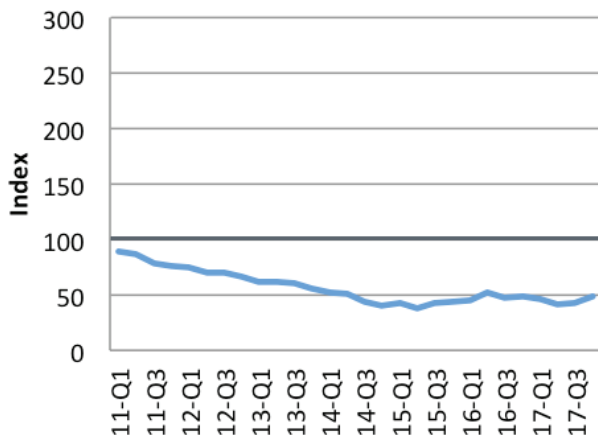
The **Chapter 11 Distress Research Index** was 48.95 for the fourth quarter of 2017. The Chapter 11 Index increased over 6 points since the last quarter and has increased 5 of the last 8 quarters. Compared with the same period one year ago, the index has remained approximately the same and compared with the benchmark period of the fourth quarter of 2010, it is down over 51%.

The **Real Estate Distress Research Index** was 32.89 for the fourth quarter of 2017. The Real Estate Index increased over 7 points since the last quarter and has increased 5 of the last 8 quarters. Compared with the same period one year ago, the index has increased almost 7 points and compared with the benchmark period, it is down over 68%.

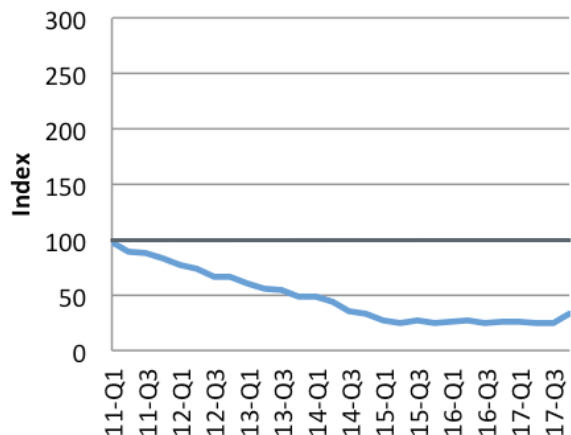
The **Health Care Services Distress Research Index** was 281.67 for the fourth quarter of 2017. The Health Care Index increased 58 points from last quarter. The index has experienced record or near-record highs in 6 of the last 7 quarters. Compared with the same period one year ago, the index has increased over 131 points. Compared with the benchmark period of the fourth quarter of 2010, the index is up over 181%.

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 13.42% now, decreasing slightly since the last quarter. Health Care services filings have increased from 1.13% in 2010 to 6.50%, an increase from last quarter.

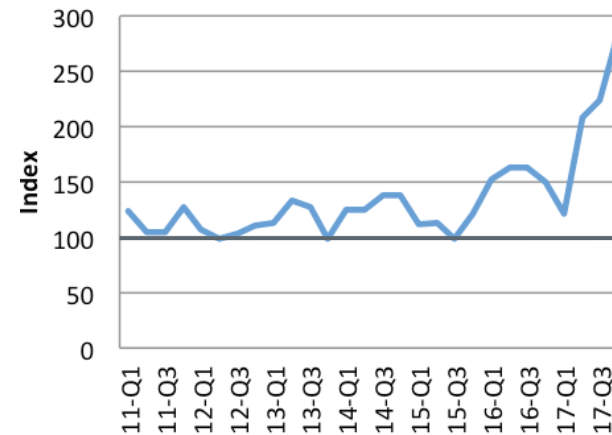
Chapter 11 Distress Index



Real Estate Distress Index



Health Care Services Distress Index



Polsinelli | TrBK Distress Indices: 4th Quarter 2017

Chapter 11 Distress Index

48.95

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

Real Estate Distress Index

32.89

Max: 100.00 in 10-Q4  
Min: 24.22 in 16-Q3

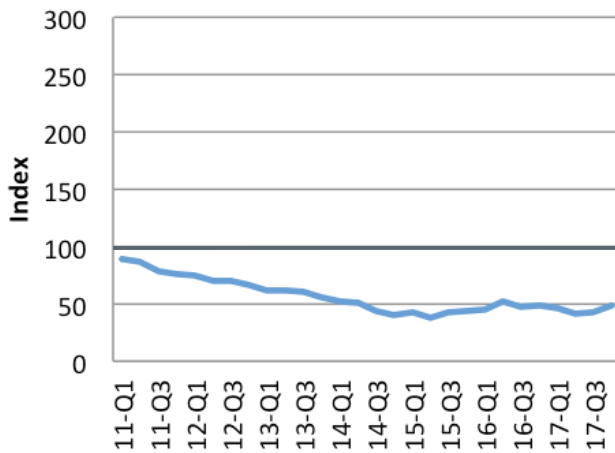
Health Care Services Distress Index

281.67

Max: 281.67 in 17-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 fourth quarter of 2017, the Polsinelli|TrBK Chapter 11 Distress Research Index was 48.95. This represents an increase of over six points from last quarter.

Current	Last	1 Year
48.95	42.74	48.01

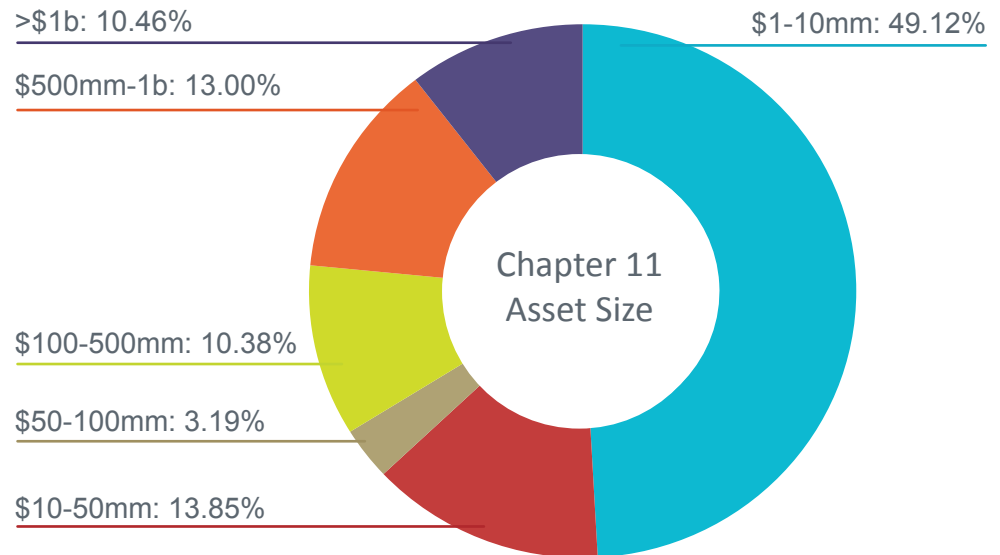
The Chapter 11 Distress Index has declined just over 51 points from the benchmark period of the fourth quarter of 2010 and has decreased 2 of the last 4 quarters. The index remains relatively stable in the mid-40-point range for the past several quarters.

### 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 that period, the number of filings declined 13 times compared to the prior quarter and increased 15 times. 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 19 times compared to the prior quarter, and increased 9 times, reflecting the significant downward trend in general filing levels since 2010.

### Asset Size

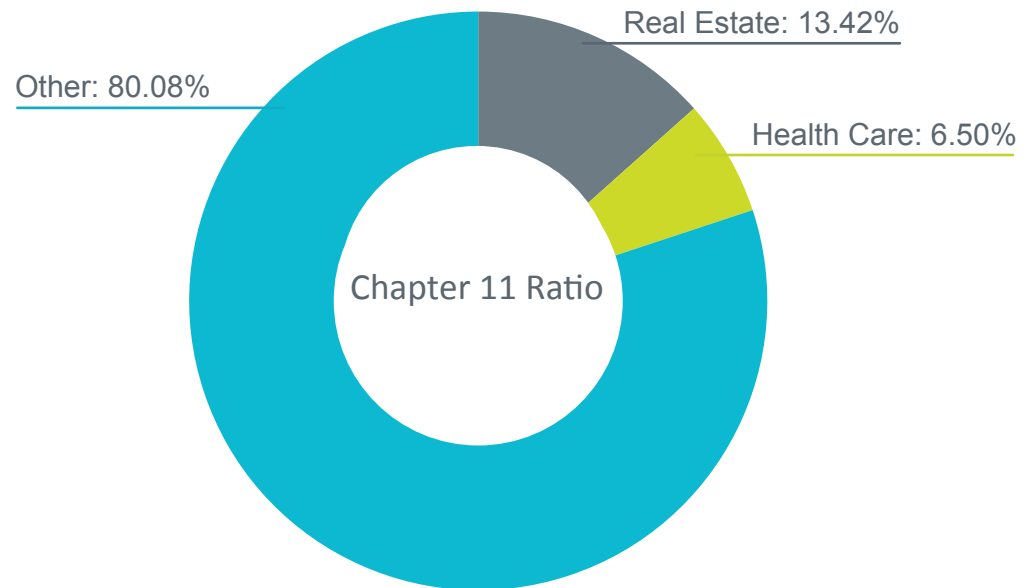
The percentage breakdown of index filings for the current period by asset size is:



**Real Estate and Health Care as Percentages of Total Filings**

Real estate filings calculated in the Polsinelli|TrBK Real Estate Distress Research Index represented 13.42% on a rolling four-quarter basis. This is the highest percentage of real estate filings as a component of overall filings since the second quarter of 2015. The sheer number of real estate filings this quarter is the highest it has been since the third quarter of 2013. This likely reflects an increased number of single asset real estate filings in the context of a relatively stable number of overall filings.

Health Care services filings measured in the Polsinelli|TrBK Health Care Services Distress Research Index represented 6.50% of all distressed filings on a rolling four-quarter basis. This is the highest percentage of health care services filings as a component of overall filings since the benchmark period of the fourth quarter of 2010. Health Care filings have been as low as 1.13% in the benchmark period of the fourth quarter of 2010.

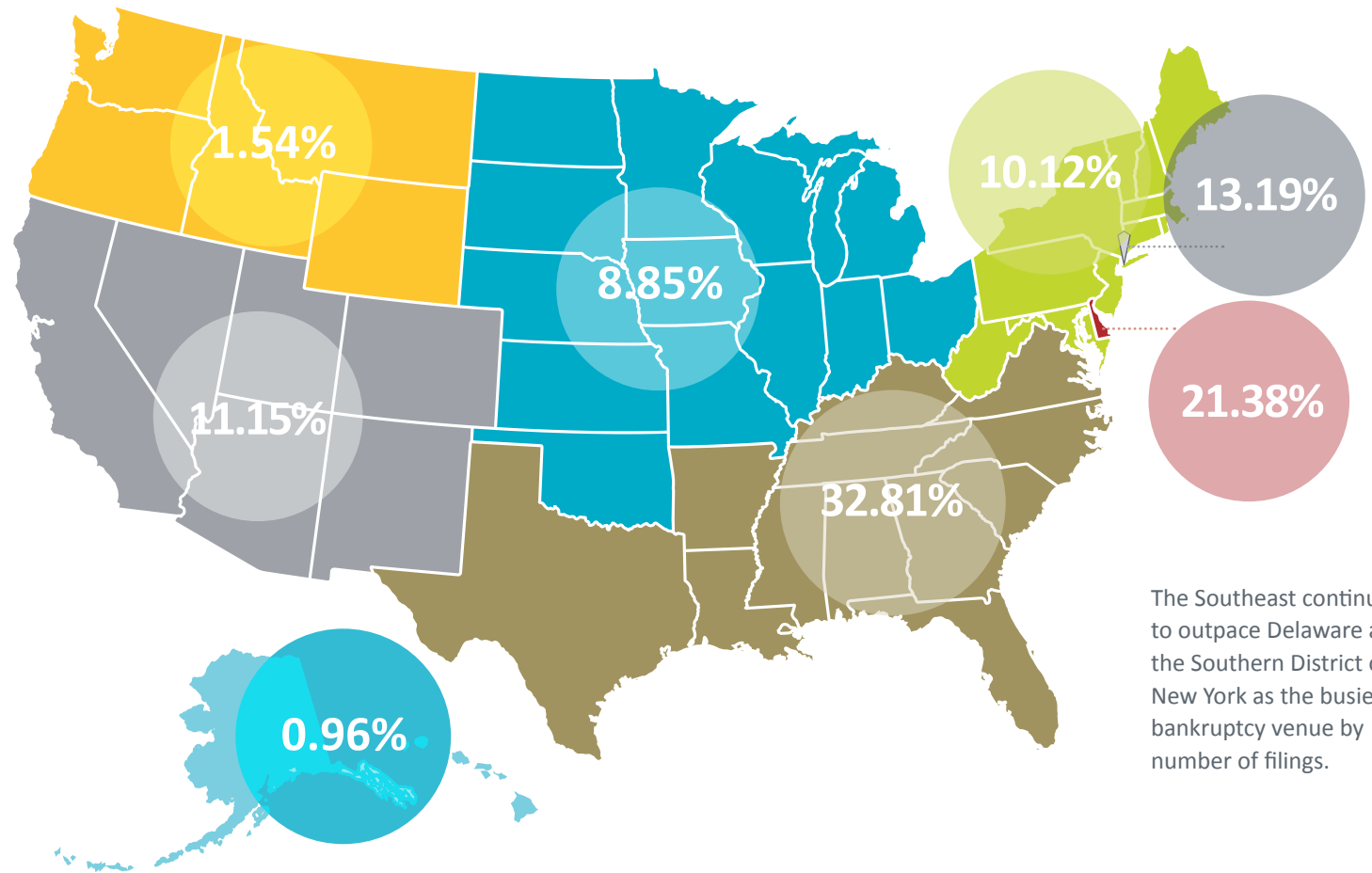


**Geography**

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



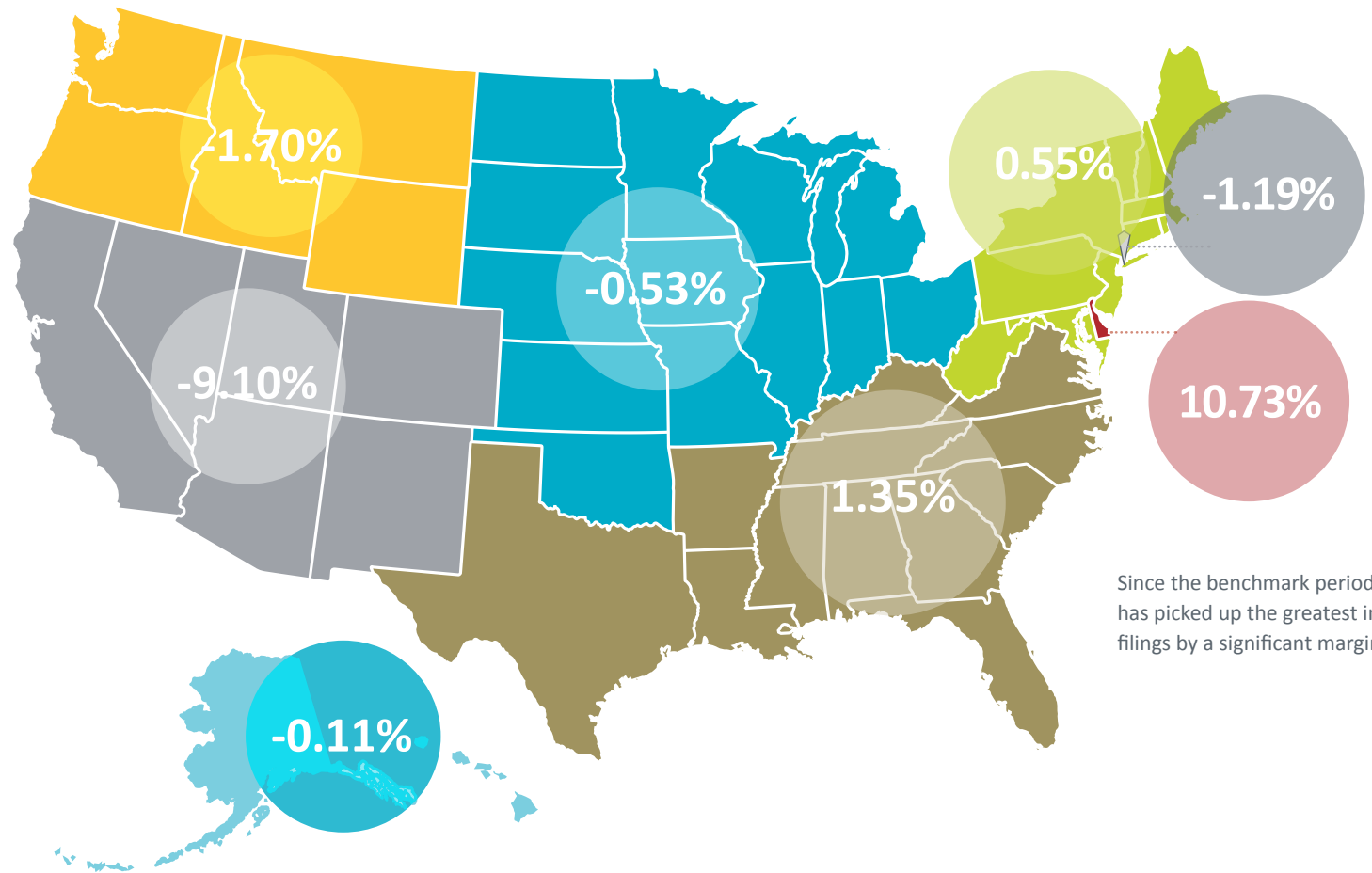
The Southeast continues to outpace Delaware and the Southern District of New York as the busiest bankruptcy venue by number of filings.

**Change in Geographic Distribution Since Benchmark Period**

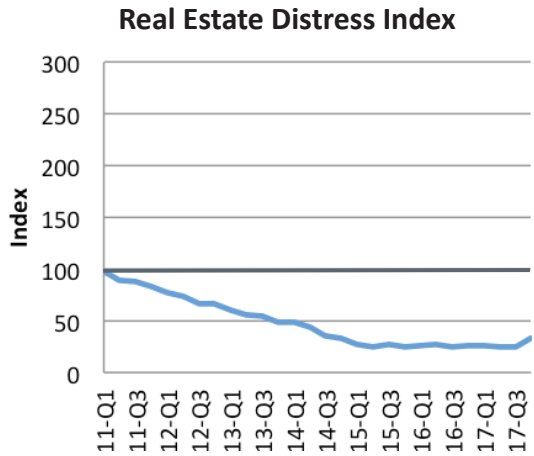
Looking at the difference in geographic breakdowns of index filings now versus the benchmark period of fourth quarter 2010, the relative change versus the benchmark is:

**GEOGRAPHIC REGIONS**

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



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



For the fourth quarter of 2017, the Polsinelli/TrBk Real Estate Distress Index was 32.89. This represents an increase of over 7 points since the last quarter.

After relative stability over the past several quarters, this is the first significant increase in real estate filings over the last several quarters. This is the highest the real estate index has measured since the fourth quarter of 2014.

Current	Last	1 Year
32.89	25.16	25.92

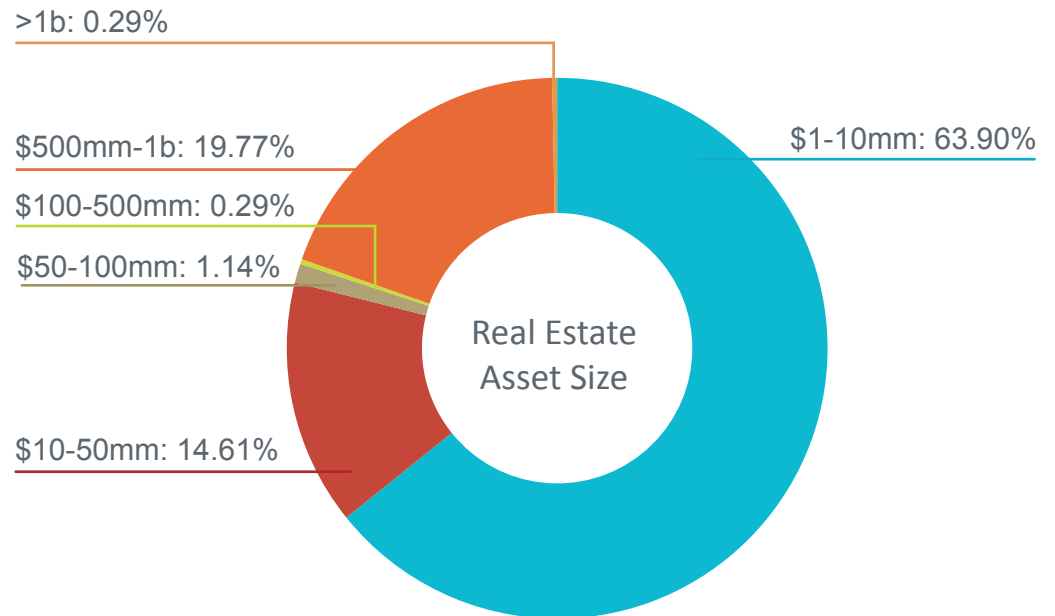
For a first-ever examination of outcomes in single asset real estate (SARE) Chapter 11 bankruptcy cases, see the 2017 Polsinelli|TrBK Distress Indices Special Report: Outcomes in Single Asset Real Estate Chapter 11 cases in 2016, released on June 6, 2017, and available at [www.distressindex.com](http://www.distressindex.com).

**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 14 times compared to the prior quarter and climbed 14 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 volatility and provide a better picture of long-term trends. The Real Estate Distress Research Index has declined 22 times compared to the prior quarter and increased 6 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:



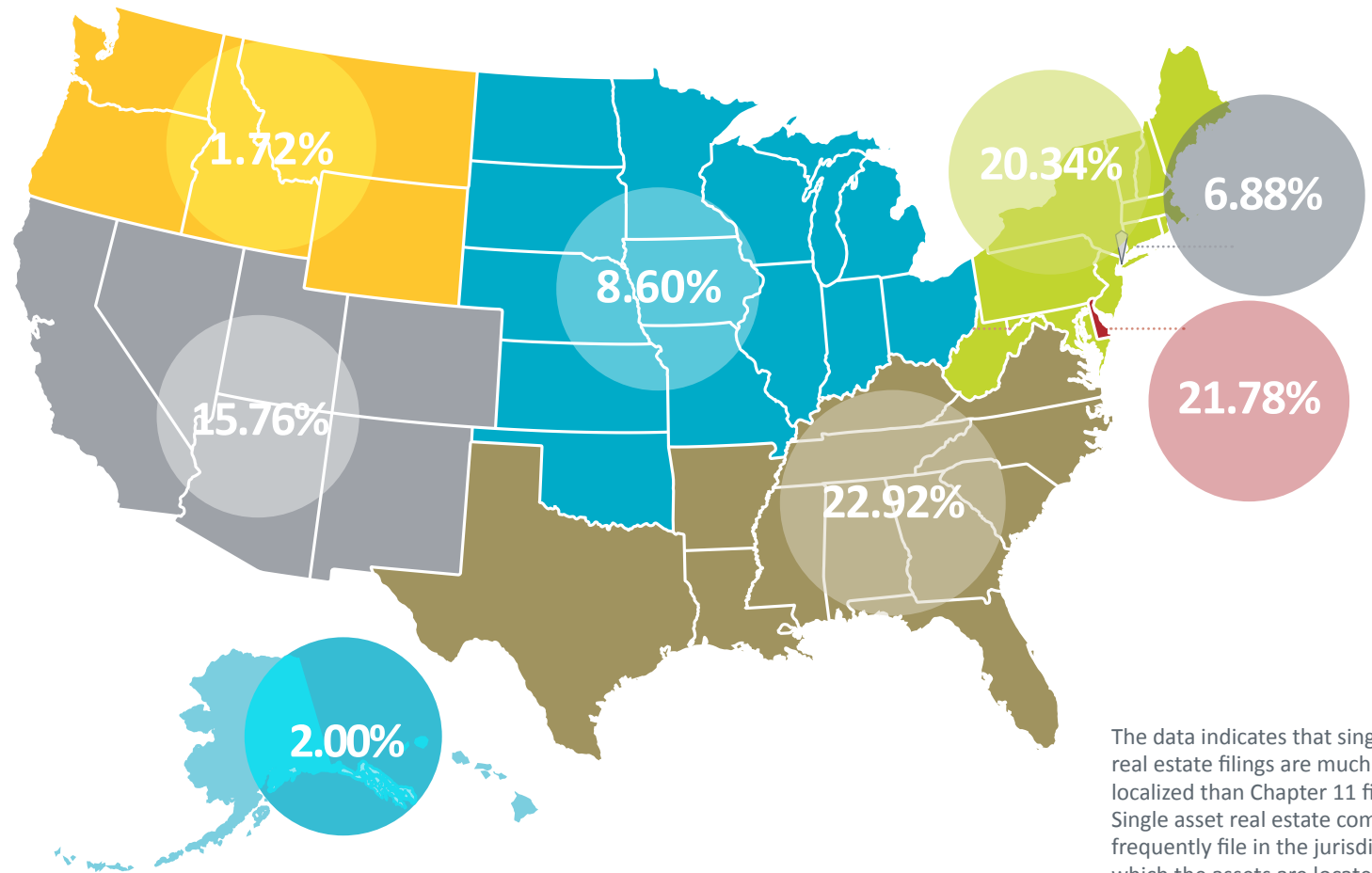


**Geography**

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

**GEOGRAPHIC REGIONS**

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



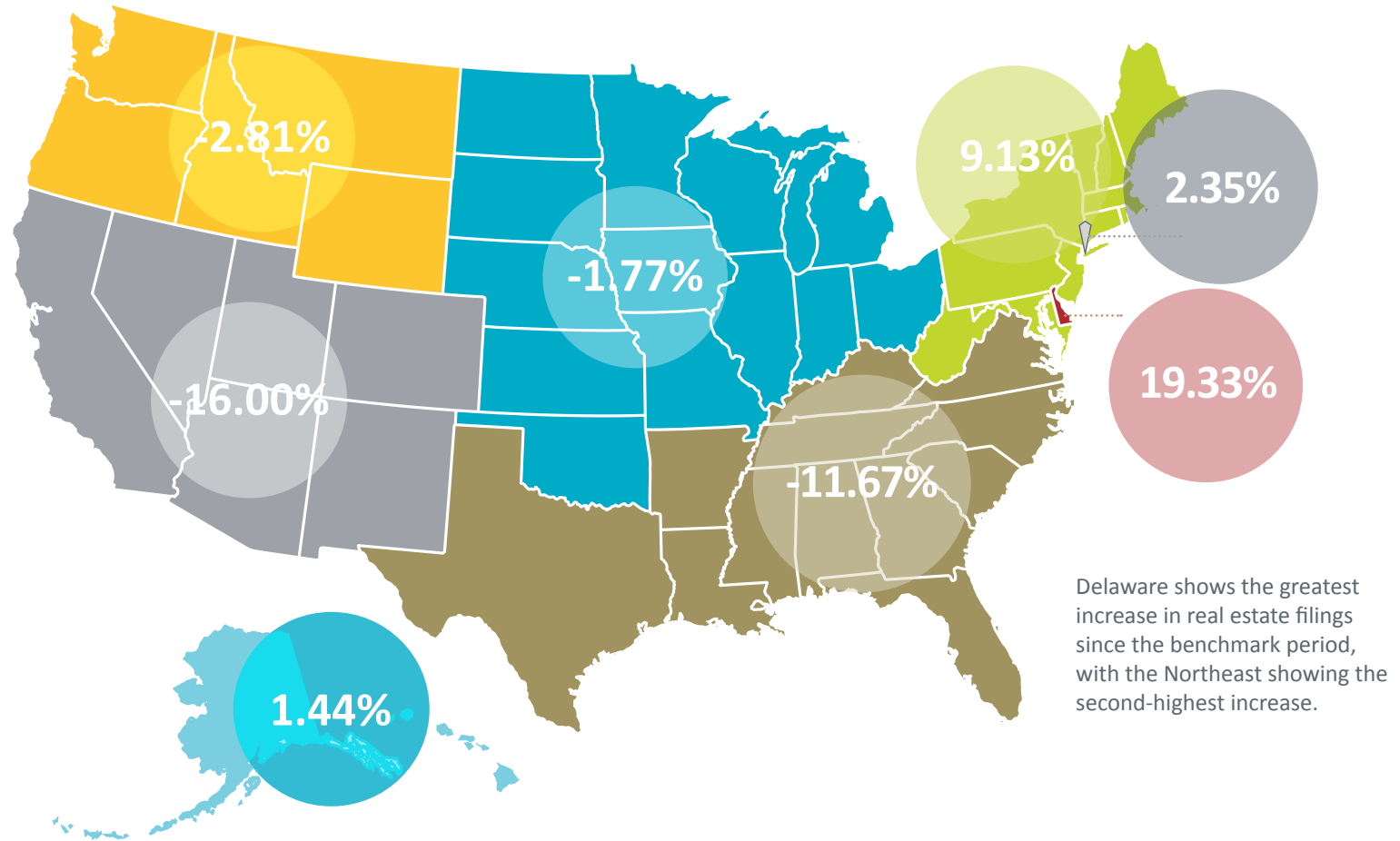
The data indicates that single asset real estate filings are much more localized than Chapter 11 filings overall. Single asset real estate companies frequently file in the jurisdiction in which the assets are located compared with general chapter 11 filings. The data shows several jurisdictions with significant activity.

**Change in Geographic Distribution Since Benchmark Period**

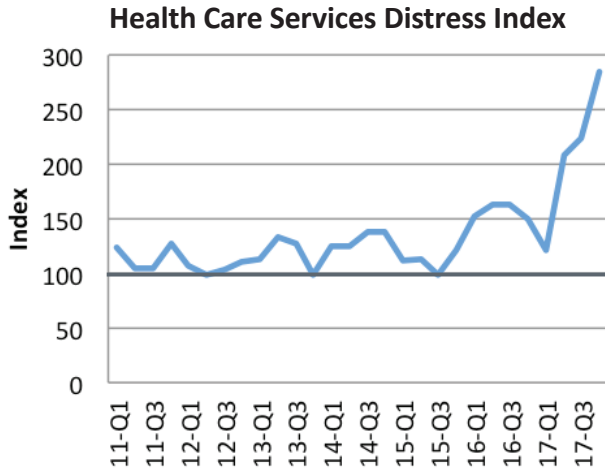
Looking at the difference in geographic breakdowns of index filings now versus the benchmark period of fourth quarter 2010, the relative change versus the benchmark is:

**GEOGRAPHIC REGIONS**

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



Delaware shows the greatest increase in real estate filings since the benchmark period, with the Northeast showing the second-highest increase.



For the fourth quarter of 2017, the Health Care Services Distress Research Index reached yet another high of 281.67. The index has now recorded record highs in 5 of the previous 7 quarters and is currently over 181% above the benchmark period of the fourth quarter of 2010. This is the ninth quarter in a row that the index has exceeded the benchmark and has been at 50% above the benchmark 6 of the last 7 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
281.67	223.33	150.00

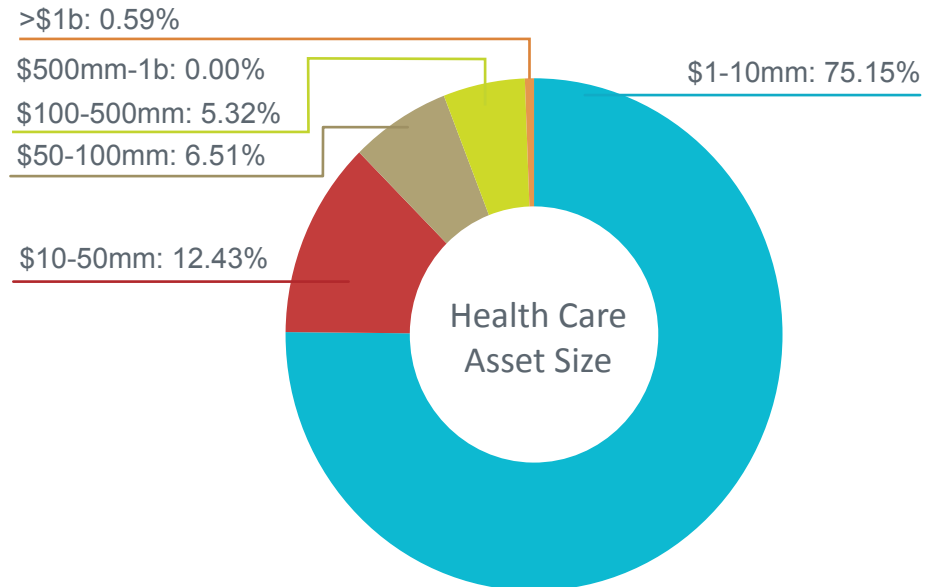
For a look at the underlying causes that are creating financial distress in the Health Care services industry from previous high levels, see the 2015 Polsinelli|TrBK Distress Indices Special Report: Causes of Health Care Distress in 2014, released on August 13, 2015, and available at [www.distressindex.com](http://www.distressindex.com).

### 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 14 times compared to the prior quarter and increased 14 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 181.67% 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 9 times compared to the prior quarter and increased 15 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:

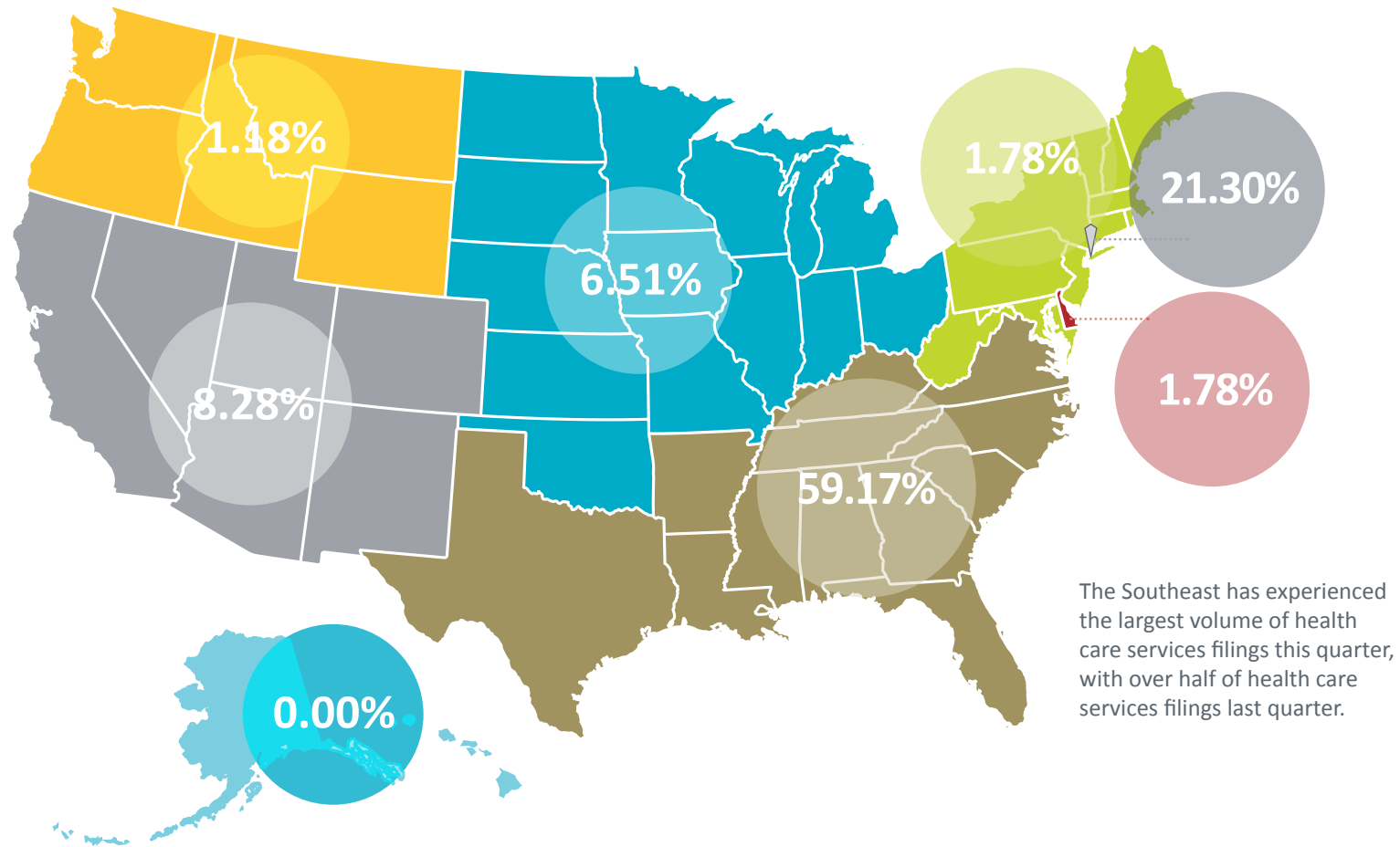


### Geography

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

#### GEOGRAPHIC REGIONS

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



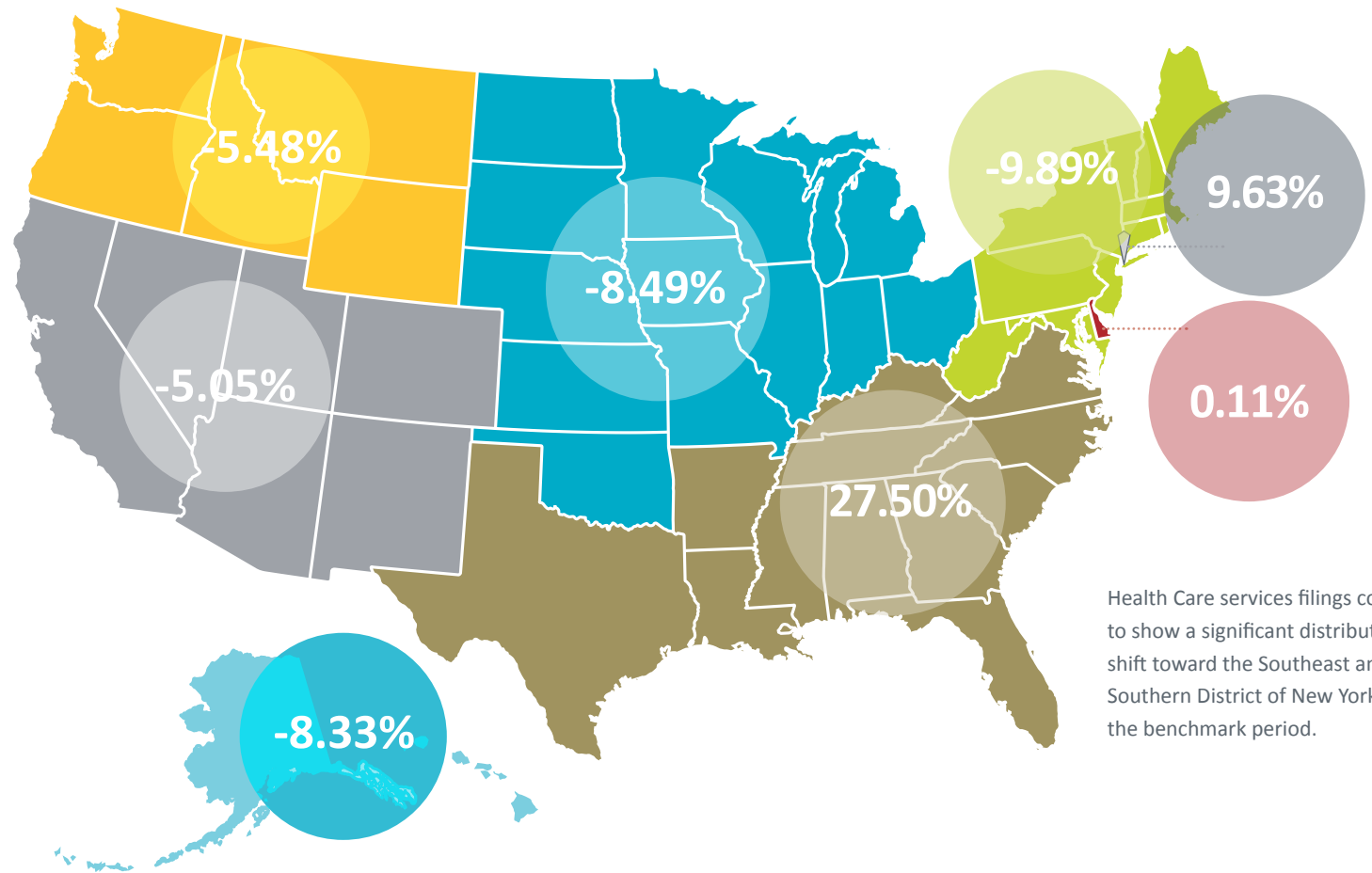
The Southeast has experienced the largest volume of health care services filings this quarter, with over half of health care services filings last quarter.

**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 and the Southern District of New York 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

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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 (HORNE, LLP), 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).

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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.