insolvency2020

Oct. 23, 2020, 3:00-4:15 p.m.

ABI: Bankruptcy by the Numbers: The Next Chapter in Filing Trends

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Christopher Kruse; Epiq
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Educational Materials

Bankruptcy by the Numbers: The Next Chapter in Filing Trends

Insolvency 2020 Summit
October 27, 2020
2:00 – 3:30 PM EST

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Panelists

Chris Kruse (Moderator)

Deirdre O'Connor

Erika L. Morabito

Jessica Steinhagen

Ed Flynn

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Agenda

I. Introductions
II. Look Back: Bankruptcy Statistics 2000 – 2020 YTD
III. 2020 Comparisons to Prior Periods
IV. Chapter 11 "Deep Dive"
V. Specific Discussion Topics
- 2020 Comparisons to Spikes in 2005 and 2010
- The Next Wave
- Small Business Subchapter V
- Chapter 9 Considerations
- Wildcards

VI. Panelists Predictions

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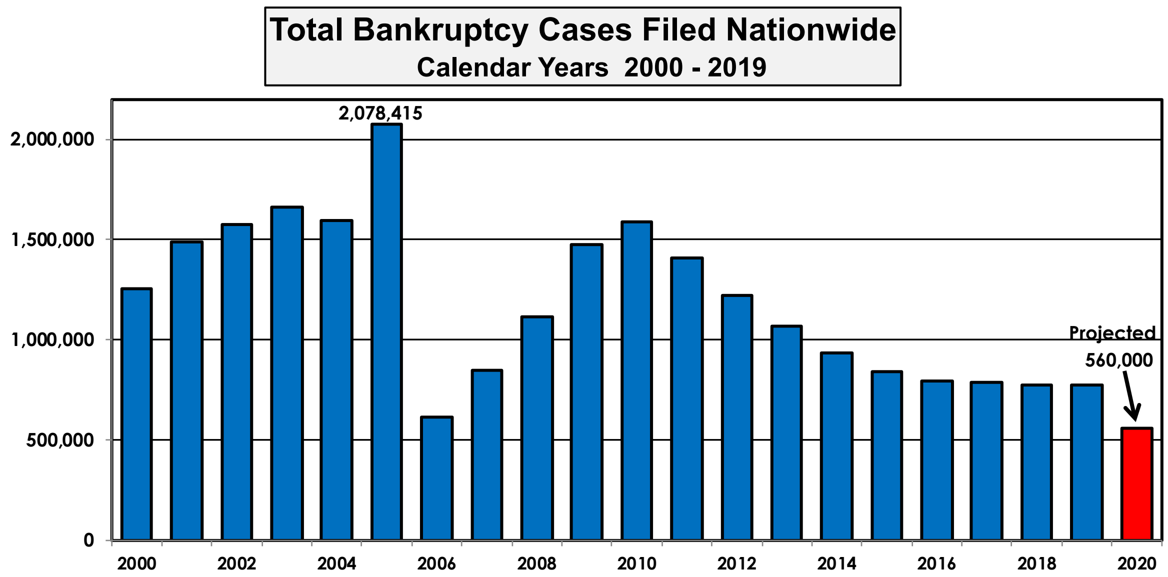
Bankruptcy Filing Trends in the United States



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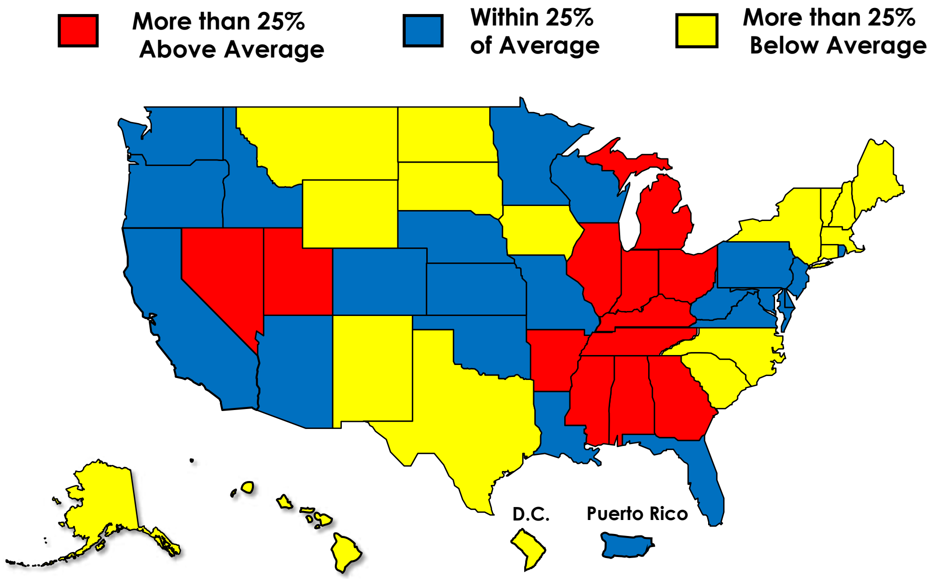
Total Filings Relative to Population 2000 - 2020



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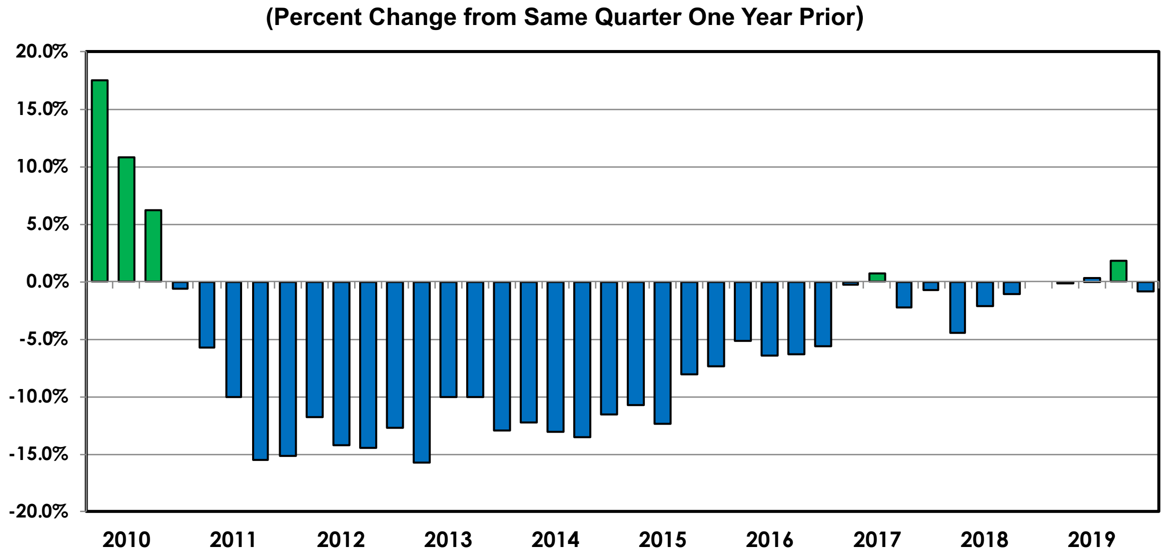
Filing Trends by Quarter



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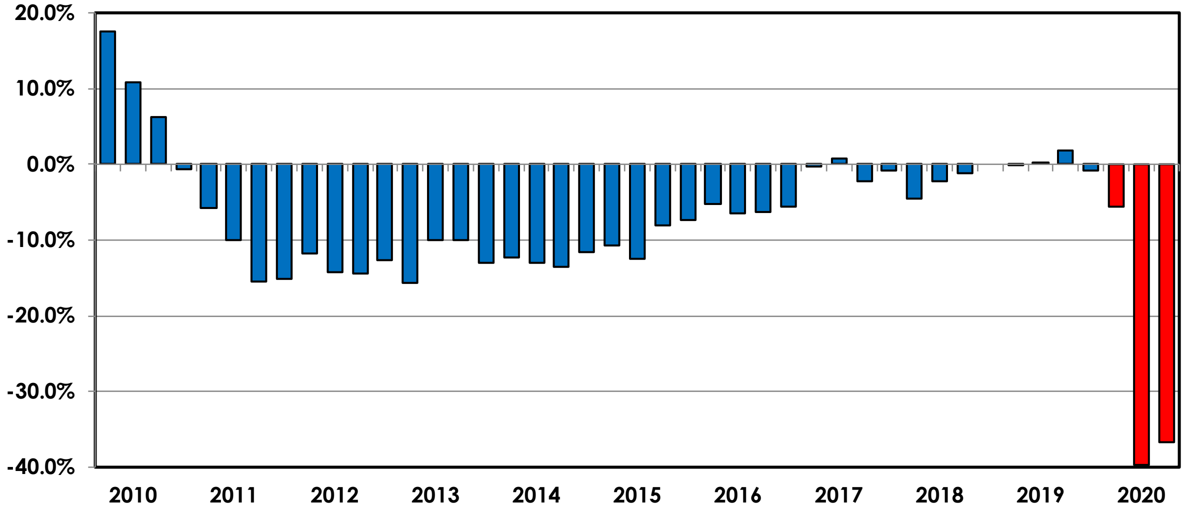
Filing Trends by Quarter

(Percent Change from Same Quarter One Year Prior)



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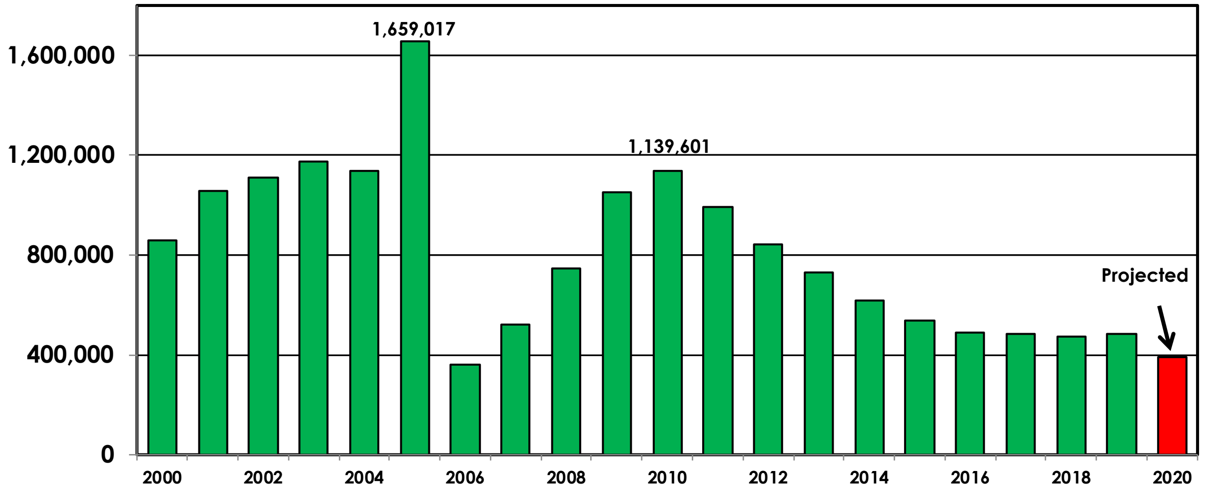
Chapter 7 Filing Trends

(Calendar years 2010 - 2020)



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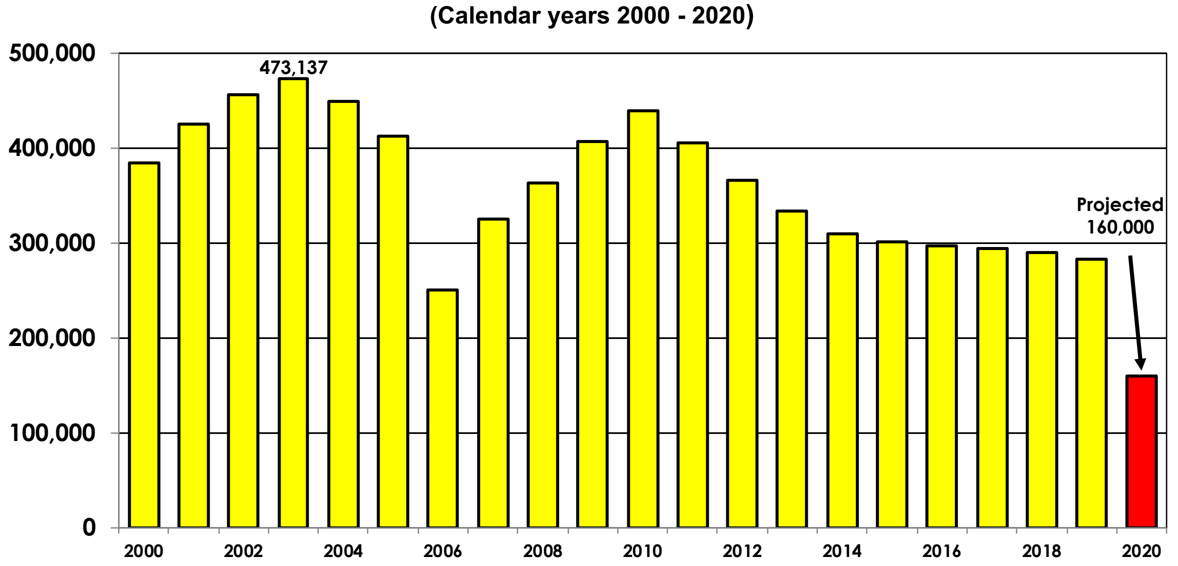
Chapter 13 Cases Filed Nationwide



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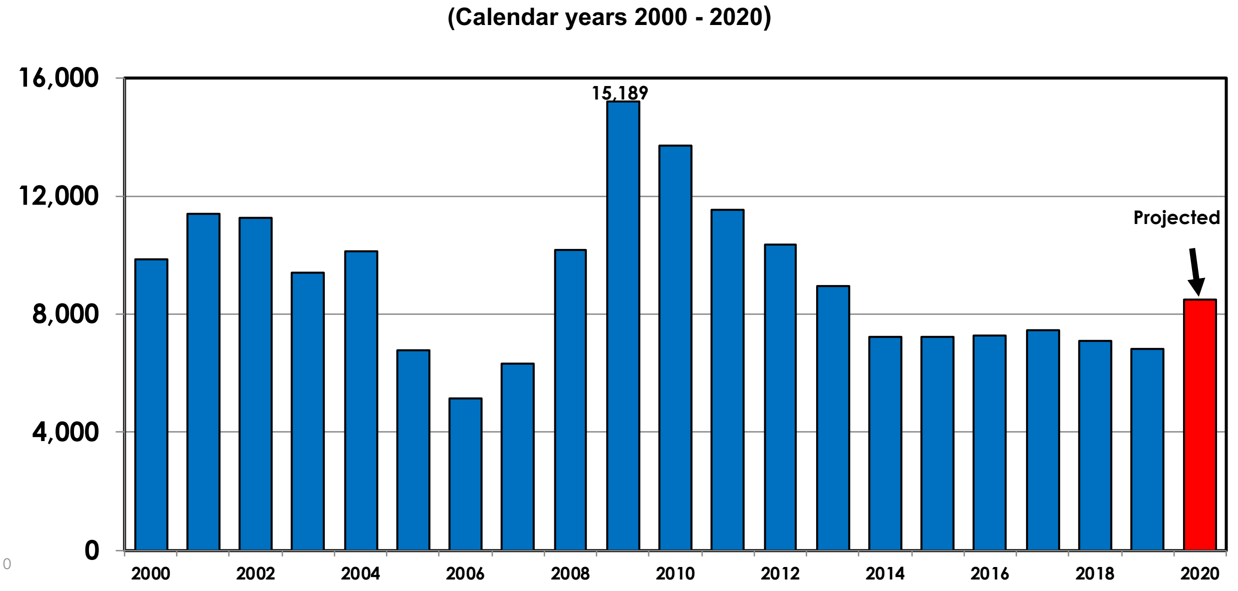
Chapter 11 Cases Filed Nationwide



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Debt & Delinquency Comparison: 2008 to 2020

Household Debt Comparison
June 2020 vs June 2008 (Early in the Great Recession)

	Amount in $ Billions		
	June 2008	June 2020	Percent Change
Total Debt	$12,599	$14,266	13.2%
Mortgage debt	$9,273	$9,776	5.4%
Credit card	$850	$817	-3.9%
Auto	$810	$1,343	65.8%
Student Loan	$586	$1,537	162.3%
Other Debt	$1,080	$793	-26.6%

Percent of Debt 90+ days Delinquent

	Recession Peak		June 2020
Total Debt	10.55%	(March 2010)	2.61%
- Mortgage	8.89%	(March 2010)	0.84%
- Credit Card	13.74%	(June 2010)	9.75%
- Auto	5.77%	(December 2010)	5.03%
- Student Loan	9.17%	(September 2010)	6.97%

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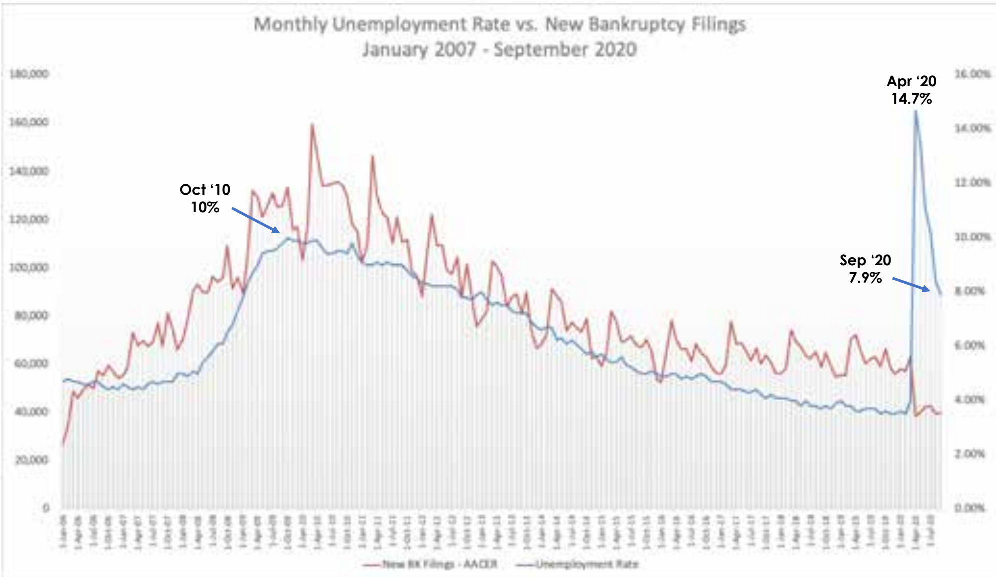
2006 – YTD Unemployment Bankruptcy Correlation



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Chapter 9 Cases

2010 - 2019

88 Chapter 9 Cases Filed Nationwide

- 12 Cities, towns or counties
- 24 Hospitals or health care districts
- 22 sanitary improvement districts in Nebraska
- 6 in Puerto Rico related to PROMESA
- 5 off-track betting operations in New York
- 19 “others” met the broad definition of ”municipality”

2020 YTD

3 Chapter 9 Cases Filed Nationwide

- 2 Hospital districts
- 1 City of Fairfield, Alabama (population 10,568)

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Chapter 11 Trends 2020

- Record number of very large cases
- More than 50% of filings are “related” filings
- Seven clergy abuse cases to date
- Subchapter V became available on February 19 for small businesses
- More than 1,000 Subchapter V cases already filed

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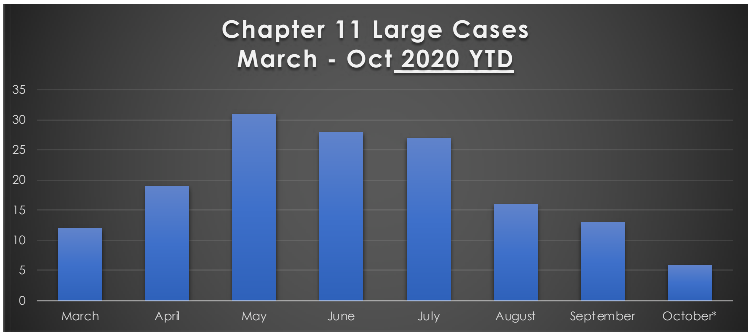
Chapter 11 Large Case Business Filings

- 152 “large” case filings since March 2020
  - Defined: Assets/liabilities of minimum $200 million or a “household” name
  - Each of these has an average of 16 “related cases” (2,400)
    - Of the 4,972 chapter 11 cases filed since March 2020, 48% are from these large cases
  - Largest districts:
    - Delaware (53)
    - South Texas (42)
    - NY Southern (23)
  - Largest industries:
    - Energy (46)
    - Retail (27)
    - Restaurants (13)



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Chapter 11 Subchapter V

- Approx. 1,000 Subchapter V cases filed so far this year
  - 20% of chapter 11 commercial filings
  - Misleading, as many chapter 11 cases are “related”
- 20% of small business debtors have not chosen Subchapter V
- 250 new Subchapter V trustees hired to operationalize the options
- Small businesses are off to a pretty good start using Subchapter V

Small Business Cases Filed February 19 - October 9, 2015-2020	
Year	Total Filed
2015	1,103
2016	1,032
2017	967
2018	880
2019	920
2020	1,260

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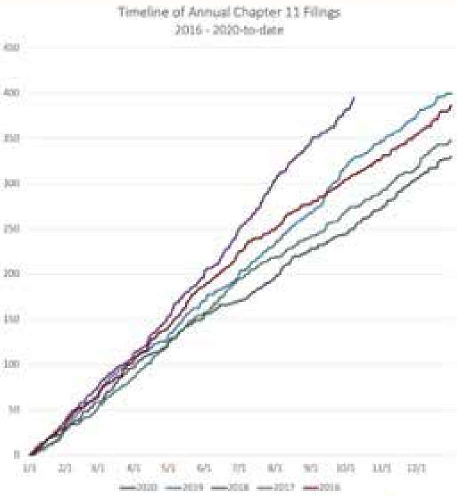
First Day by Reorg Data

- The First Day by Reorg database contains all chapter 11 cases filed by businesses with more than $10M in total liabilities (on a consolidated basis) since 2012.
- When a company files multiple chapter 11 petitions on behalf of each of its affiliates/subsidiaries and seeks to jointly administer all of these cases as one, we count this as one chapter 11 case (as opposed to counting each chapter 11 petition as its own case).
- Data includes case basics, like assets and liabilities, the industry of the company, filing district, judge advisors involved in the case and their fees earned, DIP-financing terms, asset-sale terms and links to certain key documents.
- The First Day database has more than **2,500 chapter 11 cases**, each with up to approximately **40 unique data points**.
- Learn more at www.reorg.com/firstday.

2020: A Record-Setting Year for Chapter 11s

- 2020 was a record-setting year for chapter 11s.
- As the Covid-19 pandemic took hold, the second quarter became the busiest quarter of all quarters, with **138 cases**, on our six-year record. Q3 2020 came in second with **133 cases**. (For comparison, the quarterly average since 2016's first quarter is **97 cases**.)
- June clocked in as the busiest month on First Day record with **51 chapter 11 cases,** but was quickly eclipsed by July, which had **55 cases**.
- While filings seemed to taper off at the end of Q3, it is worth noting that October is looking much busier than August and September. Further, Q3 and Q4 have historically recorded much lower filing levels than Q1 and Q2, with the first two quarters averaging **99** and **98 cases** per quarter, respectively, and quarters 3 and 4 averaging **87** and **83**, respectively, over the 2016-2019 period.

Aggregate Chapter 11 Filings (through Oct. 9)



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2020 Trends by Industry – Chapter 11

- Nearly all industries were affected by the pandemic, but most notably the energy and consumer discretionary sectors had the biggest upticks.
- Consumer discretionary cases approached **100 cases** through the end of Q3. The prior record-holder for consumer discretionary cases in a single year was 2019, with **83 cases** over the full year.
- From Q1 to Q2, energy and consumer discretionary filings each roughly doubled. In Q3, consumer discretionary filings kept apace with Q2, while energy filings picked up even further after having already established unprecedented levels in Q2. In total, **34 energy companies** filed in Q3, **up 30%** from Q2 and standing alone as the First Day record for energy filings in a single quarter.
- These industries faced challenges prior to the onset of the pandemic, and the pandemic exacerbated the struggles and created a wave of pandemic-based chapter 11s that peaked in July (so far).

20 Reorg Bankruptcy By the Numbers: The Next Chapter in Filing Trends

Consumer Discretionary Companies - Gyms

- Retail store and restaurant operators are taking the brunt of the Covid-19 pandemic-driven brick-and-mortar bankruptcies.
- Gym operators, along with other leisure facility operators such as golf courses and other recreational facilities, made up about the same portion of 2020's brick-and-mortar chapter 11s as grocery and supermarket chains.
- There were three sizable fitness center chain operators that filed because of the pandemic: Gold's Gym, Town Sports and 24-Hour Fitness.
    - These companies are doing relatively well in chapter 11; Gold's Gym ended up with a 100% plan after it sold its assets for $100M to German fitness company RSG, and Town Sports entered bankruptcy with proposals from two separate groups of pre-petition lenders, ending up with an ad hoc group of lenders teaming up with third-party Tacit Capital as stalking horse with a credit bid of up to $80M. 24-Hour Fitness, which filed in June, is looking to restructure.
    - The YogaWorks chain filing earlier this month brought the consumer discretionary sector to **100 cases** year-to-date, a number never before reached in any complete year on First Day record.

Supermarkets

- Since the pandemic has taken hold, only one supermarket chain has filed: the parent of Balducci's and King's Supermarkets, which said its liquidity actually improved during the pandemic, but that this liquidity was only temporary and they need a permanent solution.
- Like some of the gyms, Balducci's has had a successful auction process that led to the sale to Acme Supermarkets, a division of Albertsons, for $96.M, about a 30% increase from the lenders' $75 million stalking-horse bid.

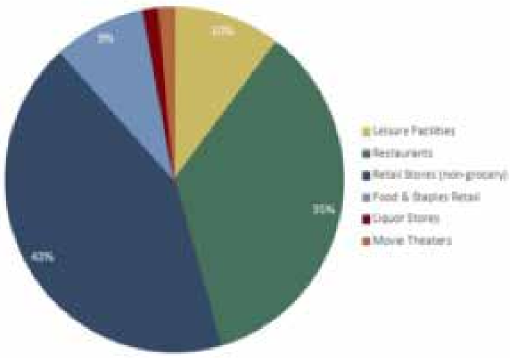
Retail Bankruptcies - Results

- After a good start for certain retailers with pent-up demand, including the reorganization of True Religion and the appointment of an equity committee in Tuesday Morning (also in pharmaceutical company Vivus), companies are more recently struggling again.
- Stage Stores initially announced that the company was beating sales projections in the first days of reopening after shutting down due to Covid-19, but ultimately had a liquidating plan approved with September sales falling below forecast.
- Stein Mart filed to run GOB sales while also pursuing a going-concern sale, but ultimately had a disappointing sale process for their leases.
- Some others were less successful, like Art Van Furniture, which converted to chapter 7 closer to the start of the pandemic.

23 Reorg Bankruptcy By the Numbers: The Next Chapter in Filing Trends

Brick-and-Mortar Ch. 11s

2020 Brick-and-Mortar Chapter 11s by Category
Jan. 1 – Oct. 16



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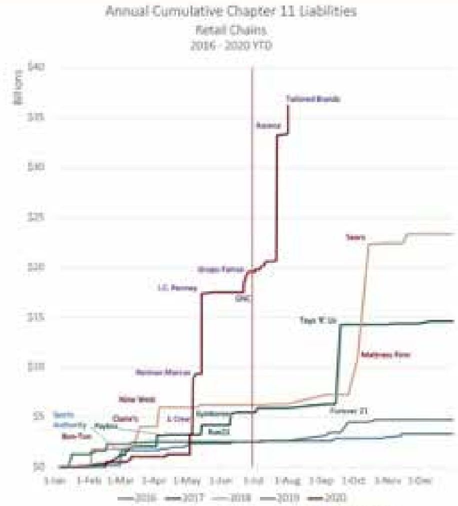
Retail Chain Debt



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Cumulative Retail Chain Chapter 11 Liabilities

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Oil & Gas Companies

- Oil and gas chapter 11 activity was supercharged by the pandemic, with already volatile commodity prices plunging even further and transportation demand bottoming out.
- **More than 70 energy companies filed chapter 11** from March 1-Sept. 30 this year, marking a **54% increase** in filing frequency from the prior chapter 11 record-holder for the sector (spring and summer of 2016).

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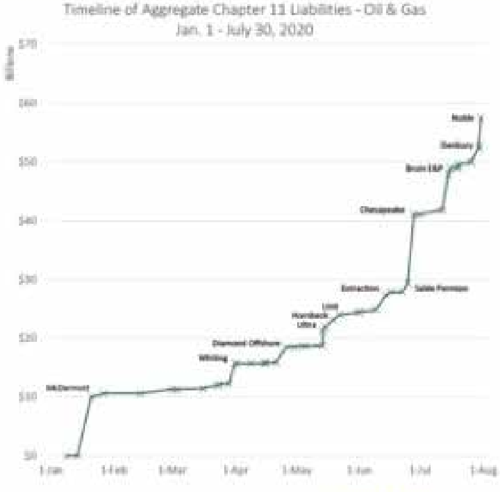
Cumulative Oil & Gas Chapter 11 Debt



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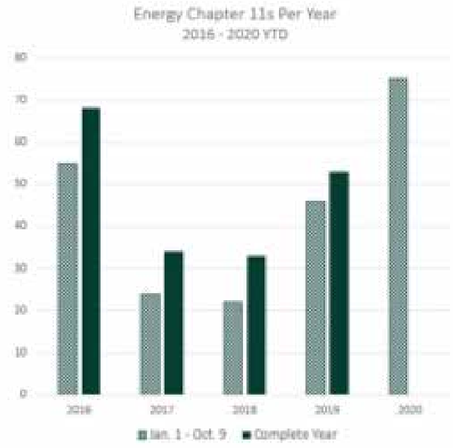
Energy Chapter 11s Per Year



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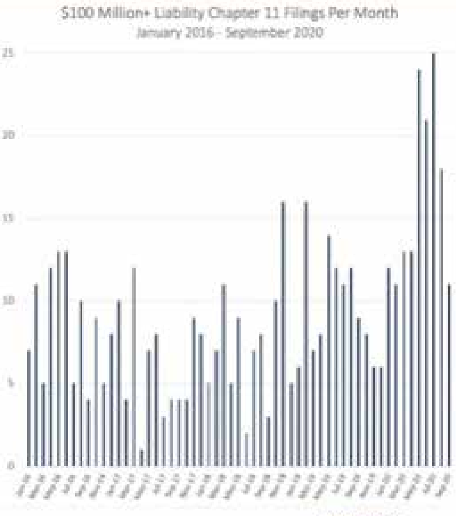
2020 Trends - Large Cases

- Larger cases have been filing with increasing frequency.
- Q1 had **28 $1B+ filers**, which was more than Q2 2016 as the prior record-holder with 15.
- Q3 added another **16 $1B+ filers**, half of which were in the energy sector.
- The 16 cases in Q3 represent a roughly **40% drop** from Q2, but still was the second-busiest quarter in First Day history for chapter 11s involving more than $1B in liabilities.

$100M+ Liability Chapter 11 Filings by Month



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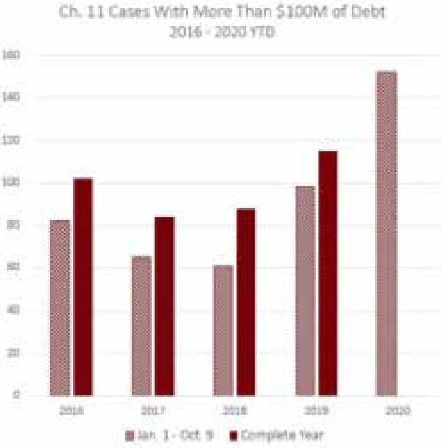
$100M+ Cases 2016-2020



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$100M+ Filings by Sector

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$1B+ Filings by Quarter

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Industry Perspective - Q4 2020 Bankruptcies

60% of Reorg clients responding to a recent survey said they believe Q4 2020 would bring an uptick of new chapter 11 cases compared with the year-to-date quarterly average of 127.[1]

Survey Responses - Bankruptcies in Q4'20 vs Avg YTD				
Firm Type	**Uptick**	**Same**	**Fewer**	**# Responses**
Buy-side	60%	26%	14%	57
Financial Advisor	56%	20%	24%	95
Investment Bank	57%	14%	29%	21
Law Firm	60%	33%	7%	150
Other	76%	20%	4%	25
All	60%	26%	14%	348

1. *Includes cases with $10M of liabilities or more; count reflects jointly-administered cases, rather than individual debtors.*

2020 & Beyond

- **Health Care:** If government grants and funding do not continue, there could be health care filings after a lull this year. There was a recent filing from LRGHealthcare earlier this month.
  - A September report from hospital insights firm Kaufman Hall found that operating margins for U.S. hospitals were **down 89%** in the first eight months of the year, excluding federal relief funds.
- After record-setting filings in 2018 and 2019, 2020 has thus far been relatively quiet for health care, with only **23 health care cases** in total filed in the first half of 2020, as compared with **31** in the first half of 2019.
- The graph on the next slide shows the level of health care chapter 11s per half since 2016, showing that 2020's health care filings have remained very quiet amid the harsh pandemic backdrop, with the sector's filing frequency **down 15%** and its share of all filings **down 4%**.

Health Care Chapter 11s

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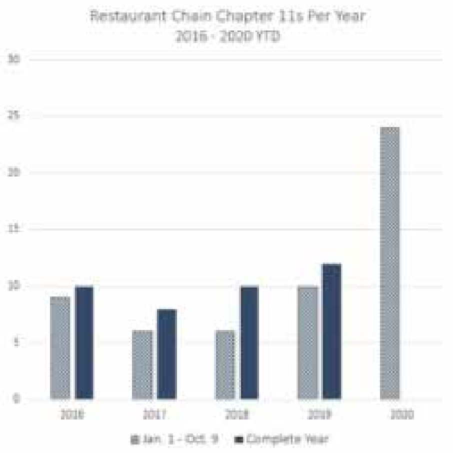
2020 & Beyond *(continued)*

- There will likely be a continued pattern of retail and leisure companies filing, especially as the winter months approach in the northern part of the U.S., with more filings likely by restaurants.
- We haven't seen any major hotel chain filings, but there were a number of smaller hotels and single-asset real estate filings from hotels so far in 2020.

Restaurant Chain Filings



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Topic #1: Why is 2020 different?

Spikes in 2005 and 2010 were significant. Do the conditions that existed at those times have any correlation with what we are seeing in 2020?

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Topic #2: Is there a wave coming?

Bankruptcy filings are down 28% year over year, and by about 40% since mid-March. What happens next? Is a backlog developing that will look like the 2005 and 2010 waves?

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Topic #3: Is Chapter 11 Subchapter V working?

Are small businesses taking advantage of this new filing option, and does it matter? Is there an economic engine around this that will work?

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Topic #4: Chapter 9 filings

Tax revenues are down, and services are more important than ever. Does this pressure on the municipalities signal an increased risk in chapter 9 filings?

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Topic #5: Wildcards

What other wildcards are out there? What tools could the government deploy to address the broader economic issues?

- Industry-level relief
- Broad loan relief initiatives – *e.g.*, student loans or health care debt
- Other?

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Panel Predictions

- What may happen with personal bankruptcy filings? When will we see it?
- What are the key things to watch to better prepare for the wave?
- Will we see more large commercial filings?
- Will we continue to see Chapter 11 Subchapter V options to take hold?
- Will the "system" be able to handle the load?

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Thank You!

Chris Kruse (Moderator)

Deirdre O'Connor

Erika L. Morabito

Jessica Steinhagen

Ed Flynn

First Day by Reorg®

2020 Midyear Review

Covid-19 Pandemic Upends Retail and Energy Sectors
During the Busiest Half Year on First Day Record

First Day by Reorg®

Key Industry Developments & Highlights

Record-Breaking Number of Filings

H1 2020 was the busiest half year on First Day record. Q1 was the busiest first quarter while Q2 was not only the busiest second quarter but also the busiest quarter of all quarters on First Day record, with June being the busiest month.

Energy & Consumer Discretionary

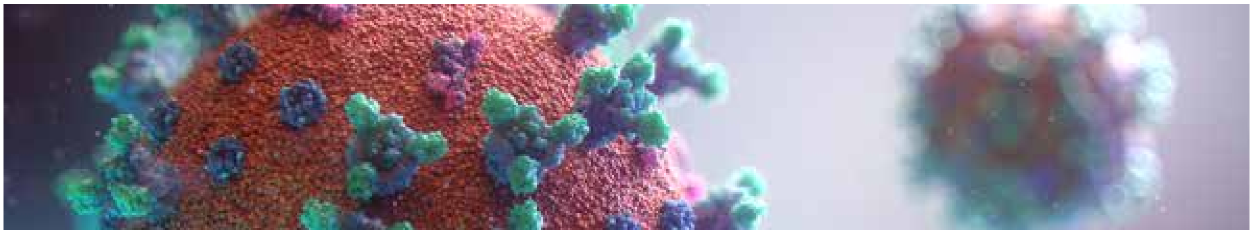
Fueled in part by Covid-19, energy and consumer discretionary sectors (which were already struggling prior to the pandemic) had the most significant increases in filings in H1 2020.

Retail, Restaurants, Oil & Gas

A record number of retailers, restaurants and oil and gas companies filed for chapter 11 in H1 2020.

Healthcare

There was a steep dropoff of healthcare chapter 11 cases during H1 2020.



Market Overview

We entered 2020 after a record-breaking year for chapter 11 filings, with 2019 recording the highest number of filings in First Day by Reorg's records amid surging activity in the oil and gas sector, worsening conditions for brick-and-mortar retail, numerous chapter 22s filed by E&P companies and retailers, increasing filings in the healthcare sector (and especially pharmaceuticals) and filers citing troubles precipitated by Trump administration tariffs. While the first quarter of 2020 felt a lot like most of 2019, the Covid-19 pandemic caused bankruptcies to soar in the second quarter, the busiest quarter on record for First Day, and made 2020's first half the busiest half year on record.

> *"With 51 cases in 30 days, June 2020 was the single busiest month for chapter 11 filings on First Day record."*

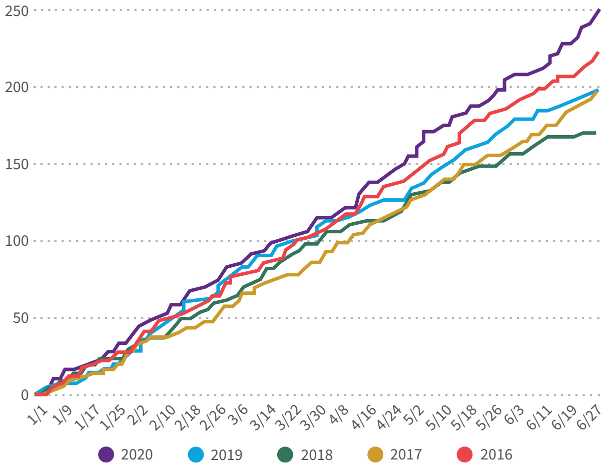
In particular, already struggling retailers burdened by untenable lease obligations and an evolving consumer landscape that increasingly favors online shopping as well as energy companies suffering years of volatile commodity prices were sent into crisis mode by the pandemic. While the consumer discretionary and energy sectors made up the largest share of filings in the first half of the year, we saw first day declarations from every industry lamenting negative impacts of the pandemic from myriad angles.

With the onset of the Covid-19-based disruptions to the U.S. economy occurring toward the end of the first quarter we saw a significant increase in chapter 11 filings early in the second quarter, with the intensity ramping up even further in May and June. June 2020 was the single busiest month for chapter 11 filings on First Day record, notching 51 cases in just 30 days.

In May and June the consumer discretionary sector, the hardest-hit sector thus far, accounted for approximately one-third of all chapter 11s. For context, consumer discretionary cases made up just 20% of chapter 11s throughout all of 2019. For the month of July, the consumer discretionary sector accounted for exactly half of the month's cases at the time of publication.

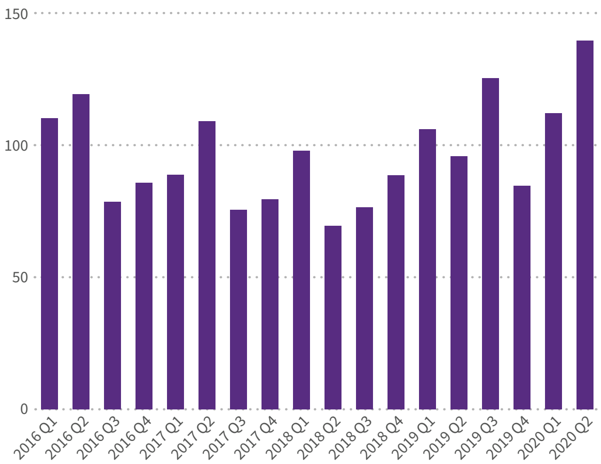
The following chart shows timelines of 2020's aggregate chapter 11 filing level with year-over-year comparisons for each of the past four years. Toward the end of the graph you can see Covid-19's impact on the frequency of chapter 11 filings as the line for 2020 steepens away from the prior years.

Annual Timeline of Aggregate Chapter 11 Filings
Jan. 1–June 30, 2016–2020



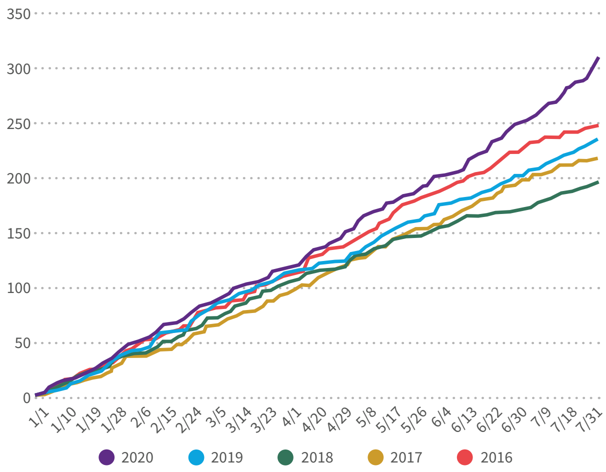
Chapter 11 filings per quarter are shown next, with the second quarter extending over every other one on the chart.

Quarterly Chapter 11 Filings
Q1 2016–Q2 2020



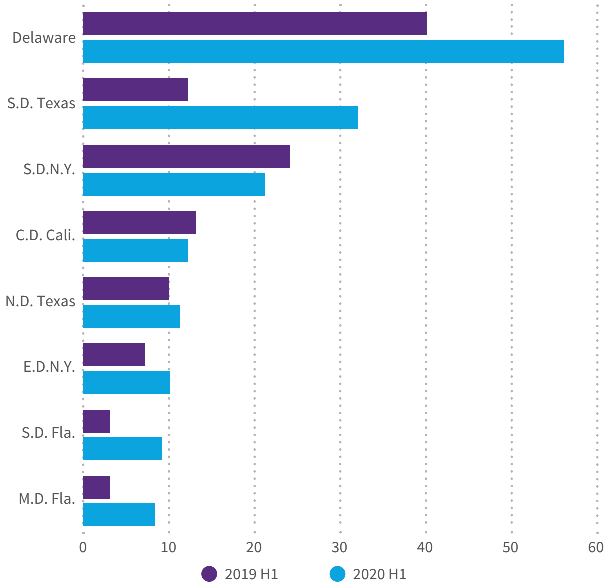
With the timeline extended to 12 months and accounting for 2020 case data through July 31, this year's departure from the prior years becomes even more pronounced.

Annual Timeline of Aggregate Chapter 11 Filings
Jan. 1–July 31, 2016–2020



Delaware notched close to 60 chapter 11 cases in the first half of 2020, up from 40 in the first half of 2019 (a 33% increase). The Southern District of Texas jumped by an even higher proportion, increasing to 33 in the first half of 2020 from just 12 in the first half of 2019 (a 175% increase). The frequency of chapter 11 filings for each of 2020's top filing districts, along with the number of first-half 2019's cases for that district, are shown in the following chart.

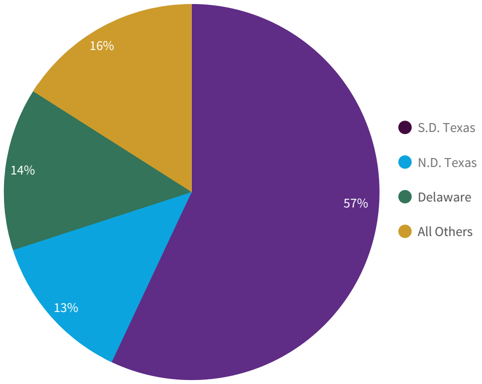
Chapter 11 Top Filing Districts
H1 2020



> *The Southern District of Texas had a 175% increase in chapter 11 filings from H1 2019 to H1 2020.*

The following pie chart shows the breakdown of oil and gas chapter 11s by filing district, shedding some light on H1 2020's increase in SDTX filings, with that district making up more than half of the period's oil and gas cases.

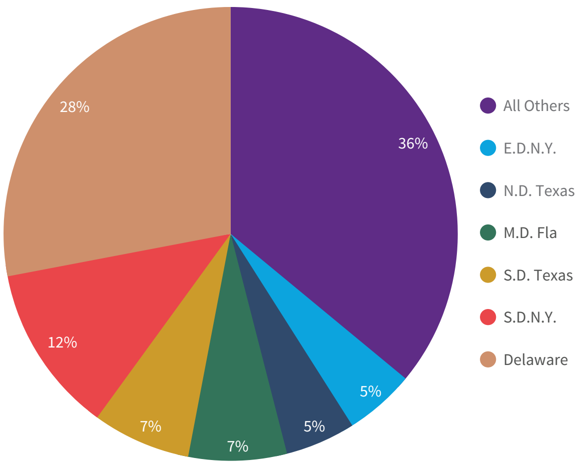
Oil & Gas Chapter 11 Filings by District
H1 2020



For the H1 2020's other booming sector for chapter 11 filings, consumer discretionary, the cases have been more balanced across court districts, with Delaware accounting for 28%, New York's Southern District making up 12%, New York's Eastern District, Florida's Middle District and Texas' Northern and Southern districts each making up 5-7% and all other districts together accounting for 36%.

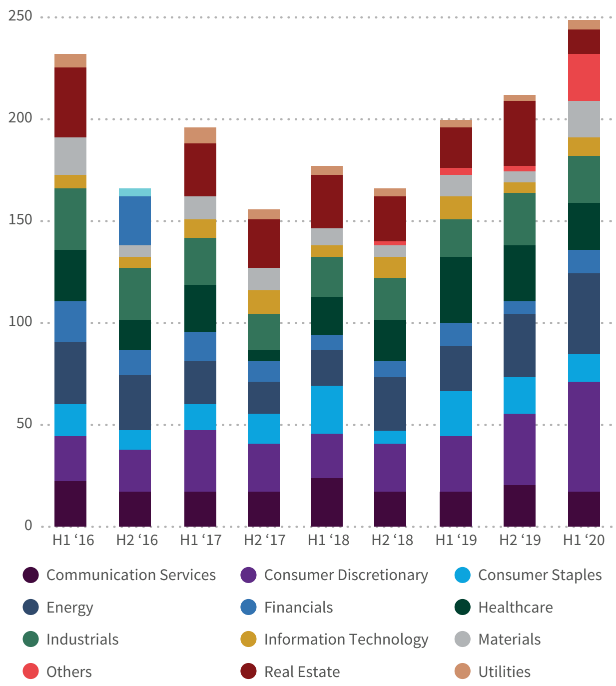
The first half of 2020 included a tidal wave of consumer discretionary filings, notching a total of 60 cases (of which 39 filed in the second quarter), representing a 54% increase year over year for the first half.

Consumer Discretionary Chapter 11 Filings by District
H1 2020



Broken down by sector for each half-year period since the first half of 2016, you can see the first half of 2020 tower over the others with heavy increases in the energy and consumer discretionary sectors.

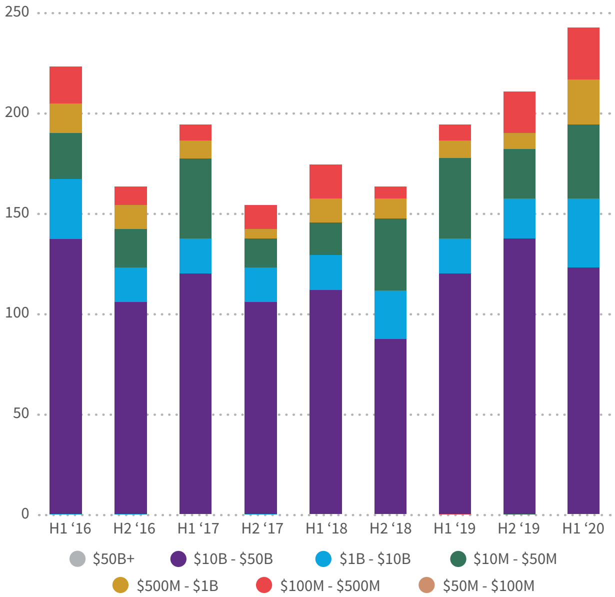
Chapter 11 Filings by Sector
H1 2016-H1 2020



First Day by Reorg® Market Overview

Cases in the $10-$50 million liability range made up approximately 51% of H1 2020 chapter 11 filings, while cases in the $50-$100 million range accounted for 11%, cases in the $100-$500 million range made up 16%, cases in the $500 million-$1 billion range accounted for 9% and cases with over $1 billion made up just over 13%.

Chapter 11 Filings by Liabilities Range
H1 2016–H1 2020

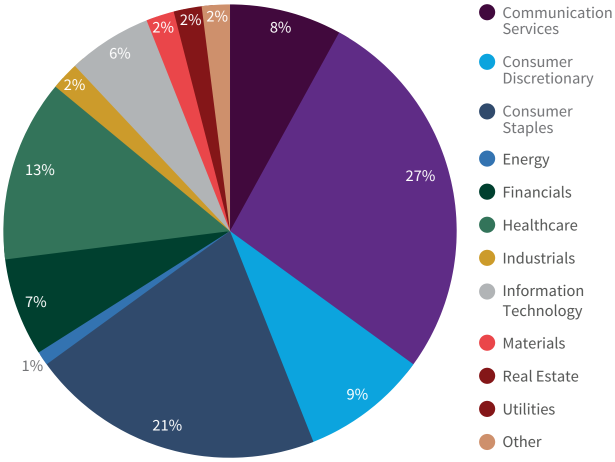


Chapter 11s filed by companies with more than $100 million in liabilities increased more drastically than cases with smaller debt sizes, jumping approximately 50% year over year from H1 2019. May and June 2020 are the only two months in our database with more than 20 $100 million-plus liability chapter 11 filings.

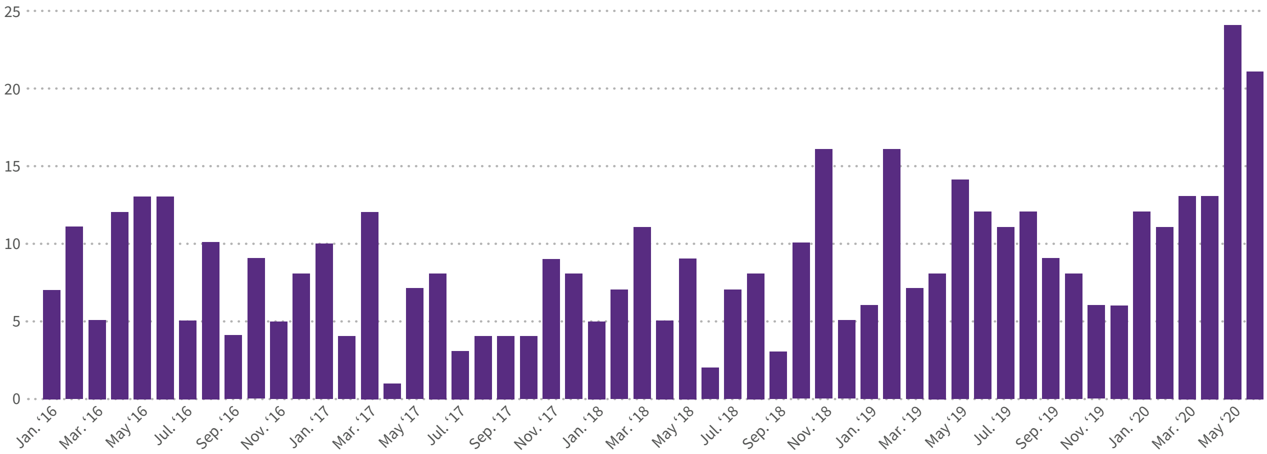
> *"May and June 2020 are the only 2 months in the First Day database with more than 20 $100M+ liability chapter 11 filings."*

Of those chapter 11s in the first half filed by companies with more than $100 million in debt, the consumer discretionary sector made up the lion's share at approximately 27% of the total, followed by energy, which made up another 21%.

Chapter 11 Filings with $100M+ in Liabilities by Sector
H1 2020



Chapter 11 Filings with $100M+ in Liabilities by Month
Jan. 1, 2016–June 30, 2020



First Day by Reorg: 2020 Midyear Review

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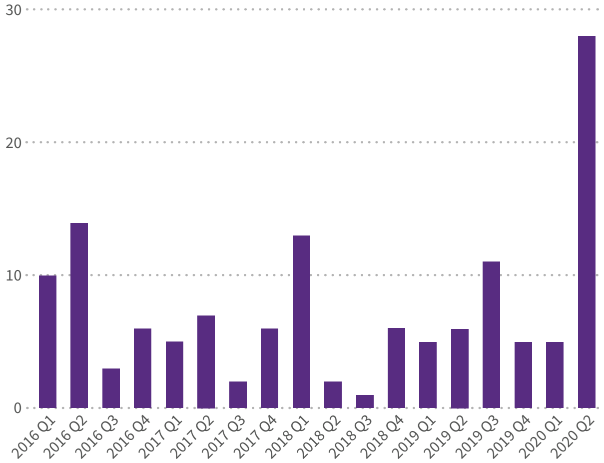
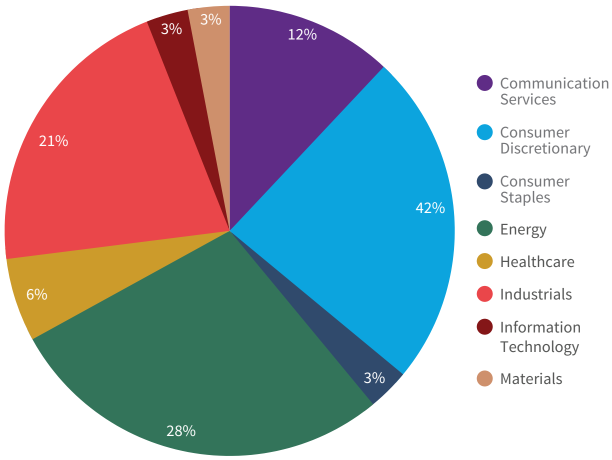
Of these larger cases with respect to debt, cases with over $1 billion in liabilities had a more pronounced frequency hike, skyrocketing from nine cases in the first half of 2019 to 33 in the first half of 2020, of which 28 occurred in 2020's second quarter. This is more than twice the amount of the former record-holder for billion-dollar chapter 11s in a quarter: the second quarter of 2016.

Chapter 11 Filings with $1B+ in Liabilities by Quarter
2016–2020



For these billion-dollar H1 2020 filings, the energy sector (28%) edged out consumer discretionary (24%), with the two sectors accounting for more than a half of the lot.

Chapter 11 Filings with $1B+ in Liabilities by Sector
H1 2020



From 2016 to 2019, the greatest number of chapter 11s involving more than $10 billion in liabilities (as reported on the chapter 11 petitions) ranged from 2-3 cases per year. The first half of 2020 had five of these including Frontier Communications, Intelsat, Hertz, LATAM Airlines and Chesapeake Energy. The July 23 filing of Ascena Retail Group, which owns the Ann Taylor brand, brought the 2020-to-date number of cases reporting more than $10 billion in liabilities to six, which is twice the highest number of these cases filed in any of the prior four complete years.

First Day by Reorg® | Industry Insights

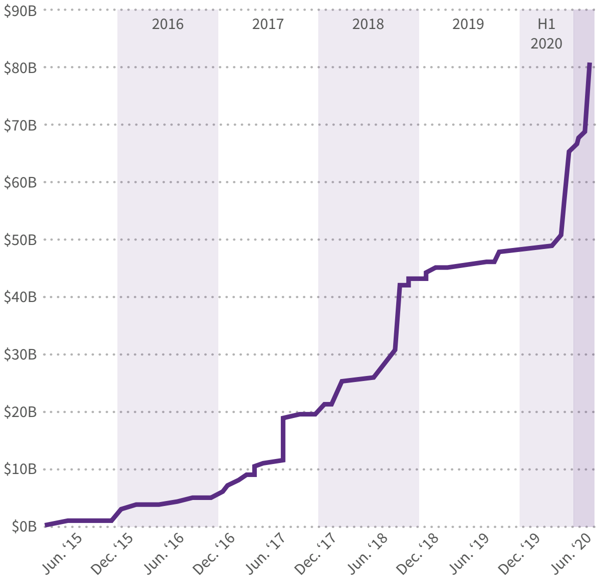
Retail

After Papyrus store operator SFP Franchise Corp., Pier 1 Imports, Art Van Furniture and Modell's Sporting Goods represented the lot of Q1 2020 retail chain filings. The second quarter ramped up the intensity with filings from True Religion, Sabon, J.Crew, John Varvatos, Neiman Marcus, Stage Stores, J.C. Penney, GNC Holdings, Grupo Famsa and Old Time Pottery.

> *May 2020 was the busiest for retail chain filings in any given month since First Day by Reorg began tracking chapter 11 cases in 2015.*

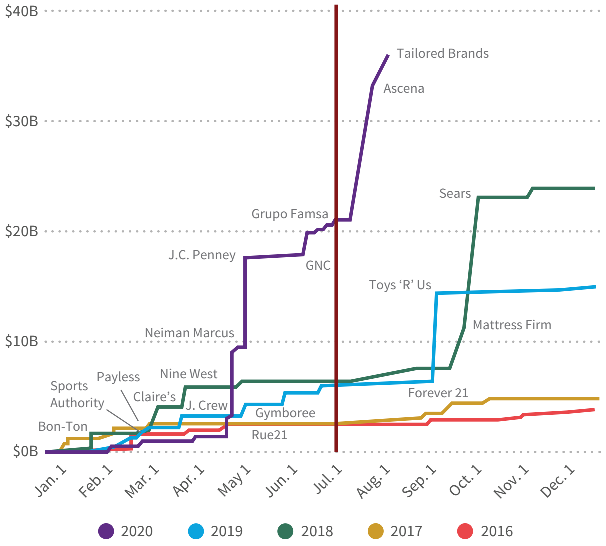
Sabon was the seventh retail chain to file chapter 11 in the month of May, making it the busiest month for retail chain filings since First Day began tracking chapter 11 cases. May's retail filers, including J.C. Penney, Neiman Marcus and J.Crew, represented a combined $16.2 billion in chapter 11 liabilities and an aggregate store footprint of approximately 2,900 locations. Through the end of the first half of 2020, retail chain chapter 11s represented more than $22 billion of aggregate liabilities. From June 2015 through the end of June 2020, retail chains have accumulated nearly $70 billion in aggregate chapter 11 liabilities in connection with approximately 110 bankruptcy filings. On July 23, Ascena Retail Group filed with more than $10 billion in liabilities, becoming the largest retail chain chapter 11 filing by debt size, inching over Sears as the prior record-holder with $12.5 billion in total liabilities listed on its chapter 11 petition.

Cumulative Retail Chain Chapter 11 Liabilities
June 1, 2015–July 31, 2020



To see a clearer picture of each year's contribution to retail chain debt, along with labels for the retailers reporting more than $1 billion in liabilities on their chapter 11 petitions, the following chart shows overlapping lines for each 12-year period from 2016 to 2020. The bright red line in the center represents the first-half/second-half split.

Cumulative Retail Chain Chapter 11 Liabilities by Year
2016–2020



Since the end of H1 2020 there have been no signs of these filings slowing down, with G-Star Raw, Lucky Brand, Sur La Table, MUJI U.S.A., RTW Retailwinds and The Paper Store all filing within the first two weeks of the second half of the year.

> *Retail chains have accumulated nearly $70 billion in aggregate chapter 11 liabilities in connection with 110 bankruptcy filings since June 2015.*

First Day by Reorg: 2020 Midyear Review

Restaurants

After restaurant chain bankruptcies outpaced retail chain filings in Q1 2020, with six companies representing nine brands as either owners, franchisors or franchisees all filing in the first two months of the year, they continued to pile up in Q2 as the Covid-19 pandemic wreaked havoc on an already ailing services industry. Restaurant filings in the second quarter included FoodFirst Global, TooJay's, Barfly Ventures, CFRA (which serves as franchisee for roughly 50 IHOP restaurants in the Southeast) and Chuck E. Cheese owner CEC Entertainment.

Many of the Q2 2020 restaurant filers lamented the Covid-19 crisis, which Barfly Ventures dubbed "unprecedentedly deleterious" and LPQ characterized as "unforeseen and unquantifiable" in its effects. But they also noted industry-wide challenges that predated the pandemic -- LPQ mentioned shifts in preferences from casual dine-in concepts toward "grab 'n go" restaurants; Barfly cited a slowing "craft beer craze"; FoodFirst Global noted the rise of quick-service and fast-casual options relative to casual dining options as well as burdensome labor costs.

Q3 2020 began with the year's second billion-dollar restaurant chapter 11 filing: NPC International, the "largest franchisee of any restaurant concept in the United States," operating more than 1,200 Pizza Hut locations and nearly 400 Wendy's restaurants. NPC also blamed factors such as "escalating wage pressures" in addition to a decreasing number of teens in the workforce and the "steady decline in the Pizza Hut brand."

Year to date 2020 is up to 15 restaurant chain filings. For context, no complete prior year since 2016 has had more than 10. The chart below provides a summary of 2020 restaurant chain filings to date, with the box at the top separating chapter 11s filed by restaurant chains in the first three days of the second half of the year.

Restaurant Chain Filings, YTD

Company	Restaurants Operated	Restaurant Category	Locations Operated as Brand Owner	Locations Franchised	Locations Operated as Franchisee	Initial Case Goal(s)
F&O Scarsdale	Fig & Olive	Upscale Casual	10	N/A	N/A	Restructure
NPC International	Pizza Hut, Wendy's	Casual Dining / Quick Service	N/A	N/A	1,620	Restructure / Sale
CEC Entertainment	Chuck E. Cheese, Peter Piper Pizza	Casual Dining	555	186	N/A	Free-Fall
Barfly Ventures	HopCat, Grand Rapids Brewing Co., Stella's Lounge	Gastropubs	17	N/A	N/A	Restructure
PQ New York	LePain Quotidien	Bakery - Restaurant	98	N/A	N/A	Sale
CFRA Holdings	IHOP	Casual Dining	N/A	N/A	49	Sale
Cinemex Holdings USA	CMX	Dine-In Cinemas	41	N/A	N/A	Restructure
TooJay's Management	TooJay's	Deli - Restaurant	28	N/A	N/A	Restructure
FoodFirst Global	Bravo Italian, Brio Italian	Casual Dining	100	N/A	N/A	Sale
Craftworks Holdings	Logan's Roadhouse, Old Chicago, Gordon Biersch, Rock Bottom	Casual Dining	330	70	N/A	Sale
Cosi	Cosi	Fast Casual	13	16	N/A	Restructure / Pivot to Catering
SD Restaurant Group	Sonic, Mod Pizza, Fuzzy's Taco's	Quick Service	N/A	N/A	90	Sale
American Blue Ribbon	Village Inn, Bakers Square	Casual Dining	75	84	N/A	Restructure
BL Restaurants	Bar Louie	Gastropubs	110	24	N/A	Sale
The Krystal Company	Krystal	Quick Service	182	116	N/A	Restructure

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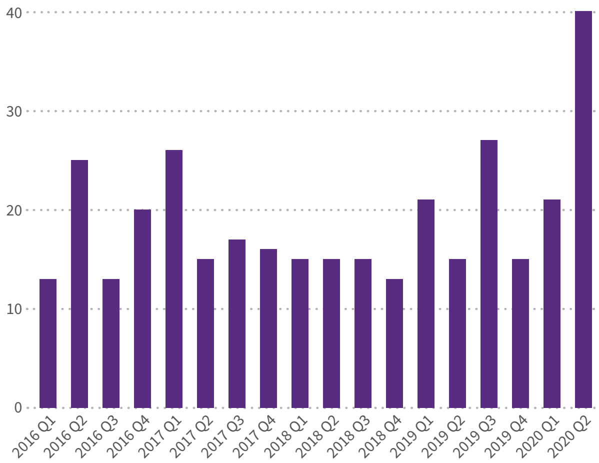
Other Brick-and-Mortar

In addition to the retail chains and restaurants, there were filings from other brick-and-mortar-focused companies hindered by the pandemic: Creative Hairdressers, which ran approximately 800 hair salons under the Hair Cuttery, Bubbles and Cielo brands before shutting down because of the pandemic; 24 Hour Fitness, which operated 445 fitness clubs serving more than 3 million members; GGI Holdings, which owns 95 Gold's Gym locations domestically and holds franchise agreements for more than 600 gyms globally; and Cinemex, which operated 41 dine-in movie theaters across 12 states under the CMX Cinemas brand.

With the pandemic hamstringing core operations of so many retail businesses, the frequency of consumer discretionary sector chapter 11 filings skyrocketed in Q2 2020, nearly doubling that of Q1 and roughly 50% higher than Q3 2019, which was previously the busiest quarter for consumer discretionary filings on First Day record.

Consumer Discretionary Chapter 11s by Quarter
2016-2020



Consumer Staples

With the filing of full-line food distributor Maines Paper & Food Service in June, 2020 reached more consumer staples chapter 11 cases filed by companies with over $100 million in liabilities through the first half than each of the previous four years had seen over their full 12 months. After Maines' filing, on June 15 tobacco grower Pyxus International filed chapter 11 with more than $1 billion in liabilities. Pyxus is one of just six consumer staples filers to post more than $1 billion in debt since 2013. Though the consumer staples sector was off to a quick start in Q1 2020, the frequency of chapter 11 filings from that sector has died down since the onset of the pandemic with 11 cases filing in Q1 and just five in Q2.

> *"Consumer staples chapter 11 filings slowed down after the onset of the Covid-19 pandemic – there were 11 cases in Q1 2020 and 5 in Q2."*

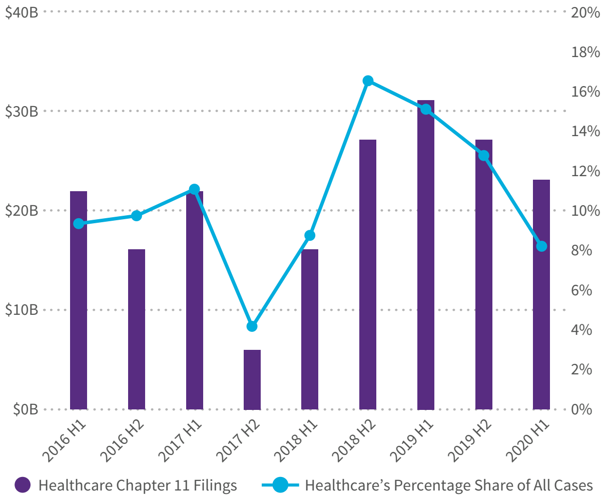
In addition, upscale New York-based grocery retailer Dean & DeLuca filed on the first day of Q2 2020. The company had already ceased operations in the middle of 2019 because of a failed expansion, but the company still seeks to restructure and preserve the value of the brand and get into a position to reopen stores.

Healthcare

After record-setting filings in 2018 and 2019, 2020 has thus far been relatively quiet for healthcare. There were only 23 healthcare cases in total filed in the first half of 2020, as compared with 31 in the first half of 2019.

The following graph shows the level of healthcare chapter 11s per half since 2016, with the left vertical axis and bars representing the number of healthcare filings and the right vertical axis and dotted line representing the healthcare sector's share of all chapter 11 filings for the period. So far in 2020, healthcare filings have remained eerily quiet amid the harsh pandemic backdrop, with the sector's filing frequency down 15% and its share of all filings down 4 percentage points.

Healthcare Chapter 11s
H1 2016–H1 2020



After an influx of pharmaceutical and biotechnology chapter 11s in 2019, with more filings in the first six months of 2019 than in all of the prior three years combined, thus far in 2020 there have been only a handful of pharmaceuticals and biotechnology bankruptcies. 2020 has seen filings from specialty pharmaceutical company Akorn, Proteus Digital Health and stem-cell therapy developer BioRestorative Therapies. Each of these pharmaceutical companies filed seeking to sell their assets, and the prepetition sale processes of Akorn and Proteus were frustrated by the Covid-19 pandemic. Medical device companies Valeritas, Reva Medical and OptiScan Biomedical Corp. also filed with the common thread of commercialization issues; Reva noted its "capital intensive" business.

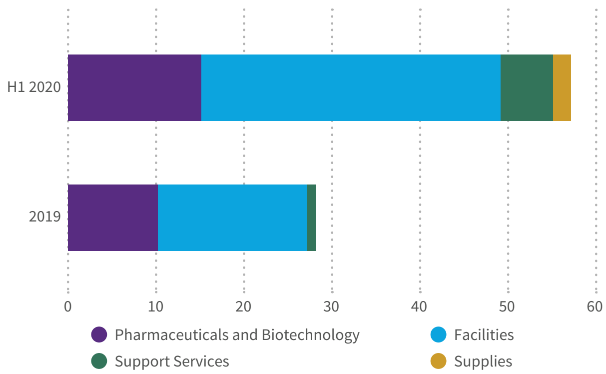
Reasons for the healthcare filings that did occur in 2020 varied widely, though there were common complaints from hospitals and medical care providers of reduced or stagnant reimbursement rates, competition from other health systems and unreimbursed care. West Virginia-based Thomas Health System blamed a "host" of issues "arising from changes in the healthcare laws over the past decade," and Asheboro, N.C.-based Randolph Hospital noted these "significant industry-wide headwinds." Brentwood, Tenn.-based Quorum Health, which operates general acute care hospitals and outpatient facilities, primarily blamed overleverage with a fundamentally healthy business. Provider of primary care-based services Hygea Holdings blamed an unsuccessful acquisition of underperforming practices and MSOs. Medical Associates of Mt. Vernon noted that after a downturn in revenue attributable to the Covid-19 crisis, it has seen a recent resurgence in patient flow and a resulting increase in revenue.

Nursing homes, which had a large share of bankruptcies in prior years, filed at a lower rate in 2020, and there was just a sprinkling of retirement community bankruptcies such as Vestavia Hills, which pointed to "volatility in the industry" hindering financing, as well as Bama Oaks Retirement.

Other large filers in 2020 reporting more than $100 million in liabilities were LVI Intermediate Holdings, the operator of Lasik surgery brands The Lasik Vision Institute and TLC Laser Eye Centers and American Addiction Centers.

By sub-industry, as in 2019, facility operators still make up the bulk of healthcare sector filings, though pharmaceutical and biotechnology companies' share of all healthcare filings have increased by about 10 percentage points.

Healthcare Chapter 11s by Sub-Industry Share
2019 vs. H1 2020



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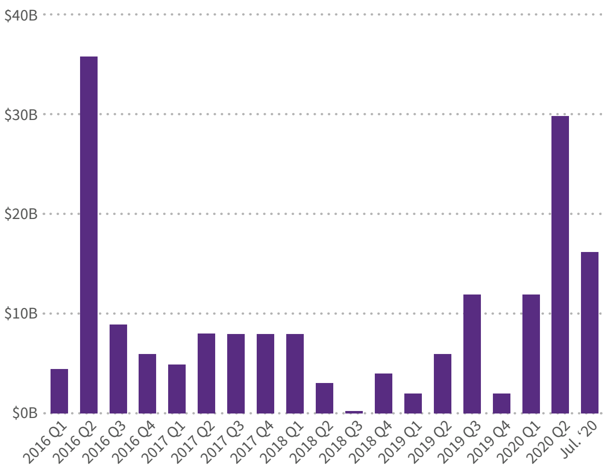
Energy: Oil & Gas

There was a stream of oil and gas chapter 11s, almost 60% of which filed during the last three weeks of March, in Q1 2020, gaining momentum for an even busier Q2. In total there were 14 energy filers in Q1, the same number of energy filings during the first quarter of 2016, which was the busiest year for energy sector chapter 11 filings to date in First Day's records. Half of the Q1 2020 energy filers reported over $100 million in liabilities, making it the year's second-busiest sector to date after consumer discretionary. Echoing 2016 further, spring 2020 gave way to a flood of oil and gas chapter 11s in Q2, with 26 additional energy filings of which 21 were oil and gas industry filers. About half of these filers also reported more than $100 million in debt in Q2.

> *With half of all Q1 2020 energy filers reporting over $100M in debt, energy is the year's second-busiest sector after consumer discretionary.*

While oil and gas filers in Q1 2020 accounted for just over $12 billion in aggregate chapter 11 liabilities, the second quarter nearly tripled that with aggregate chapter 11 liabilities for oil and gas companies that filed in Q2 totaling nearly $30 billion. Q2 2020 is second only to Q2 2016 for the highest oil and gas chapter 11 debt per quarter on First Day record.

Oil & Gas Aggregate Chapter 11 Liabilities by Quarter
2016-2020



> *Q2 2020 is second only to Q2 2016 for the highest oil and gas chapter 11 debt per quarter on First Day record.*

Since the end of H1 2020, oil and gas filings have picked up the pace even further with 10 filings in July alone at the time of publication.

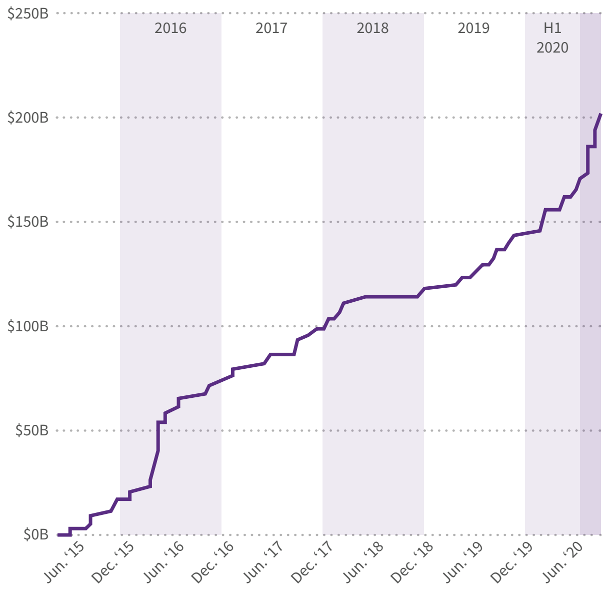
2020's energy filers already had enough to grapple with before the pandemic, including a steep drop in oil prices to start the year. Covid-19 complications blanketed the industry with more uncertainty as lenders became less willing to fund distressed companies' drilling operations. These issues were further exacerbated by an oil price war between Saudi Arabia and Russia, with oil prices descending to the lowest level since 2002, according to the Templar Energy debtors.

In addition to exploration and production companies and oilfield services and equipment providers, frac sand companies had a presence this year with three filers in June: Basin Transload, Vista Proppants and Logistics and Hi-Crush. Hi-Crush noted the falling demand for northern white frac sand, and Vista Proppants, which provides frac sand services for well completions, blamed the ongoing slump in natural gas and oil commodity prices for reduced demand for frac sand. Vista also pointed to an industry shift toward construction of multiple in-basin sand mines and the use of in-basin sand, which it said did not materially exist before 2017. Covia Holdings, in its June 29 filing, noted a glut in the proppants market due to in-basin proppant supply nearly doubling since 2017, and then capital restrained by E&P companies leading to an increased shift in demand from northern white sand to lower cost in-basin sand. Earlier in the year, Ceramic proppant supplier to oil and gas companies Carbo Ceramics similarly noted that oilfield services companies are cutting costs by substituting ceramic proppant, such as Carbo's product, with raw sand.

> *Oil and gas companies have accumulated nearly $200 billion in aggregate chapter 11 liabilities in connection with ~250 bankruptcy filings since June 2015.*

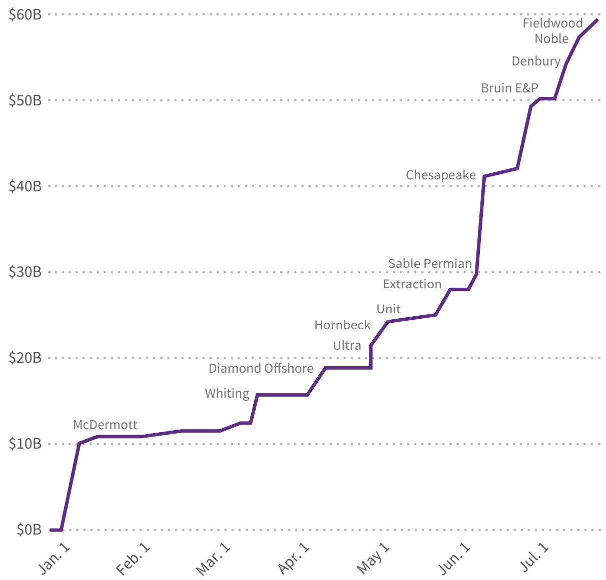
Since June 2015, oil and gas companies have accumulated nearly $200 billion in aggregate chapter 11 liabilities in connection with approximately 250 bankruptcy filings.

Cumulative Oil & Gas Chapter 11 Liabilities
June 2015–July 2020



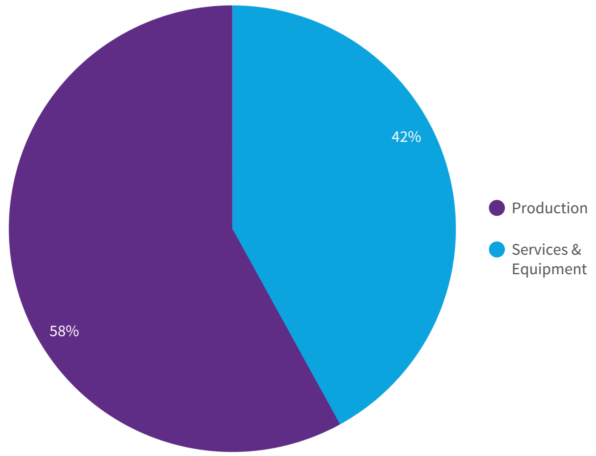
For 2020 alone, the debt accumulation looks as follows.

Cumulative Oil & Gas Chapter 11 Liabilities
YTD



Of 2020's oil and gas filers, E&P companies made up 58% of the chapter 11s, and oilfield services and equipment companies made up the remaining 42%.

Oil Production vs. Services & Equipment Chapter 11s
YTD



Energy: Coal

The long-suffering coal industry continued to see chapter 11 filings in H1 2020 with three thermal coal mining companies - Longview Power, Foresight Energy and Hartshorne Holdings - filing in the first quarter, citing ongoing market distress and an industry-wide downturn. Thermal coal miner Foresight Energy also noted a "race to the bottom for the coal industry, with heavy competition among coal suppliers for a shrinking customer base, all within a challenging regulatory and legislative atmosphere," with a resulting drop in coal prices. The international coal market has been under additional pressure due to the Covid-19 pandemic and the resultant slowdown in the global economy, Foresight notes. Murray Energy metallurgical coal subsidiaries also filed in the first quarter, lamenting adverse impacts of global trade conflicts on international demand for steel, along with weak vendor and customer bargaining power because so many coal companies have gone through bankruptcy.

Although coal production chapter 11 filings in 2018 and 2019 noted a healthier market for metallurgical coal (used to produce steel) relative to thermal coal (used to produce electricity), coal filers in late 2019 and the first half of 2020, including Harsthorne and Murray Energy, say that this market declined "substantially" beginning in Q4 2019, resulting in a sustained low-price environment. Other coal production companies that have filed chapter 11 in 2020 have cited similar struggles with respect to the metallurgical side of their businesses.

Coronavirus, Transportation Companies and Other Considerations

Before the coronavirus swept the globe, the first chapter 11 case that mentioned it was commercial-stage medical technology company Valeritas Holdings, which filed on Feb. 10. The company, which focuses on diabetes treatment, has manufacturing in China and said in its first day papers that its operations were hurt by what it described at the time as the "rapid" onset of the coronavirus epidemic.

> *The first chapter 11 case that mentioned the coronavirus was commercial-stage medical technology company Valeritas Holdings on Feb. 10, 2020.*

After Valeritas it took almost another month until another debtor cited the virus for its filing. In its March 8 filing Art Van Furniture said that an out-of-court refinancing it had lined up fell through partially because of the significant equity market impact of the coronavirus during the week of Feb. 24 and investors' willingness to contribute capital. After Art Van it started to become common for companies to point to Covid-19 for at least part of the reason for their bankruptcies -- the day after Art Van filed Bluestem Brands also filed, saying the debtors' operating environment was likely to get worse as Covid-19 affects the retail space worldwide. Bluestem, a direct-to-consumer retailer for fashion, home and entertainment merchandise, also noted that factories in China were closed and operating below capacity, leading to delayed receipts. On March 10, thermal coal producer Foresight Energy said that the international coal market had come under additional pressure due to a Covid-19-related slowdown in the global economy.

As March continued, and through the months that followed as Covid-19 kept spreading, debtors blaming the virus for their filings piled up, affecting such diverse debtors as meatpacker Mountain States Rosen, stem-cell therapy developer BioRestorative Therapies, global communications company OneWeb and charter airline Miami Air International. Covid-19 effects continued to cause distress in the airline industry with a filing by Alaska-based Ravn Air on April 5, Superior Air Charter dba JetSuite on April 28 and LATAM Airlines and Aeroméxico in Q2.

Other transportation-related companies have been particularly hard hit by the pandemic -- two rental car companies, Hertz and Advantage, filed in H1 2020, owing to the drop in travel. Advantage, which stressed its particular troubles as a primarily airport-based car rental company, noted a 95% decline in revenue for car rental companies in the wake of the pandemic that has brought government-mandated travel restrictions and stay-in-place orders. Another transportation provider also suffered, as New York City taxi medallion owner Walker Service Corp. said it had to suspend operations during the pandemic, noting, however, that even before the pandemic, the value of its medallions had significantly dropped.

> *Transportation company Advantage noted a 95% decline in revenue for car rental companies in the wake of government-mandated travel restrictions.*

The New York real estate market also suffered -- a single asset real estate filer in the Southern District of New York, 402-420 Metropolitan Ave LLC, which filed on April 1, said that Covid-19 was the lone reason for its filing and that the pandemic has dramatically changed the landscape for real estate transactions in New York City if not nationwide.

The energy sector also suffered -- in its March 27 filing, supplier for oilfield and other industrial markets CARBO Ceramics pointed to the pandemic and severe disruption and volatility in the market that may ultimately result in the debtors falling short of forecast receipts. Energy companies largely cited the price war between Russia and Saudi Arabia, coupled with the pandemic, for their troubles.

> *Energy companies largely cited the price war between Russia and Saudi Arabia and the Covid-19 pandemic as the reasons for filings.*

Chapter 11 filings by brick-and-mortar businesses catalyzed by Covid-19 continued to land in bankruptcy proceedings with high-profile filings by major retailers including J.C. Penney, Neiman Marcus and J.Crew. Gym operators such as household names Gold's Gym and 24 Hour Fitness were also forced to shut down, and Cinemex, which operates luxury dine-in movie theaters, was also felled by the pandemic.

Paycheck Protection Program (PPP) loans under the CARES Act were discussed in multiple cases in Q2 2020, with many companies securing the loans prior to filing, in some cases resulting in litigation. True Religion, which was already struggling before the Covid-19 pandemic hit, said it evaluated the availability of funding through the CARES Act but determined that either they were not eligible or that it would take too long to find out. However, True Religion said at the start of its case that it was "hopeful that future stimulus packages will target companies such as the Debtors -- i.e. mid-market companies with 1,000 employees that are currently in chapter 11, but that could utilize government financing when emerging from chapter 11." Ravn Air's quest for CARES Act funding played a large role in its case, and particularly in its sale process, as a way to make the business more desirable.

> *"Many filers secured Paycheck Protection Program loans under the CARES act prior to filing, in some cases resulting in litigation."*

Creative Hairdressers filed chapter 11 in Maryland toward the end of April, seeking to sell its pandemic-shuttered business of approximately 800 hair salons to an affiliate of Tacit Salon, which said it hopes to reposition the business as "American society slowly returns to normal." Others also filed with the intention of resuming operations in the aftermath of the pandemic such as Apex Linen Services, a Las Vegas-based commercial linen service business, which aims to exit bankruptcy in "an increasingly more favorable environment." Luxury denim brands Lucky Brand Dungarees and G-Star Raw similarly said that they were "optimistic about the reopening of stores and our customers' return" and "hope of restarting operations and reopening the previously-profitable stores once the COVID-19 crisis has passed," respectively.

First Day by Reorg® — Other Considerations

Other Considerations: Chapter 22s

The first half of 2020 included a chapter 22 from True Religion, which filed its second chapter 11 case within three years of its first filing. True Religion followed various retail chains also filing a chapter 22 in prior years within three years of its prior filing such as A'Gaci, Charming Charlie, Payless, Gymboree, B&B Bachrach, The Wet Seal and American Apparel. Cosi's February 2020 and Fairway's January 2020 filing both came just a few months over three years after their prior filings. Other industries also had repeat filers -- independent coal-fired power producer Longview Power's second chapter 11 filing came one day shy of occurring on the five-year anniversary of the prior case's plan confirmation.

> *"The 2020 filings from True Religion, Cosi and Fairway were all chapter 22s; they came three years or more after their original chapter 11 filings."*

Other Considerations: Nonprofits

2020 has had at least four chapter 11s filed by a Roman Catholic Diocese in the wake of sexual abuse claims, with certain ones also noting lost revenue collection due to the suspension of Catholic mass in the wake of the Covid-19 pandemic. The Boy Scouts of America also filed in H1 2020, facing 275 lawsuits asserting abuse-related claims.

Nonprofit Chapter 11s
YTD

Debtor	Petition Date	Liabilites
Boy Scouts of America	18-Feb	$500M - $1B
The Roman Catholic Church for the Archdiocese of New Orleans	1-May	$100M - $500M
The Roman Catholic Diocese of Syracuse	19-Jun	$50M - $100M
The Diocese of Buffalo	28-Feb	$50M - $100M
Roman Catholic Diocese of Harrisburg	19-Feb	$50M - $100M

*Filing alerts, case summaries, case data, DIP financing terms, advisor fees, 363 sale data and more for all of the aforementioned companies can be found on **First Day by Reorg**.*

Meet the First Day by Reorg Team

Jessica Steinhagen is a Distressed Debt Legal Analyst and the head of the First Day team. She has extensive experience working in the restructuring and bankruptcy group at Otterbourg, where she represented stakeholders in all aspects of reorganizations, liquidations and distressed situations.

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About First Day by Reorg

First Day provides in-depth analysis of new chapter 11 cases and comprehensive data on bankruptcies across the United States. First Day alerts clients every time a chapter 11 case with more than $10 million in liabilities files and features searchable databases of cases filed since 2012 including detailed DIP information, advisor fees and 363 sales.

First Day can be purchased as part of Reorg's packaged solutions including **Americas Edge, Americas Edge Plus, Americas Middle Market, Global Edge** and **Global Edge Plus**. Learn more at **reorg.com/firstday**.

Faculty

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