

# 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 first publication of the FBT/TrBK Distress Indices, and the distribution of the first quarterly report.

## 2nd Quarter 2014 HIGHLIGHTS

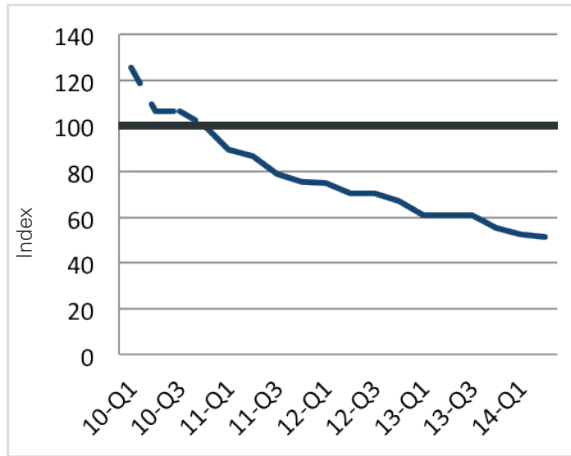
The **Chapter 11 Distress Research Index** was 51.13 for the second quarter of 2014. This represents a decline of nearly 50% in the index from the start of the index measurement period in the fourth quarter of 2010, and a decline from 52.35 in the first quarter of 2014. The Chapter 11 Distress Research Index has shown a decline in every quarter since 2010 except one (2013-Q2).

The **Real Estate Distress Research Index** was 43.54 for the second quarter of 2014. This represents a decline of almost 5 points from the first quarter (48.16), and a decline of over 55% since the fourth quarter of 2010.

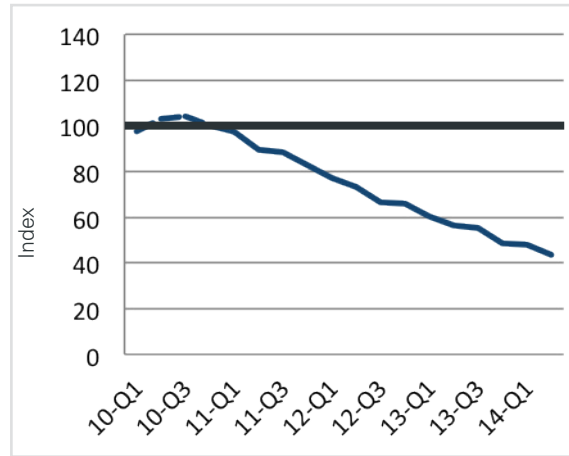
The **Healthcare Services Distress Research Index** was 125.00 for the second quarter of 2014. The current index value is unchanged from the first quarter of 2014. The Healthcare Services Distress Research Index has increased by 25% relative to the fourth quarter of 2010.

While both the Chapter 11 and Real Estate Indices have seen significant drops since 2010, the Healthcare Services Index has trended upward. 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 16.70% now, while healthcare services filings have increased from 1.11% in 2010 to 2.71%.

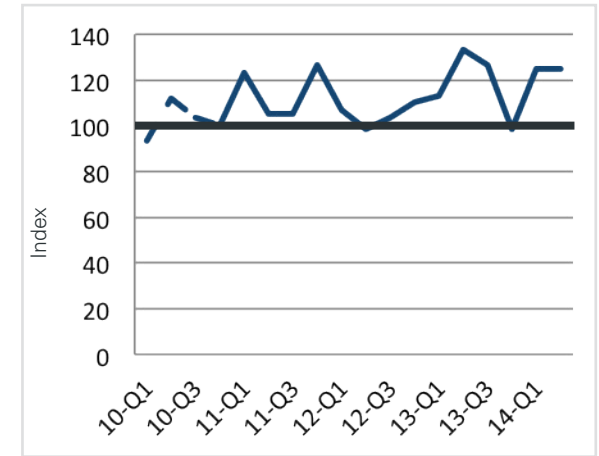
Chapter 11 Distress Research Index



Real Estate Distress Research Index



Healthcare Services Distress Research Index



## FBT|TrBK Distress Indices: 2nd Quarter 2014

Chapter 11 Distress Research Index

51.13

Max: 100 in 10-Q4  
Min: 51.13 in 14-Q2

Real Estate Distress Research Index

43.54

Max: 100 in 10-Q4  
Min: 43.54 in 14-Q2

Healthcare Services Distress Research Index

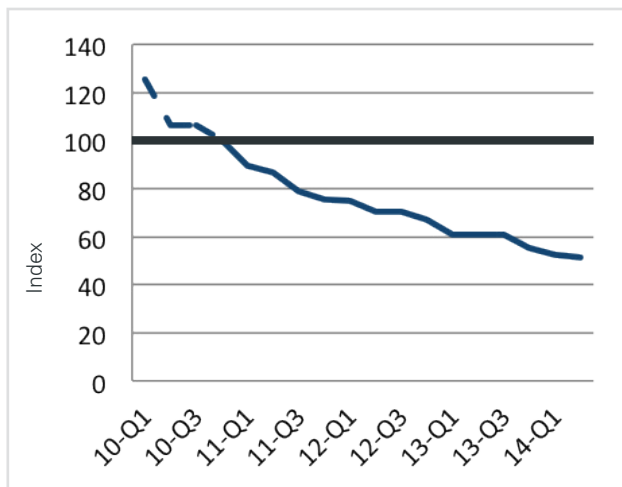
125.00

Max: 133.33 in 13-Q2  
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

September 2014



For the second quarter of 2014, the FBT/TrBK Chapter 11 Distress Research Index was 51.13. This represents a drop of just over one point from the first quarter, and a drop of almost 10 points against the same period one year ago.

Current	Last	1 Year
51.13	52.35	60.96

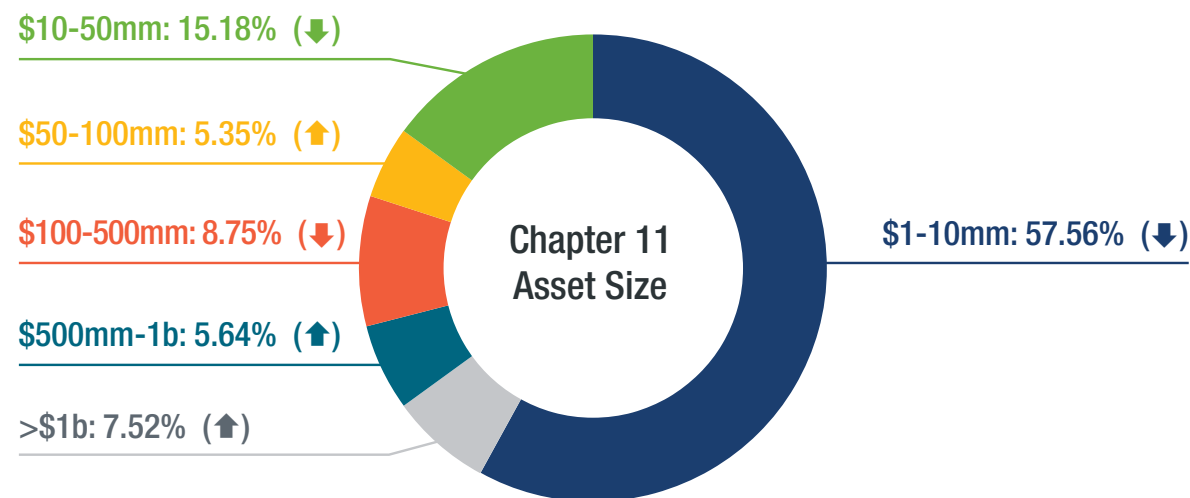
The Chapter 11 Distress Index shows a steep and steady decline against its 2010 benchmark. It has never exceeded the benchmark since 2010, and only in one quarter (2013-Q2) has it been higher than the prior quarter.

## Volatility

Case filing numbers measured in the FBT/TrBK Chapter 11 Distress Research Index have shown significant volatility over the fifteen-quarter period from 2010-Q4 until now. During that period, filing numbers declined 8 times compared to the prior quarter, and increased 6 times compared to the prior quarter. The extent of declines far exceeded any increases, however, and filings now are at approximately half of their level in the four quarters ending 2010-Q4. 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 thirteen 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:



Arrows indicate whether number for current period is an increase (↑) or decrease (↓) from prior period.

# 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 period made up 16.70% 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 19.61% 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 2.71% 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.



Arrows indicate whether number for current period is an increase (↑) or decrease (↓) from prior period.

# Chapter 11

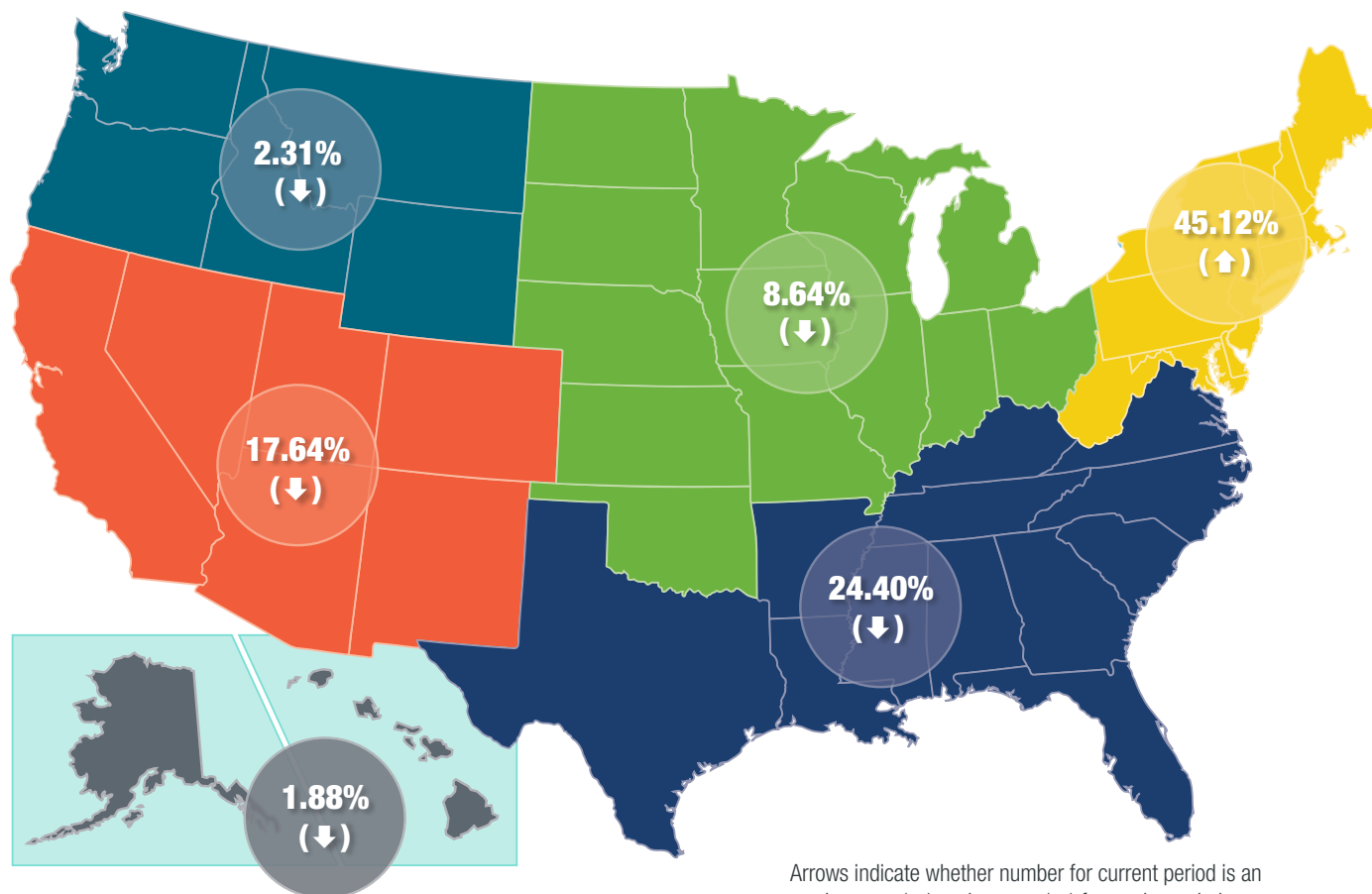
## Distress Research Index

September 2014

### Geography

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

Geography is likely skewed somewhat by filing preferences for Delaware and the Southern District of New York.



Arrows indicate whether number for current period is an increase (↑) or decrease (↓) from prior period.

### Concluding Thoughts

The current quarter shows an increase in absolute filing numbers quarter-on-quarter, but not enough to equal the high filing numbers of just over a year ago. As a result, the index is likely to continue its decline in the next quarter unless filings for the third quarter of 2014 register higher than they have in a year.

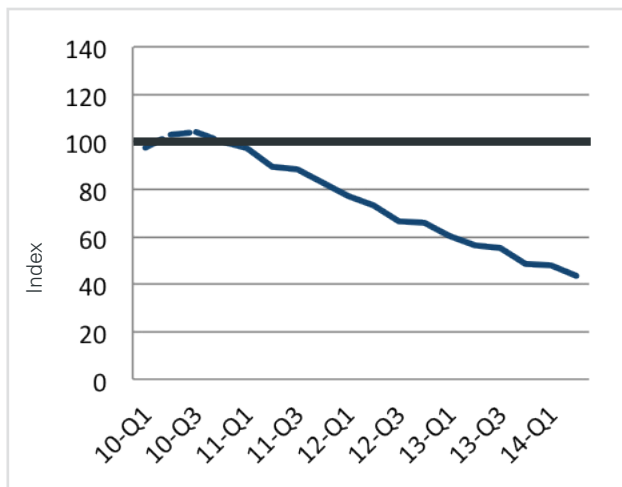
### GEOGRAPHIC REGIONS

Midwest Northeast Northwest Southeast Southwest Non-Continental U.S.



# Real Estate Distress Research Index

September 2014

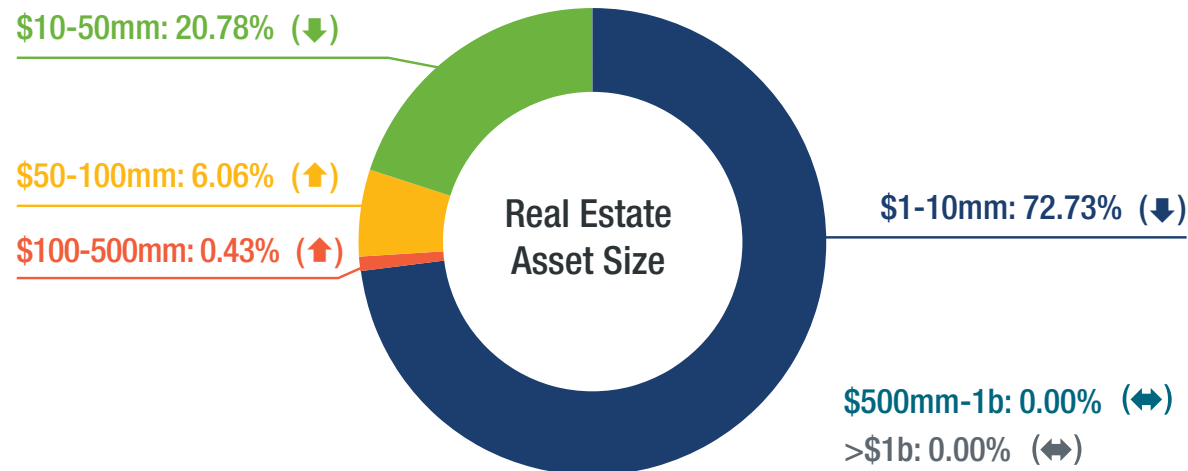


## Volatility

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 fifteen quarter period, filing numbers declined 8 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:



Arrows indicate whether number for current period is an increase (↑) or decrease (↓) from prior period.

For second quarter of 2014, the FBT/TrBK Real Estate Distress Research Index was 43.54. This represents a decline of almost five points from the first quarter of the year, and a drop of almost 13 points from the same period one year ago.

Current	Last	1 Year
43.54	48.16	56.17

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

# Real Estate Distress Research Index

September 2014

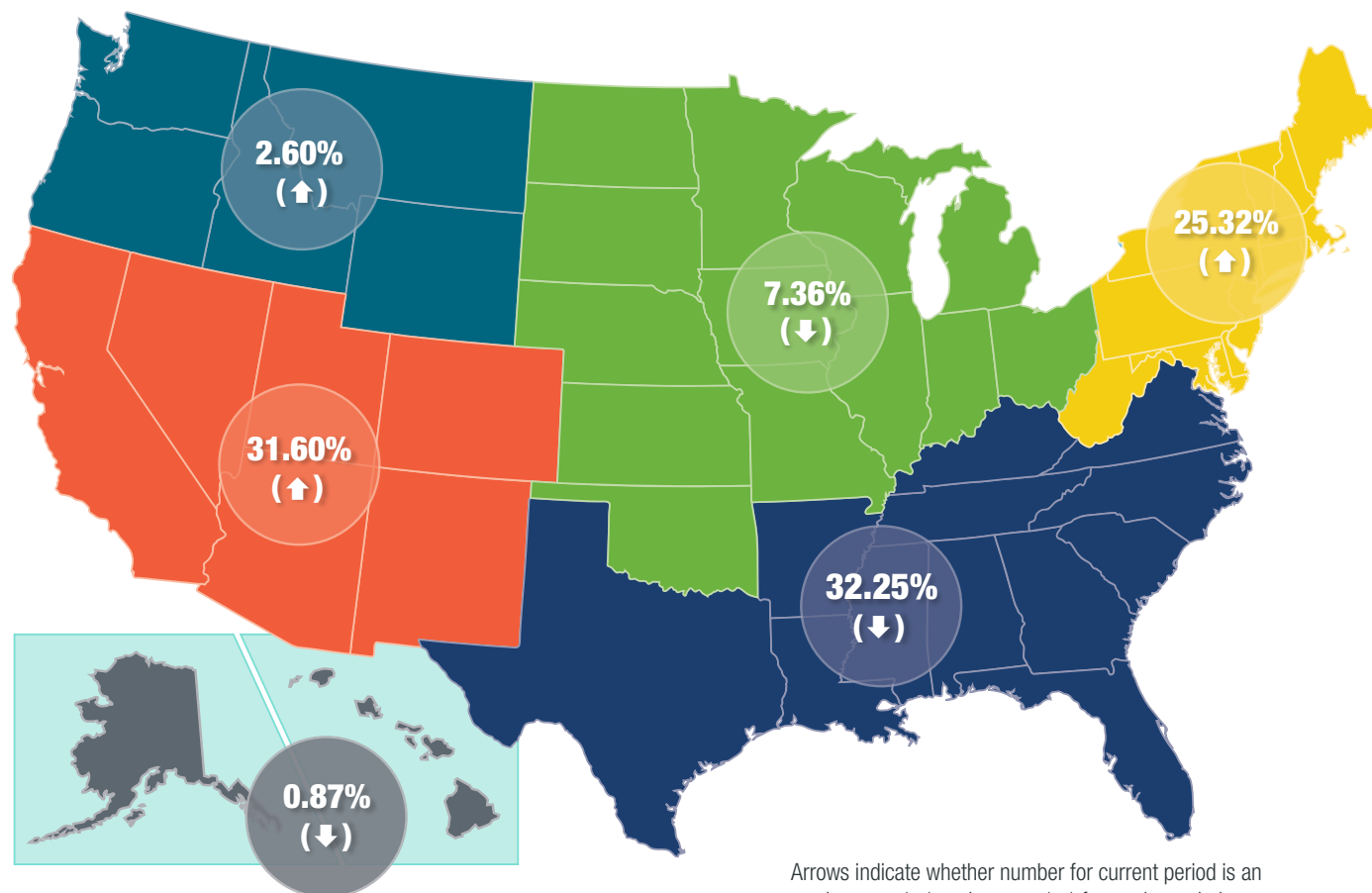
## Geography

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

Compared to the benchmark period in 2010, an increasing percentage of index filings have originated in the Northeast and non-continental U.S. (Alaska, Hawaii, Puerto Rico and Guam) regions. While overall filings have fallen, the Northeast region has taken up almost all of the decreases in the percentage of filings in each of the other regions. The non-continental U.S. region (Alaska, Hawaii, Puerto Rico, and Guam), while increasing, remains less than one percent of aggregate real estate filings.

## Concluding Thoughts

While single asset real estate filings have fallen significantly compared to the benchmark 2010 period, the Northeast region is seeing an increasing percentage of the remaining filings. This could be due to the prominence of the New York and Delaware bankruptcy courts; however, those courts are unlikely to account for all of the difference as single asset real estate filings may be more likely than other cases to file in local venues, especially where asset sizes are in the lower ranges. An interesting question for future study would be whether lengthy foreclosure timelines in the Northeast may be causing real estate distress there to take longer to resolve than in other regions, or whether other factors are at work.



Arrows indicate whether number for current period is an increase (↑) or decrease (↓) from prior period.

## GEOGRAPHIC REGIONS

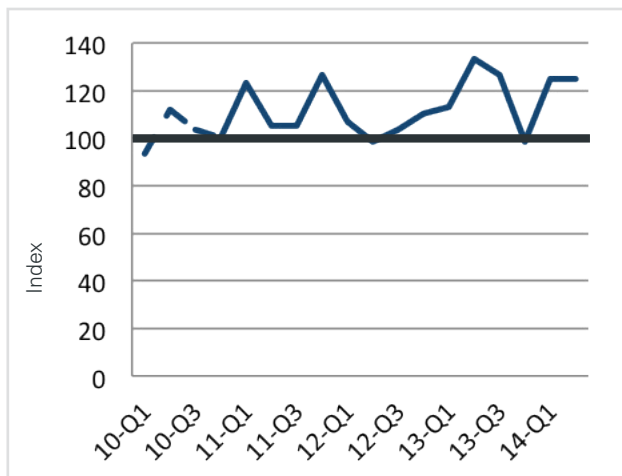
■ Midwest
 ■ Northeast
 ■ Northwest
 ■ Southeast
 ■ Southwest
 ■ Non-Continental U.S.





# Healthcare Services Distress Research Index

September 2014



## Volatility

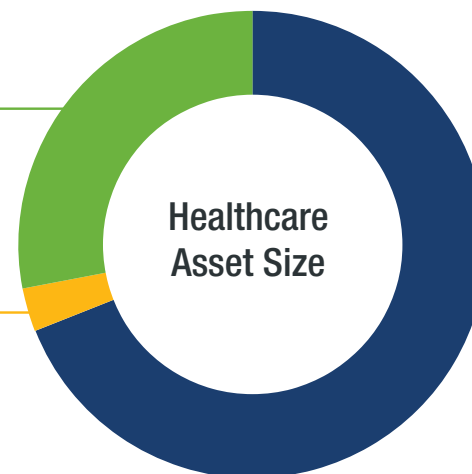
Case filing numbers measured in the Healthcare Services Distress Research Index show the same volatility as the other FBT/TrBK Distress Indices: filing numbers declined 8 times compared to the prior quarter, and increased 6 times compared to the prior quarter, from 2010-Q4 until now. For the Healthcare 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:

**\$10-50mm: 28.00% (↑)**

**\$50-100mm: 2.67% (↔)**



**\$1-10mm: 69.33% (↓)**

**\$100-500mm: 0.00% (↓)**

**\$500mm-1b: 0.00% (↔)**

**>\$1b: 0.00% (↔)**

Arrows indicate whether number for current period is an increase (↑) or decrease (↓) from prior period.

For the second quarter of 2014, the FBT/TrBK Healthcare Services Distress Research Index was 125.00. This is consistent with the prior quarter, and is slightly lower than the same period one year ago, when the index was 133.33. In contrast to a general decline in bankruptcy filings since 2010, the trend line since the fourth quarter of 2010 is generally stable with a gentle upward slope.

Current	Last	1 Year
125.00	125.00	133.33

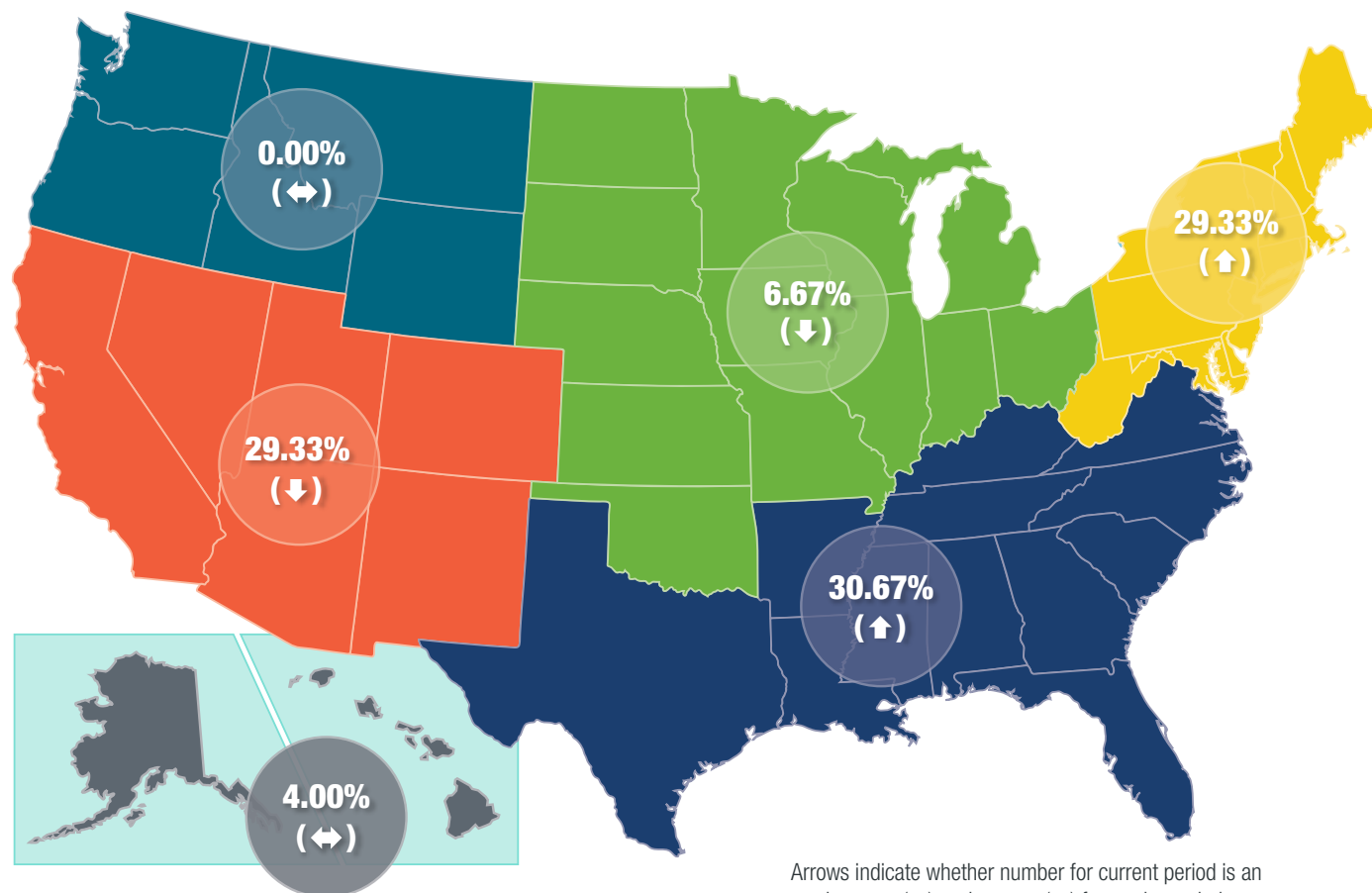
Only twice since 2010 has the index fallen below 100, and each time it was in the high 90's (2012-Q2 and 2013-Q4). The highest point on the index in the last four years was the second quarter of 2013.

# Healthcare Services Distress Research Index

September 2014

## Geography

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



## Concluding Thoughts

The set of cases satisfying the index criteria for the Healthcare Distress Research Index is relatively small compared to the other FBT/TrBK Distress Indices, which can result in a high level of volatility without the use of a four-quarter average. For example, the first two quarters of 2014 show the highest number of filings on a two-quarter average during the index-measurement period. The third and fourth quarter 2014 index numbers will be very revealing as to the overall trend, and whether healthcare filings are increasing as the most recent quarters and the index (versus its 2010 benchmark) would suggest. A high third quarter could result in a new high on the index.

## GEOGRAPHIC REGIONS

Midwest Northeast Northwest Southeast Southwest Non-Continental U.S.

### 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. Matthew White provides support for all of the indices, and acts as Secretary to the Index Committee.

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 high-level analysis are available at [www.distressindex.com](http://www.distressindex.com). A full, in-depth quarterly report regarding the indices is available for download 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.