First Day by Reorg®

2021 Midyear Review

Real Estate, Hotels the Focus of H1 2021 Chapter 11s as Nearly All Other Sectors Recover From 2020's Pandemic Bankruptcy Boom

Key Industry Developments & Highlights

- **2021 filings trended well below historical averages - exacerbated by comparison to peak pandemic filings last year; lull in May**
- **Real estate comprises nearly a third of 2021's filings, SAREs - real estate filings have grown even relative to prior years where other chapter 11s were much more prevalent**
- **Not many billion-dollar retail filings, other than Belk's "24-Hour" chapter 11**
- **Late breaking trend of continuing care retirement communities filing toward the end of the midyear**
- **Hospitality sector took a hit this year with hotel filings**

Market Overview

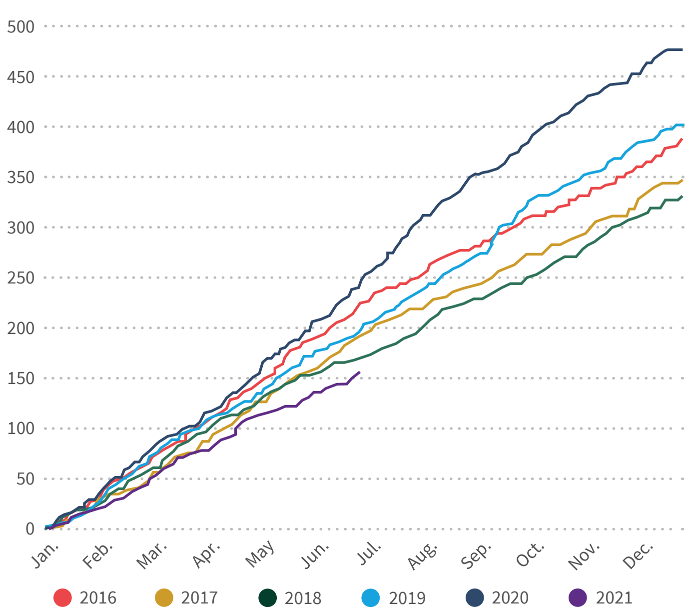
Coming off a record-setting year of chapter 11 filings in 2020 as the Covid-19 pandemic swept the globe and affected multiple industries, the first half of 2021 trended well below historical averages, with a low point in May. Compared with the busiest second and third quarters of 2020 where consumer discretionary sector cases and, in particular, brick-and-mortar heavy companies, were filing with unprecedented frequency, 2021's first-half consumer discretionary cases dropped by almost half. Real estate was the only industry to see an increase in filings, as compared with both the first and second halves of 2020, as hotels and commercial real estate struggled. Financials also had an increase of less than 20% in filings in the first half of 2021 as compared with the second half of 2020, but a decrease of about 20% as compared with the first half of 2020.

> *"The first half of 2021 trended below historical averages, consumer discretionary cases dropped almost 50% compared to the busiest second and third quarters of 2020."*

A big story from 2020 was also a huge increase in larger bankruptcy filings, a trend which did not continue into 2021. There were only 10 $1B bankruptcies during the first half of 2021, as compared with 57 over the full-year period of 2020. The dropoff in filings by companies with more than $1 billion in liabilities fell off by about 60% as compared with the second half of 2020, and 75% compared with the first half of 2020. All liability ranges saw less action in the first half of 2021 relative to both halves last year, with cases involving more than $500 million in liabilities dropping most vastly, cases in the $10 million to $50 million and $100 million to $500 million ranges falling less significantly, and filings in the $50 million to $100 million range increasing slightly.

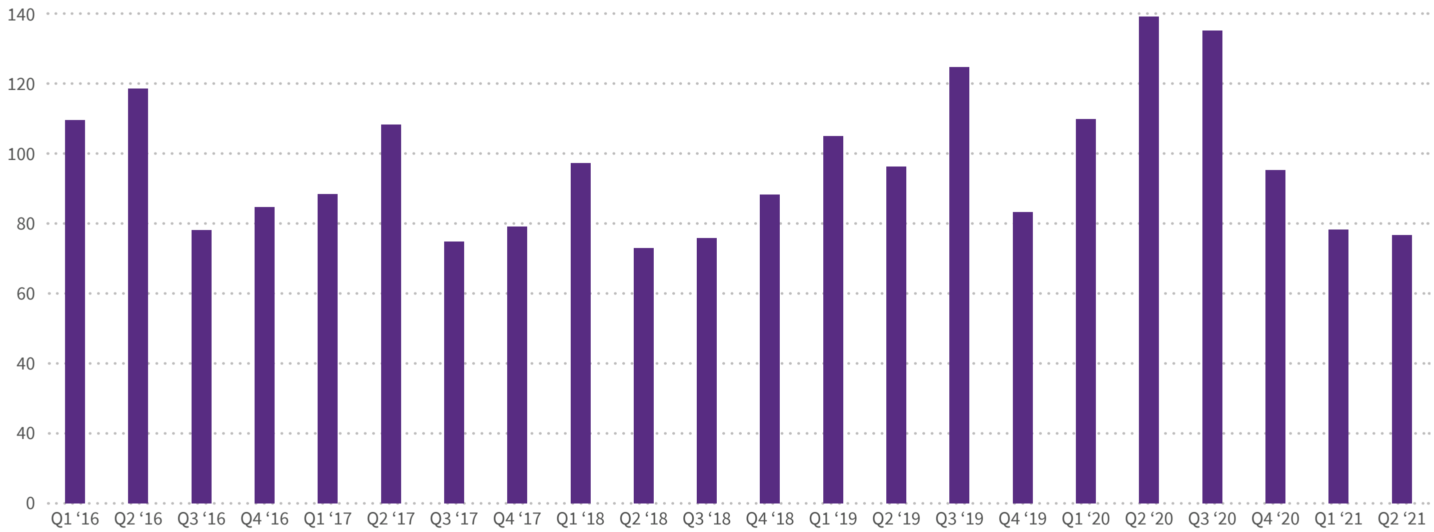
The graph below shows the timeline of aggregate chapter 11 filings per year, up to the end of the first half for 2021. The 2021 line, in purple, illustrates a series of particularly low filing activity, including the late March to early April period and the month of May, which hosted only 19 cases:

Annual Timeline of Aggregate Chapter 11 Filings 2016-2021



The first two quarters of 2021 are two of just seven quarters out of the 22 since the first quarter of 2016 to record fewer than 80 cases:

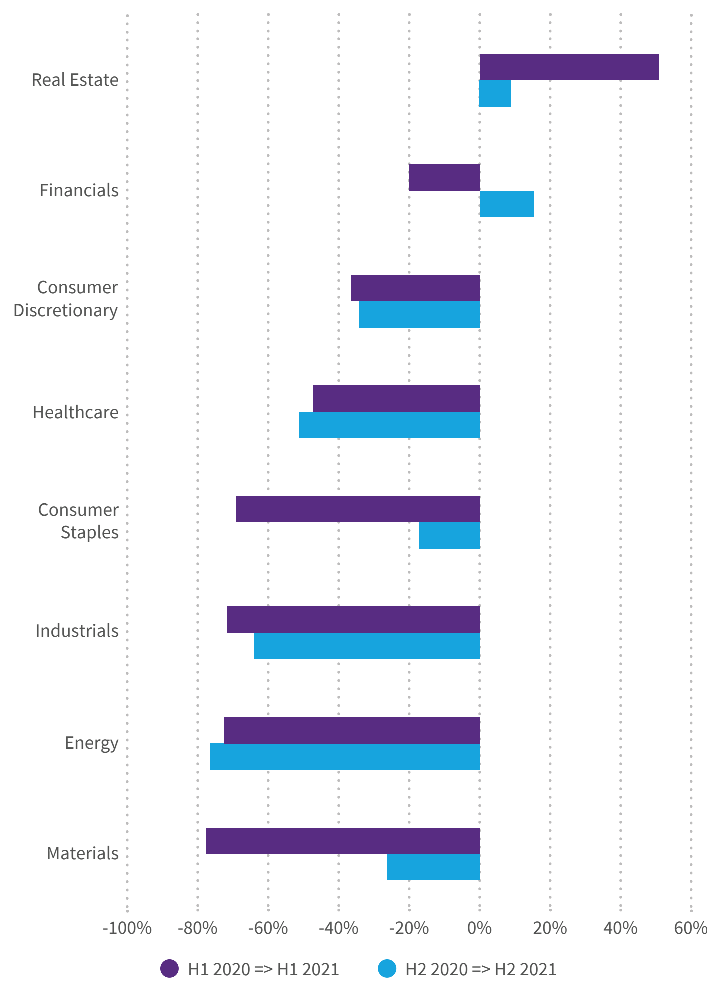
Chapter 11 Filings Per Quarter (Q1 2016 -Q2 2021)



From the first half of 2020 to the first half of 2021, big decreases in filing frequency occurred across every sector except for real estate, the filing frequency of which increased about 45%. The current trend of increased real estate chapter 11 activity began in the second half of last year, narrowing the increase in filing frequency from the second half of 2020 to the first half of 2021 by almost 40%.

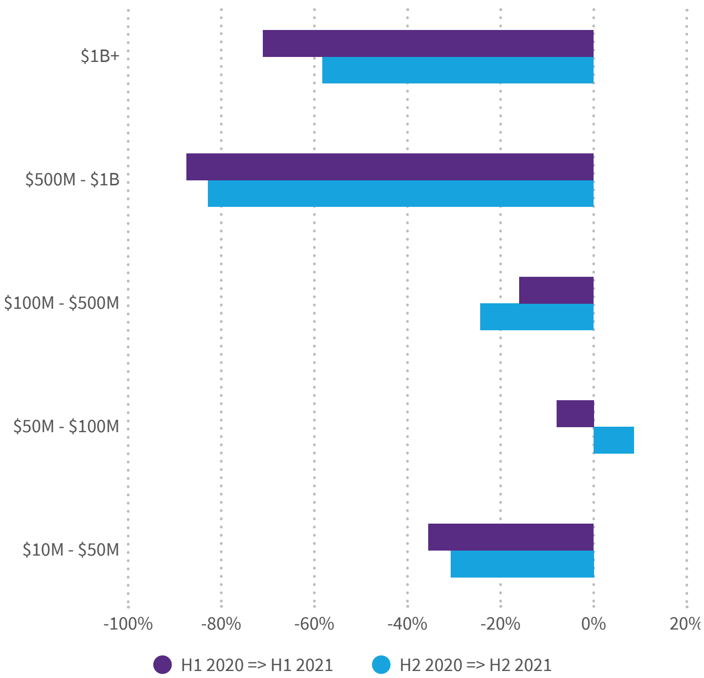
> *For the first half of 2021, there were decreases in filing frequency for every sector except real estate, a 45% increase.*

Change in Chapter 11 Filing Frequency by Sector (H1 2020 to H1 2021 and H2 2020 to H2 2021)



The graph to the right shows the change in chapter 11 filing frequency by liability range, showing decreases across all ranges, except for $50 million to $100 million liability filers, for which there was an increase in filings, albeit less than 10%, in the first half of 2021 as compared with the second half of 2020:

Change in Chapter 11 Filing Frequency by Liability Range (H1 2020 to H1 2021 and H2 2020 to H2 2021)



The utilities and real estate sectors each account for three of the year's 10 largest chapter 11s with respect to debt, and the Southern District of Texas hosted six of the 10:

Largest Chapter 11 Filings (2021)

Company	Date	Court District	Sector	Liabilities
Seadrill Limited	10-Feb	Texas Southern	Energy	7.2B
Brazos Electric Power Cooperative	1-Mar	Texas Southern	Utilities	5.1B
Washington Prime Group	13-Jun	Texas Southern	Real Estate	3.5B
Belk	23-Feb	Texas Southern	Consumer Discretionary	2.1B
Corp Group Banking	25-Jun	Delaware	Financials	1.9B
Katerra	6-Jun	Texas Southern	Industrials	1.4B
Hospitality Investors Trust	19-May	Delaware	Real Estate	1.3B
Stoneway Capital	7-Apr	New York Southern	Utilities	1.01B
Frontera Generation	3-Feb	Texas Southern	Utilities	1B
Knotel	31-Jan	Delaware	Real Estate	1B

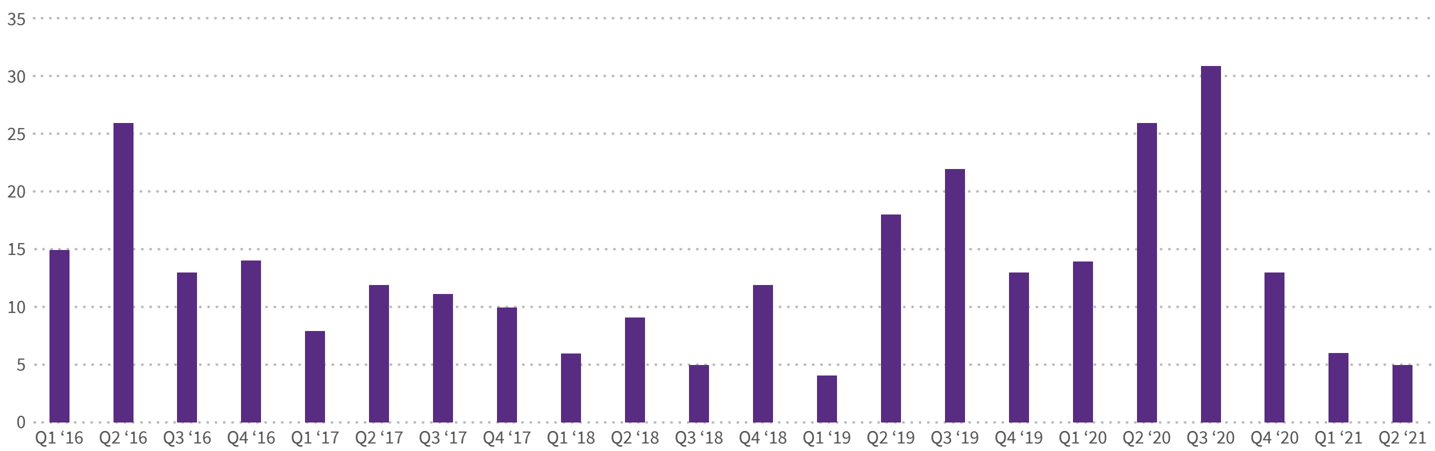
Energy

After a record-breaking year for the energy sector with respect to chapter 11 filing activity spurred by years of price volatility, the Russia-Saudi Arabia “price war” early on in 2020 and the compounding impact of the Covid-19 pandemic on energy demand, 2021 experienced a significant dropoff in these filings, tallying just 11 in the first six months, compared with 42 and 45 in the first and second halves of 2020, respectively. Eleven cases is the lowest number of energy chapter 11s in any half-year period on First Day record and represents only one-third of the 12-month total of 2018, the slowest year for energy in at least the past six years.

> *11 energy companies filed for chapter 11 in the first six months of 2021, compared to 87 in the first and second halves of 2021.*

Despite the sharp drop in filing frequency since the third quarter of 2020, the busiest year for energy filings on First Day record, and the first half of 2020, as evidenced by the chart below, this year’s energy filers largely cite the same circumstances leading to the chapter 11 filings as the spate of energy filers last year:

Quarterly Energy Filings (Q1 2016-Q2 2021)



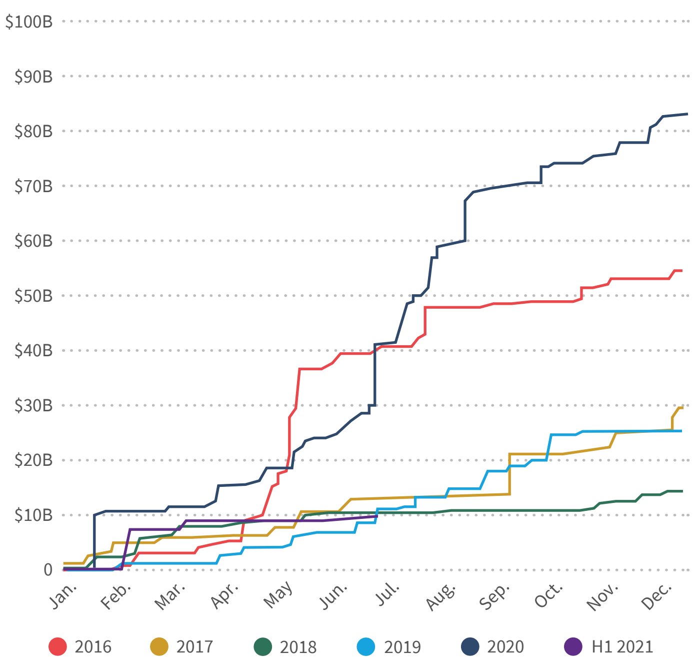
The biggest energy cases filed during the first half of 2021 include **Seadrill Ltd.**, one of the world’s largest offshore drilling contractors, which reported approximately $7.2 billion in liabilities and filed a freefall case with $650 million of cash on hand to pursue a balance sheet restructuring; **HighPoint Resources**, a DJ Basin-focused E&P company with $765 million of funded debt which filed to effectuate a prepackaged plan and merger premised on a transaction support agreement with **Bonanza Creek Energy**, another oil and gas company with assets in the DJ Basin, after an exchange offer failed to achieve the minimum participation required for an out-of-court transaction; and middle market filer **Nine Point Energy**, a Williston Basin E&P company that filed in March to pursue a sale process with existing lenders to serve as stalking horse bidders with a credit bid of at least $250 million and as DIP lenders.

Onshore oil and natural gas company **Sundance Energy** attributed its filing to the global climate in the oil and gas industry, which has been marked by significant volatility in recent years, and the impact of the Covid-19 pandemic, which worsened the price decline that began in mid-2014. Nine Point lamented a “challenging” macroeconomic landscape in 2020 marked by “a sudden, unprecedented, and precipitous drop in oil prices due to (a) the global outbreak of COVID-19 and the resulting dramatic drop in oil and gas demand, and (b) the oil price war between Russia and the Organization of the Petroleum Exporting Countries.” Alongside issues with the merger with Bonanza Creek, HighPoint also blamed liquidity challenges stemming from recent market volatility, particularly in 2020, when prices “plummeted” to their lowest point in “nearly twenty years.” This market volatility, spurred by the Covid-19 pandemic and falling transportation demand, resulted in an oil supply glut and “has made it especially difficult for some companies to execute on out-of-court restructuring alternatives,” HighPoint said in its first day filings.

The energy sector recorded approximately $9.1 billion in aggregate chapter 11 liabilities, largely attributable to Seadrill's $7.2 billion. Since at least 2016, this is the lowest aggregate chapter 11 debt level for the energy sector during the first half of any year.

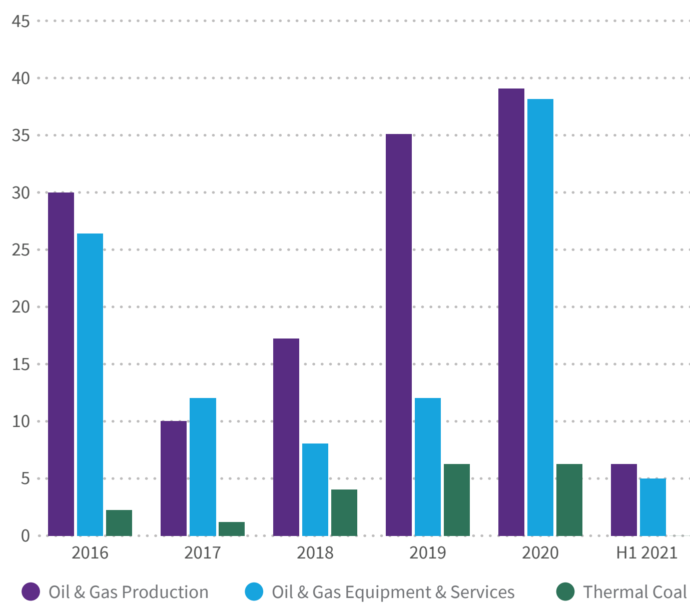
> *The energy sector recorded approximately $9.1 billion in aggregate chapter 11 liabilities for the first half of 2021, the lowest aggregate chapter 11 debt level since 2016.*

Timeline of Aggregate Chapter 11 Liabilities for the Oil & Gas Industry



The three primary spikes in oil and gas cases since 2016 include spring 2016, summer and fall 2019, and just about all of 2020. 2020 and 2016 were quite alike in filing magnitude and with respect to the prevalence of billion-dollar energy filers, with energy producers and equipment service providers both represented. 2019's spike differed from 2016 and 2020 in that there were far fewer billion-dollar filings and a greater concentration of energy production filings relative to equipment and services filings. So far in 2021, we have seen a similar ratio of production filings to equipment and services filings as in 2016 and 2020, but at significantly lower filing level overall. To date, Seadrill is the only energy chapter 11 with over $1 billion in liabilities in 2021.

Energy Chapter 11s by Category (2016 - H1 2021)



Through the first half, 2021 has marked a shift from the uptick in thermal coal cases that occurred from 2018 to 2020, with zero filings for the industry in 2021 to date, as shown in the above graph.

Utilities / Winter Storm Uri

Mid-February's Winter Storm Uri, which wreaked havoc on Texas' unique power infrastructure, caused related market dislocations and chapter 11 filings by various companies. Largely due to Storm Uri, 2021 utilities sector chapter 11s eclipsed the complete year totals of years 2016 - 2020 by the end of June.

The February winter storm, which left millions of people without power, precipitated five of the period's utilities sector cases, with all but one specifically blaming the decision of the Electric Reliability Council of Texas, or ERCOT, to set wholesale electricity prices "at stratospheric and unprecedented levels." The storm and ERCOT's response created "a 'perfect storm' of conditions that were impossible for [Liberty] and other market participants to anticipate or prepare for," as retail power provider **Liberty Power** put it in its first day briefing.

The biggest of the Storm Uri-driven bankruptcies was **Brazos Electric Power Cooperative**, a 3,994-megawatt generation and transmission cooperative whose members' service territory extends across 68 counties from the Texas Panhandle to Houston, and it was the first of the year to lament the "catastrophic 'black swan' financial event," which resulted in more than $2.1 billion of invoices imposed by the storm. As a result, Brazos said, it "suddenly finds itself caught in a liquidity trap that it cannot solve with its current balance sheet." Two weeks after Brazos' filing, retail electricity provider **Griddy Energy** filed seeking to wind down after "one devastating week - through the failings of ERCOT" - left the company with "no choice" but to file the chapter 11 proceeding.

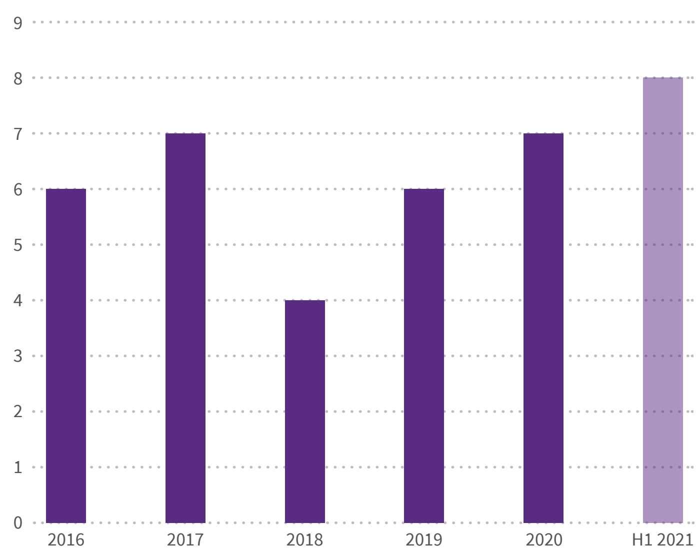
> *"Brazos Electric Power Cooperative was the biggest bankruptcy driven by Storm Uri, resulting in more than $2.1 billion of invoices."*

Approximately $270.3 million owed to ERCOT stymied the efforts of **Entrust Energy**, the third company to file in the wake of ERCOT price hikes, to sell its customers to other retail energy providers. The last filing by a utilities company in the first half of this year was **Agilon Energy Holdings II**, which provides gas-fired peaking electric energy to the ERCOT market. The circumstances leading to Agilon's filing were more structural than the other filers, as its combustion turbine engines were not constructed to operate in the abnormally cold temperatures brought on by the winter storm, resulting in additional liabilities for an "unprecedented amount of purchased power expense during the week of cold weather."

The complications caused by Storm Uri seeped into the Houston real estate market, with **ALH Properties No. Fourteen**, a downtown Houston Embassy Suites owner, blaming its chapter 11 filing, in part, on the effects of the winter storm, which left the hotel property with "severe" water damage from burst pipes.

Complete year totals for utilities sector filings for 2016 through 2020 are shown below, alongside the first-half total for 2021:

Annual Utilities Sector Chapter 11 Filings (2016– H1 2021)



There were three utilities sector chapter 11s in the first half that predated Storm Uri, each with its own unique circumstances leading to the bankruptcy filings: Overland Park, Kan.-based propane supplier **Ferrellgas Partners**; Mission, Texas-based **Frontera Generation**, a 526-megawatt gas-fired power plant that sells its power exclusively to Mexico; and **Stoneway Capital** and its affiliates, which are holding companies organized in the British Virgin Islands and Canada with equity interests in nondebtor operating subsidiaries engaged in the construction, ownership and operation of four power generation plants in Argentina's wholesale electricity market.

Ferrellgas Partners filed a prepackaged plan in line with a December 2020 transaction support agreement with holders of approximately 75.8% of the principal amount of $357 million HoldCo 2020 notes issued by the debtors. The company said it has suffered "unexpected challenges" in recent years including "the inability of the Debtors to service their debt obligations due to, among other things, restrictions on OpCo's ability to distribute funds to the Debtors," as well as liquidity issues leading to the debtors inability to repay or recapitalize the principal and interest due under the 2020 notes.

Frontera Generation entered into chapter 11 with a restructuring support agreement including nearly all of its capital structure. An ad hoc term loan lender group agreed to backstop a $70 million new-money DIP facility that would roll into a first lien term loan exit facility upon emergence. Judge Marvin Isgur focused on the proposed $14 million exit fee (20% of the $70 million DIP facility) during Frontera's first day hearing, estimating that the DIP financing, including the exit fee, provided a "jaw dropping" 113% return for the DIP lenders. Nonetheless, the court ultimately approved the DIP financing on an interim basis after debtors' counsel said that the exit fee would only be paid in cash in the event that the DIP did not roll into the proposed first lien exit facility, and the financing was ultimately approved on a final and consensual basis. The filing was precipitated by a liquidity crisis due to the disruption in Mexican manufacturing and commercial operations provoked by the Covid-19 pandemic as well as resulting conditions in the energy market generally.

Reporting $866 billion in assets and $1.1 billion in liabilities, Stoneway initiated its chapter 11 proceedings after the breakdown of lender negotiations due to uncertainty sparked by an Argentine Supreme Court ruling related to one of the company's generating facilities. The company filed to "put the automatic stay in place, maintain the status quo pending resolution of the various issues in Argentina," and prevent certain indenture trustees from taking "detrimental or value destructive" actions. Stoneway marked this year's sixth billion-dollar chapter 11 filing.

Consumer Discretionary

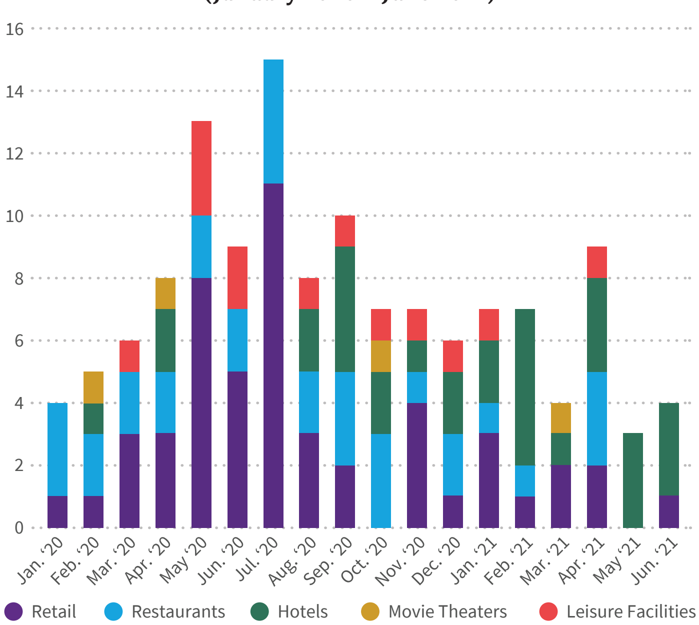
Consumer discretionary cases hit a record high number in 2020, owing in large part to the disruptions to the economy caused by the pandemic. Consumer discretionary filings in the first half of 2021 were more muted; however, the sector had its fair share of retail chains continuing to file, highlighting the sustained challenges of retailers even in the pre-pandemic economy.

While filings for the sector decreased significantly from 2020, the first quarter's count was 25% above the 2016 - 2019 quarterly average of 16, and the second quarter's count was 19% above that average, as showin the chart to the right.

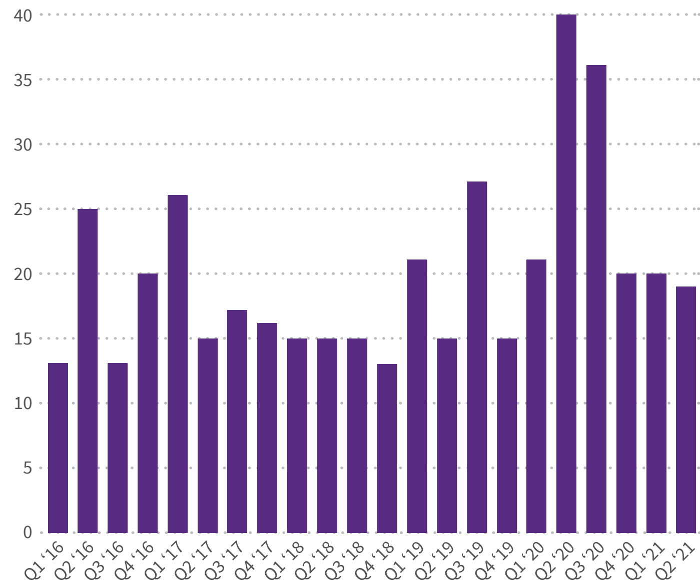
> *Consumer discretionary cases hit a record high number in 2020, owing in large part to the disruptions to the economy caused by the pandemic.*

The chart below shows the industry composition of brick-and-mortar filers, which were primarily restaurant and retail based in 2020. In 2021, retail and restaurant filings tapered off, while hotel filings became more prevalent, potentially suggesting a more lagged recovery for the hotel and travel industries relative to retail and restaurants:

Monthly Brick-and-Mortar Filings (January 2020 - June 2021)



Consumer Discretionary Chapter 11s Per Quarter (Q1 2016 - Q2 2021)



Consumer discretionary filings in the first half of 2021 were concentrated in the middle market and below, with only two cases filing with more than $500 million in liabilities - **Automotores Gildemeister** (reporting $566.7 million in prepetition debt) and privately owned department store chain **Belk** (with $1.9 billion of consolidated funded debt). Each of Automotores Gildemeister and Belk took quick prepackaged trips through chapter 11.

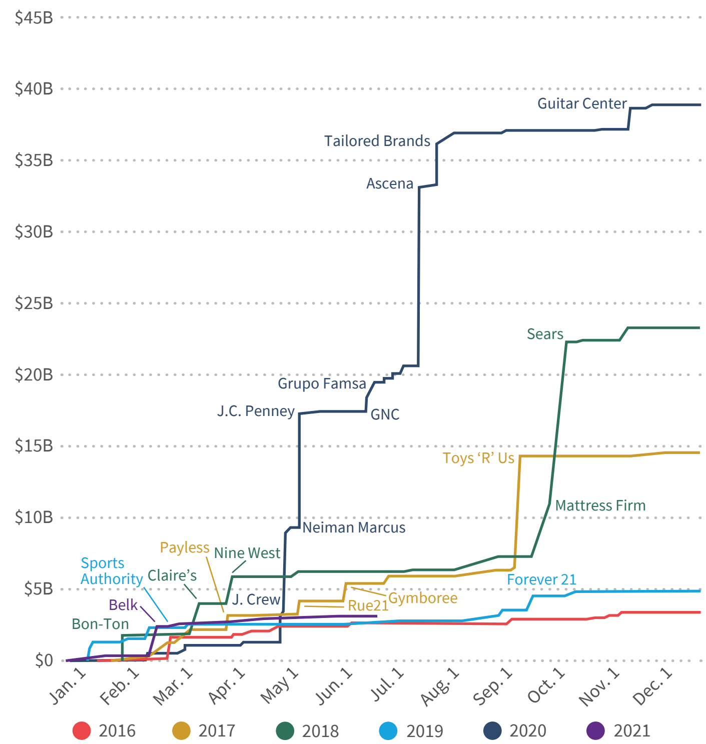
Automotores, a Santiago, Chile-based vehicle importer and distributor, filed due to a complex and competitive operating environment as well as the impact of Covid-19 on operations. Reaching agreement with senior secured noteholders at the outset, and further additional postpetition support from holders of unsecured legacy notes, Automotores had its plan confirmed just about six weeks after the petition date. Belk's confirmation was even quicker, with a record-setting "quickest" emergence just one day after the petition date, based on a prepackaged plan supported by 99% of first lien term loan holders and holders of 100% of the second lien term loans, and sponsor Sycamore Partners Management. Belk blamed its bankruptcy on the spread of Covid-19 and declining store traffic for its bankruptcy, seeking a debt restructuring to allow for going-forward business. These cases followed 2020's 24-hour prepacks from online plus-sized apparel retailer **FullBeauty** and provider of IT production and recovery services **Sungard Availability Services**. In the first half of 2021, **CiCi's** pizza chain also had its plan confirmed just 37 days after the petition date.

Retail

The first half of 2020 included three billion-dollar retail filings and 10 with at least $100 million in debt, causing a swift surge in the aggregate chapter 11 debt level for the sector, exceeding $15 billion before the end of the first half. This compares with roughly $3 billion for the first half of 2021, with department store **Belk** as the sole billion-dollar retail filing. The debt level for retail chains reached during 2021's first half falls well below 2017, 2018 and 2020, and falls just above 2016 and 2019, as shown in the chart to the right.

> *The $3 billion debt level for retail chains for the first half of 2021 falls well below 2017, 2018 and 2020, and just above 2016 and 2019.*

Timeline of Aggregate Chapter 11 Liabilities (Retail Chains: 2016 - H1 2021)



A familiar pattern emerged in 2021's retail filers, with those with established online businesses faring relatively better. Home and outdoor goods brick-and-mortar retailer **Tea Olive**, doing business as Stock+Field, filed to pursue an orderly liquidation after store closing sales, with its growth hindered by the pandemic because even though it has an online presence, sales on the majority of its products are only sold in stores. In a bid to restructure, **The Collected Group** - which owns the Joie, Equipment and Current/Elliott women's apparel and accessories retail brands - filed in April, and its prepackaged plan, supported by all of its prepetition secured lenders, went effective the next month. The company was seeking to capitalize on what it said was its "thriving - and growing - e-commerce platform, as well as its established wholesale channels," noting that the e-commerce business has grown at an accelerating rate in each of the past three years and represented about 49% of the company's total revenue in 2020.

Similarly, apparel and accessories retailer **Christopher & Banks** filed to capitalize on the strength of its e-commerce business, by running GOB sales for its brick-and-mortar stores and sell its e-commerce business through a going-concern sale. The company attributed its filing to the customer migration away from brick-and-mortar stores, which was exacerbated by the Covid-19 pandemic.

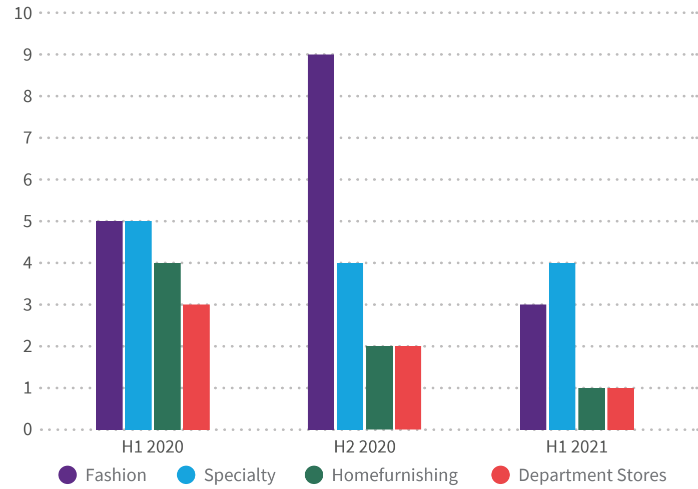
Alex and Ani, a customizable-jewelry retailer, which completed an out-of-court-restructuring in 2019, filed after persistent issues were compounded by the Covid-19 pandemic. The jewelry company pointed to an "ever-shifting retail landscape that has seen dozens of casualties in recent years," as a reason for the need for a speedy trip through chapter 11 to allow for a continuation of the business as a going concern. Similarly, **L'Occitane** said that "like most retailers in the United States," it was affected by the Covid-19 pandemic. Echoing the successful early pandemic filers that benefited from subsequent reopening, L'Occitane has recently filed a 100% recovery plan seeking to reorganize its brick-and-mortar footprint.

Coming full circle, home furniture retail startup **Loves Furniture**, which was formed during the beginning of the pandemic from the wreckage of the converted Art Van Furniture bankruptcy case, filed in January 2021. Loves filed to conduct store closing sales as a means to reorganize and reopen through the accumulation of sale proceeds. Beachwear retail chain **L & L Wings**, which filed in April, was also looking to continue operating, after resolving issues relating to an adverse prepetition litigation judgment.

Specialty retailers make up the biggest portion of retail chain chapter 11 filings over the period, roughly on pace with the levels for that category in the first and second halves of 2020. Every other category, however, saw a significant decrease, especially in the apparel category:

> *Specialty retailers make up the biggest portion of retail chain ch. 11 filings over the period, keeping on pace with the first and second halves of 2020.*

Retail Chain Chapter 11s by Store Category (H1 2020 - H1 2021)



Other Brick-and-Mortar

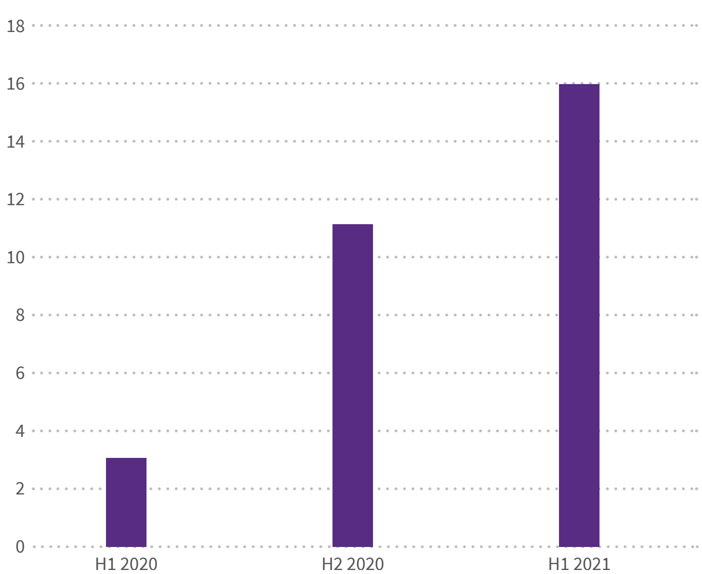
After a more prevalent 2020 for movie theater filings due to the shutdown orders brought on by the pandemic, so far this year, there has been only one filing, by dine-in movie theater chain Alamo Drafthouse Cinema. Like other consumer discretionary filers, Alamo filed with an RSA. Judge Mary Walrath had commented during the case that the lifting of Texas' restrictions could be "perfect timing" for the debtors, which cited the "devastating" impact of the Covid-19 pandemic as the cause of their filing.

Another big 2020 industry for filings, fitness centers, have had an elusive 2021 thus far, as reopening is speeding up.

Hotels

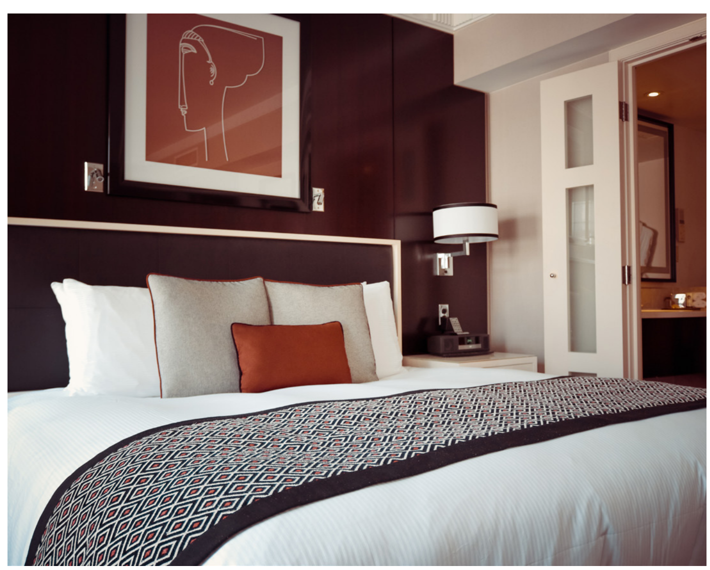
While filings in the retail, restaurant, leisure facilities, distributors and consumer service provider categories of the consumer discretionary sector are all down significantly from 2020, the hotel industry is the only one to have significantly more filings from 2020 to 2021. Alongside a slew of filings from relatively small individual hotel owners or franchisees, the largest mid-market hotel filings were from **Fairmont San Jose** and the historic **D.C. Wardman Hotel**. In addition, there was a larger filing from hotel portfolio owner **Eagle Hospitality Trust**, which has more than $500 million in liabilities. The largest hotel filer, however, was a real estate investment trust focused on strategically located hotel properties, **Hospitality Investors Trust**, which has indirect ownership or interest in 100 hotels across 29 states. Hospitality Investors Trust reported more than $1.3 billion in unsecured obligations relating primarily to guarantees of nondebtor subsidiary secured debt, and it filed a prepackaged plan supported by plan sponsor Brookfield Strategic Real Estate Partners II Hospitality REIT II LLC that went effective about a month after the filing.

Hotel Chapter 11 Cases (H1 2020 - H1 2021)



Eagle Hospitality ran into trouble when master lessees stopped paying propcos (separate LLC members of the Eagle Hospitality Group that own the hotels), leading to closure of most of the hotels, with defaults only exacerbated by the Covid-19 pandemic. Hospitality Investors Trust noted the "devastating impact" of the pandemic on its hotel business and liquidity due to government shutdowns and resulting event cancellation and decline in overall travel. The individual hotel operators - Wardman Hotel Owner (owner of real property that formerly operated as the Washington Marriott Wardman Park Hotel) and Fairmont San Jose (owner of the luxury hotel in Silicon Valley) - along with the impact of the pandemic, also had strained relationships with their hotel managers. Wardman's story is bookended by the current pandemic, as it opened in 1918, "just days after the end of World War I and in the midst of the Spanish flu pandemic."

> *"The first half of 2021 hosted more hotel chapter 11s than in all of 2020."*



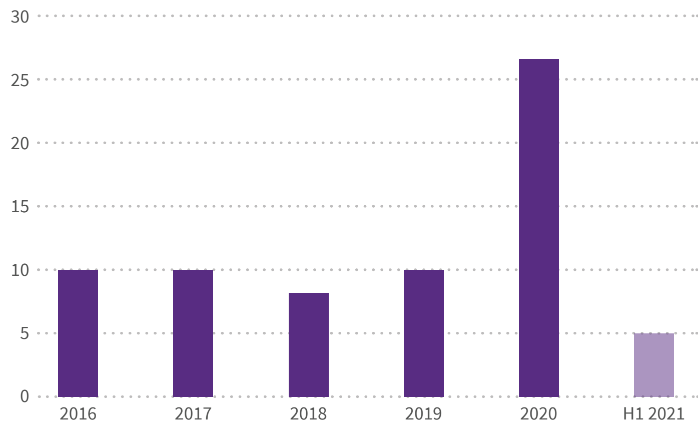
Restaurant Chains

2021 so far has had filings from five restaurant chains, with the latest from **Grill Concepts**, covering restaurant banners The Grill on the Alley, Daily Grill Restaurant & Bar and Public School on Tap, with locations primarily in Southern California. Despite being "completely devastated" by the Covid-19 pandemic, the company submitted first day filings that are more optimistic, saying that Grill Concepts is "well-positioned to take advantage of the anticipated rebound in the hospitality sector that will coincide with the vaccine rollout and generate significant value for the creditors." Jack in the Box franchisee **Missouri Jack**, which operates 70 locations in Missouri and Illinois, also seeks to reorganize. Missouri Jack was facing problems before the pandemic, mainly from intensifying competition in the fast food market and a failed out-of-court workout.

All-you-can-eat pizza buffet **Cici's** faced a sudden decline in business from the pandemic while the company was in the middle of an operational turnaround that was needed because of a decade of "incredible growth in food delivery." This undermined Cici's business, which relied on in-store dining for 99% of its revenue. Similar to the move away from brick-and-mortar shopping, Cici's noted that digital ordering and delivery has grown 300% faster than dine-in traffic since 2014, and it said that this trend is particularly prevalent among millennials. **Buffets**, which filed in April, marking its fourth chapter 11 filing since 2008, said in its first day papers that, "[m]uch like its competitors in the all-you-can-eat (AYCE) and dine-in restaurant businesses, the Debtors' recent history has been impacted by the uncertainty, unexpected challenges, and ever-changing landscape resulting from the Covid-19 pandemic." Lastly, **Platinum Corral**, the second-largest Golden Corral franchisee, had its "best year ever" in 2019 before the pandemic, which led to its April chapter 11 filing.

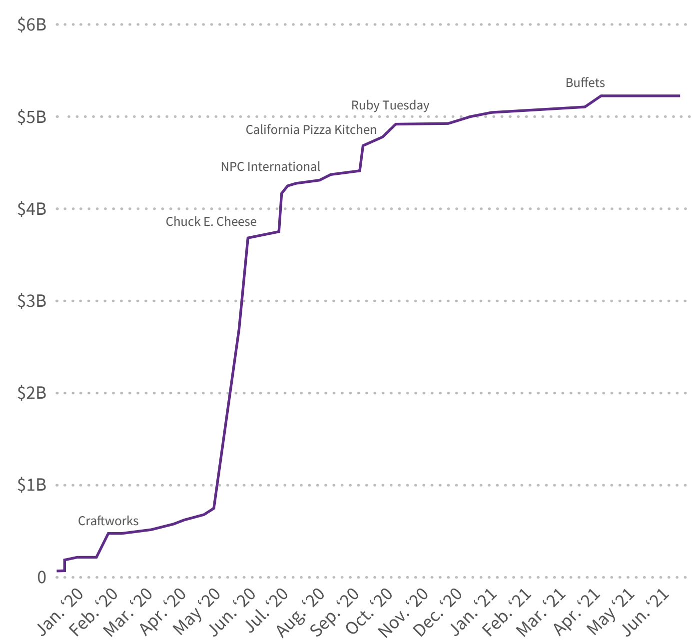
In 2020, chapter 11 filings among restaurant chains were triple the annual totals from 2016 through 2019, but in 2021, filings have reverted to those earlier numbers:

Annual Restaurant Chain Chapter 11 Filings (2016 - H1 2021)



After a year that included two billion-dollar restaurant chain filings and five with over $100 million in debt, the first half of 2021 included no retail chain filings with more than $100 million in liabilities, with all five reporting either $10 million to $50 million or $50 million to $100 million. As a result, the aggregate chapter 11 debt level accrued over the course of the first half of this year changed very little from the nearly $5 billion accrued in 2020:

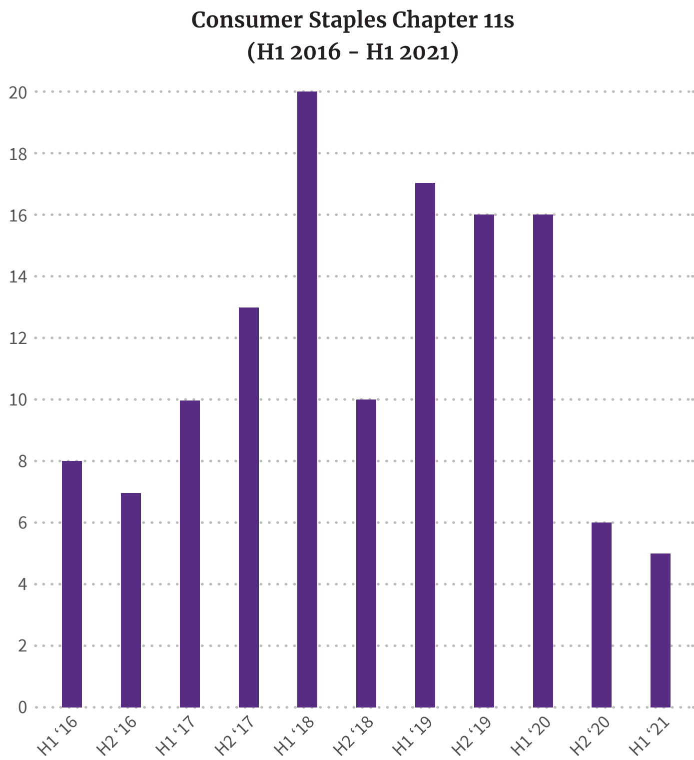
Timeline of Aggregate Chapter 11 Liabilities (Restaurant Chains)



Consumer Staples

After three straight years of upticks in consumer staples filings from 2016 to 2019, the sector experienced a 33% drop in filings from 2019 to 2020, with half of 2020's consumer staples chapter 11s filing occurring before April. The 2020 filings dropped off amid the market disruptions caused by the pandemic. So far in 2021, the sector's filings are down a further 50% year over year from 2020. Supermarkets continue to be missing from First Day coverage as the pandemic rolls on.

Country Fresh's mid-February filing followed filings earlier that month from **Carla's Pasta**, **Easterday Ranches** and **Onatah Farms**, all in the consumer staples sector. Both Carla's Pasta and Country Fresh blamed the Covid-19 pandemic, at least in part, for their bankruptcies. Carla's Pasta pointed to revenue losses due to significant accounts not being fully replaced, and Country Fresh noted a significant decline in demand for its largest product segments of fruit and vegetable trays as federal, state and local governments, restaurants, businesses, schools and consumers reacted to the pandemic. Easterday's filing, however, was precipitated by litigation with its sole customer, Tyson Fresh Meats Inc., which said that Easterday's former president caused Tyson to pay more than $200 million for "non-existent" or "missing" cattle. Onatah Farms meanwhile, is seeking to reorganize amid "historically low" corn and soybean prices.



Since the end of the first half, the consumer staples sector has been more active, with three filings, including two with more than $100 million in debt, filing in the first two weeks of the third quarter.

Healthcare

The healthcare sector experienced two consecutive years of significant growth in healthcare chapter 11 filing frequency in 2018 and 2019, driven largely by the struggles of rural hospitals, regional skilled nursing facilities and pharmaceutical companies. While this streak was snapped in 2020, the sector still recorded an annual count of 48 cases, which is well above the annual average from 2016 through 2019. For the first half of 2021, however, the healthcare sector tallied just 11 cases, which is the second-lowest recorded in a single half over the past five years and roughly 45% below the 2016-2020 half-year average.

> *For the first half of 2021, the healthcare sectors accounted for 11 chapter 11 filings, a 45% below the 2016-2020 half-year average.*

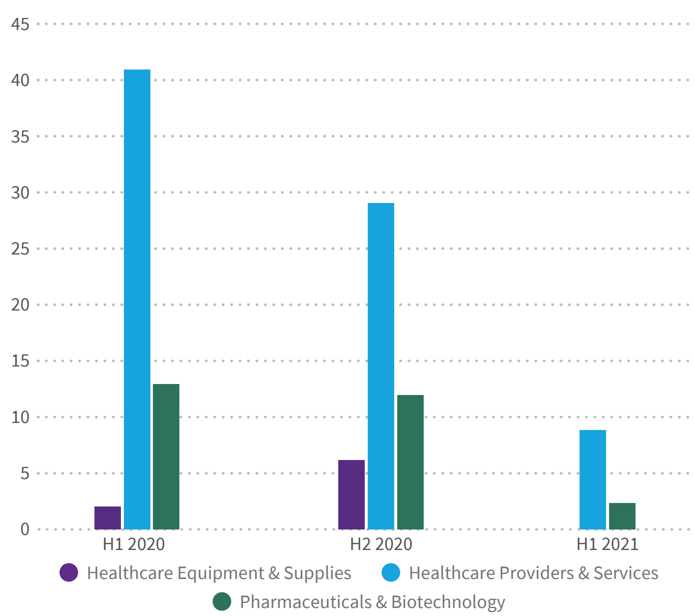
Healthcare Chapter 11s Per Year

Six of 2021's first-half healthcare filers reported liabilities of $100 million to $500 million, with each of the remaining five companies reporting $50 million to $100 million in liabilities. All but one of the cases in the range of $100 million to $500 million range were healthcare facility providers - two continuing care retirement communities, or CCRCs, one nursing home, one general hospital and one behavioral health services facility operator - and all but one in the lower liability range were facility operators - two nursing homes, one CCRC and one behavioral health services facility operator. The frequency of filings picked up in the second quarter, which accounted for 64% (or seven) of the half's healthcare filings.

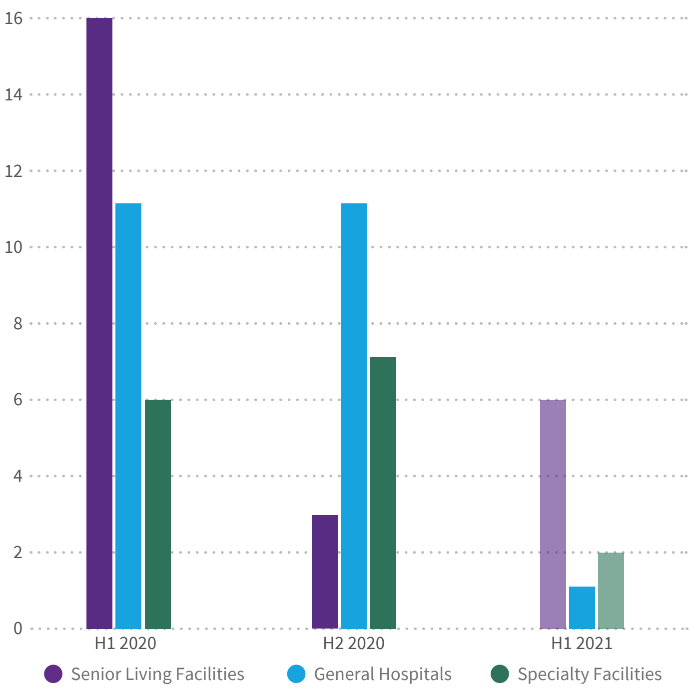
While facility operators make up the vast majority of these filings, the first half's total of facility operators falls well below any of the single-half totals of 2019 and 2020.

The period's two cases filed by healthcare companies other than facility operators were **Avadim Health**, a privately held healthcare and wellness company offering topical products that improve neuromuscular health and skin barrier health and serve as a key component of hospital infection prevention bundles, and **Certa Dose**, which develops, sells and licenses pharmaceutical products, including an alternative to the EpiPen. Avadim filed chapter 11 as a result of diminishing liquidity, increasing debts and "limited available funding for an operational turnaround," and with the goal of selling its assets as a going concern to Midava Holdings 3 Inc., an affiliate of its prepetition lenders. Certa Dose blamed its filing on self-dealing and breaches of fiduciary duty by its former chief operating officer and former board members in a "hostile takeover" attempt. Certa Dose is seeking to reorganize.

Healthcare Chapter 11s by Sub-Industry (2020 - H1 2021)



Healthcare Chapter 11s by Category

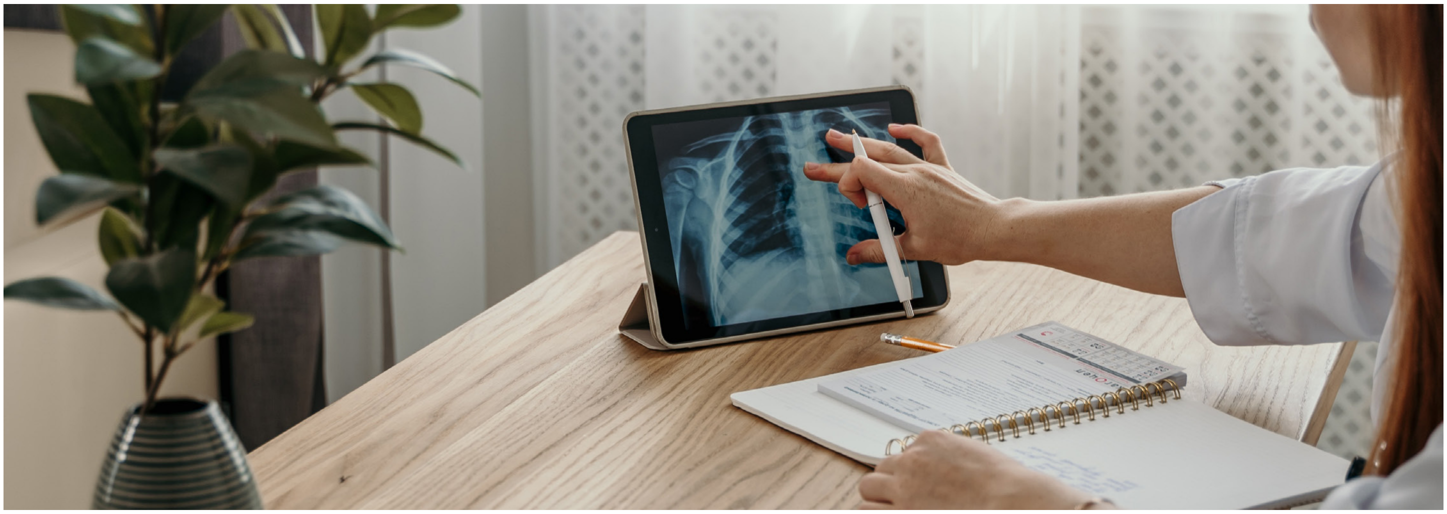


This year's first half included more senior living facility operator chapter 11s, including nursing homes and CCRCs, than in all of 2020, when there was an 81% decline in senior living facility chapter 11s from 2019. General hospitals, on the other hand, remain largely elusive in 2021 after maintaining a consistent level of 11 filings per year in 2019 and 2020.

The first half's three CCRCs were geographically diverse: 329-unit **Amsterdam House Continuing Care Retirement Community** based in Port Washington, N.Y., 495-unit **Buckingham Senior Living Community** based in Houston and **California-Nevada Methodist Homes** operating two smaller CCRCs with 155 and 70 residents, respectively, in Oakland, Calif., and Pacific Grove, Calif. While there were common themes echoed across each of these CCRC filings, including the devastating impact Covid-19 had on the senior living industry, each had its own unique ailments. Buckingham's expansion efforts were disrupted by Hurricane Harvey, and Amsterdam required a second restructuring of its municipal bond obligations after previously doing so in chapter 11 seven years ago. Buckingham also filed to restructure municipal debt, while California-Nevada filed to reorganize or, "if appropriate," market its assets for a potential sale.

California-Nevada based its bankruptcy filing on "changing attitudes of seniors towards institutional care, the difficulty that smaller CCRCs like CNMH have in achieving 'economies of scale' from purchasing and pricing standpoints, direct competition from nearby communities, and the devastating impact of the COVID-19 pandemic."

Chicago's 412-bed **Mercy Hospital and Medical Center**, the half's lone general hospital operator case, filed in February, seeking to wind down services and close the hospital by the end of May and pay all creditors with an allowed claim in full pursuant to a plan. Mercy's sole member, Trinity Health Corp., which purchased the hospital in 2012, committed to provide $30 million in DIP financing "to stabilize the debtor's finances, restructure its operations to become an outpatient center, explore sale options and, if needed, close the Hospital's inpatient operations." The debtors and Trinity appeared in front of a state review board on March 16, after the board issued a notice of intent to deny their application to discontinue current services at the hospital. The debtors blame competition and a migration to outpatient from inpatient services for the drop in their daily census, with only 74 in patients the week of the bankruptcy filing.



Real Estate

More than half of all $100 million-plus liability real estate chapter 11 filings since January 2016 were filed within the past 11 months, and all $5 billion real estate chapter 11s in the First Day database were filed from November 2020 to June 2021. As for smaller filings, the real estate sector accounts for 48% of first-half 2021's chapter 11s in the $10 million to $50 million liability range, representing a more than 20% greater share over each of the years 2018, 2019 and 2020.

> *The real estate sector accounts for 48% of 2021 ch. 11 filings in the $10 million to $50 million liability range.*

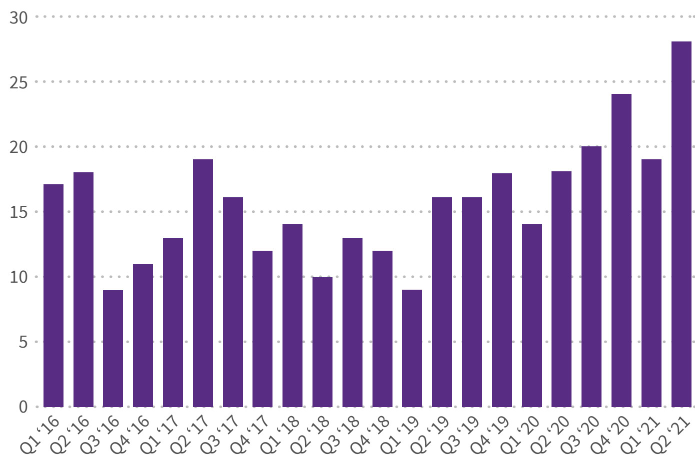
2021 has had three $1 billion-plus real estate cases, including from **Washington Prime Group**, which is a mall REIT with material interests in 102 shopping centers, and flex workspace provider **Knotel**. Despite filing as a freefall in early February, Knotel ended up selling substantially all of its assets to Digiatech (the debtors' prepetition and DIP lender and subsidiary of real estate services firm Newmark Group). Knotel's plan confirmation came just five months into the case, with Judge Mary Walrath remarking at the confirmation hearing that things looked "rather dismal" on the first day. Washington Prime Group, on the other hand, filed later on, in June, with an RSA in hand with holders of its 2018 credit facility, 2015 credit facility, unsecured notes and term loan facility, with Strategic Value Partners as plan sponsor. Washington Prime is on track for confirmation by the end of August.

Large industry-adjacent filings also came from construction company **Katerra** and real estate recording and post-closing services provider **Synrgo**, each of which filed for distinct company-specific reasons. Synrgo filed because of its prepetition lender's refusal to make daily cash advances, but it called itself a "very attractive acquisition target." Katerra faced liquidity issues on the heels of investor SoftBank telling the company that it could "not responsibly continue to support Katerra with go-forward equity," as well as operational problems in the wake of press reports that Katerra was implicated in the Greensill insolvency proceedings. The first day papers explain that investigations into accounting irregularities also resulted in a freeze on capital raising.

There were also filings from owners of prominent Brooklyn, N.Y. properties from All Year Holding subsidiary **Evergreen Gardens Mezz** and Brooklyn's Williamsburg Hotel owner **96 Wythe Acquisition**. Student housing companies also fell into bankruptcy in the first half of the year, with filings from off-campus student housing companies near the University of Houston and Texas Christian University and from Atlanta-based real estate development firm **Haven Campus Communities**, which is focused on multifamily and student housing communities.

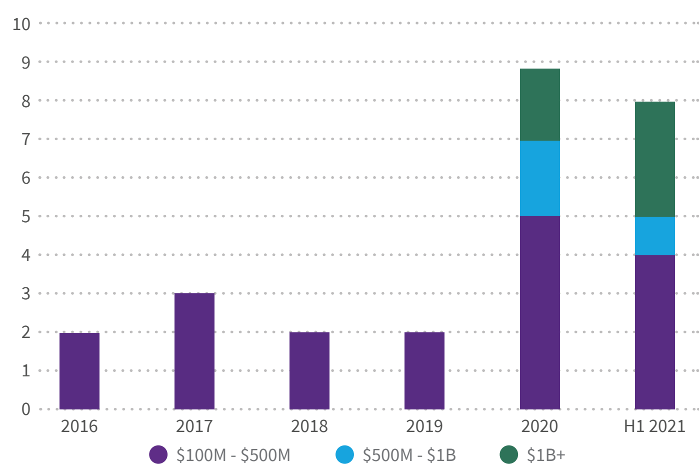
Quarterly real estate chapter 11s are shown below:

Quarterly Real Estate Chapter 11s (Q1 2016 - Q2 2021)



With respect to real estate chapter 11s with over $100 million in liabilities, the first half of 2021 closely rivals the complete year totals for 2020, both of which tower over the prior four years:

100M+ Liability Real Estate Chapter 11s (2016 - H1 2021)



Communications

Since 2016, the communications sector has accounted for roughly 4% of all First Day chapter 11 filings (i.e., all chapter 11s with more than $10 million in liabilities), averaging just under 15 cases per year for the sector. Communications chapter 11s totaled six in March and one in January (**Alpha Media Holdings**); filings in the sector in the first quarter of 2021 totaled nearly half the number filed across all 12 months of 2020.

The start of the year brought an entry from the struggling radio broadcasting industry, Alpha Media Holdings, the largest privately held radio broadcast and multimedia company in the United States, according to its filings. The next communications filing did not come until March, but in that month there were six of these filings, including from two cloud communications service providers, **collab9** and **Futurum Communications Corp.**, bringing the sector count up to six and breaking the record for communications sector chapter 11s filed in a single month. To round out the midyear, each of April and May had one filing apiece, from production company **Hoplite** and **Bear Communications**, an installer of cable fiber and other infrastructure for service providers that offer phone and internet service.

While collab9's ailments were closely tied to its relationship with Avaya, radio broadcaster Alpha Media attributed its struggles to the Covid-19 pandemic, which curbed ad spending by companies. Cloud gaming services provider **Blade Global Corporation** cited high server infrastructure and data-center costs, while satellite television services provider **Orby TV** pointed to operating losses. **Sito Mobile**, which provides consumer behavior-based data services to businesses and which filed chapter 11 toward the end of 2020, was hurt more uniquely by the pandemic, as the efficacy of its consumer location data insights became limited as consumers stayed at home. The March filing of **MobiTV**, which provides end-to-end internet protocol streaming television services, was aimed at continuing the company's prepetition sale process, having engaged with prepetition secured lender Ally Bank and key customer T-Mobile regarding a potential auction and sale process through chapter 11.

Aerospace

The filing of aerospace manufacturer **GDC Technics** in May was the year's fifth filing from the aerospace industry; this surpasses the number of aerospace cases in any complete year on First Day record. GDC Technics recently had contracts with Boeing to update and refurbish the interiors of Air Force One. The year's fourth aerospace filer, aerospace components manufacturer **TECT Aerospace**, also had a connection with Boeing, as it filed in the wake of disruptions related to Boeing's troublesome 737 MAX aircraft. After a record-setting year for airline filings in the wake of Covid-19's impact on the travel industry, airline filings remain elusive thus far into 2021.

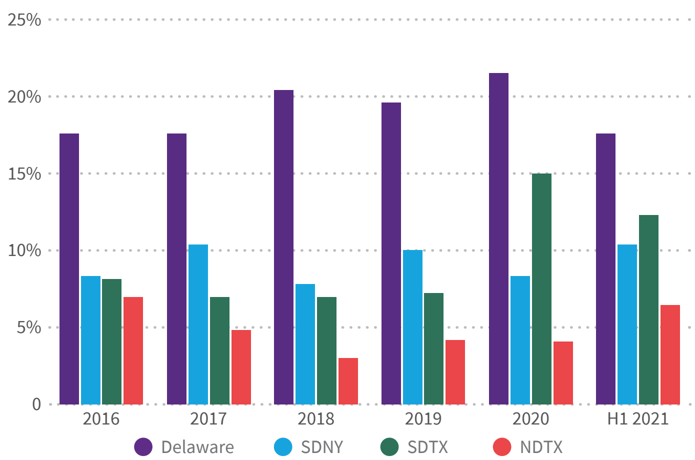
Filing Districts

As in past years, Delaware led all filing districts during 2021's first half, but as in 2020, its filing count was closely followed by Texas' Southern District, with Delaware above SDTX by just 4% for the first half of 2021, further narrowing the gap between the two from last year of 6%. In general, the Southern District of Texas has seen increased filing counts in accordance with the increased prevalence of energy filings. Last year, however, SDTX began hosting an increasing number of filings outside of the energy realm, a trend which has accelerated in 2021 so far amid the energy sector's lack of chapter 11 activity during the first half.

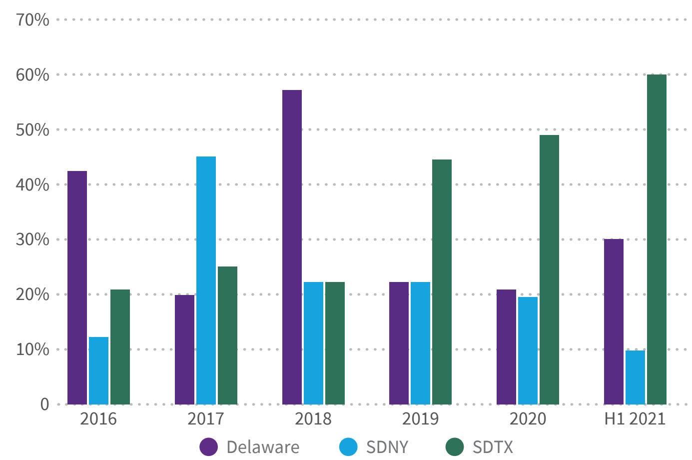
The two charts below show each of the top four filing districts' shares of (i) all chapter 11 filings across all sectors and First Day liability ranges and (ii) all chapter 11 filings across all sectors with at least $1 billion in liabilities:

To demonstrate the rise of SDTX's role as venue for non-energy cases, the two charts below mirror the previous two charts above but exclude the energy and utilities sectors:

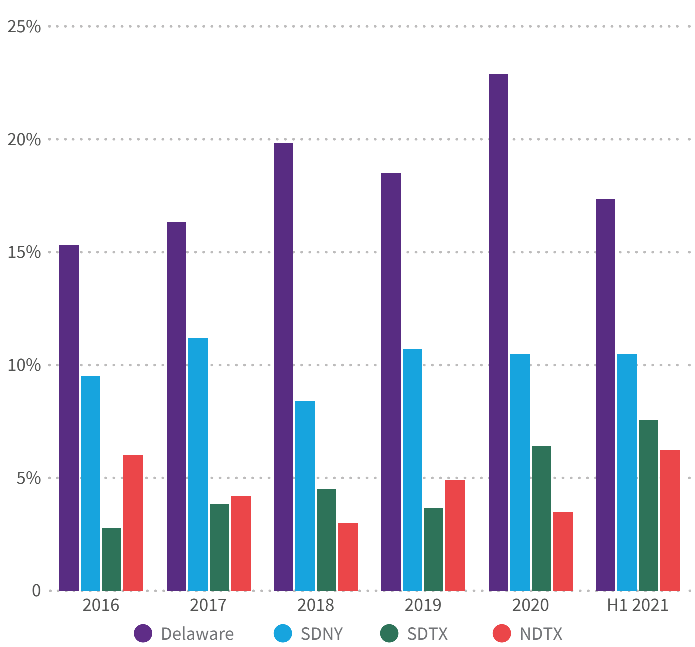
Share of Chapter 11s by Court District



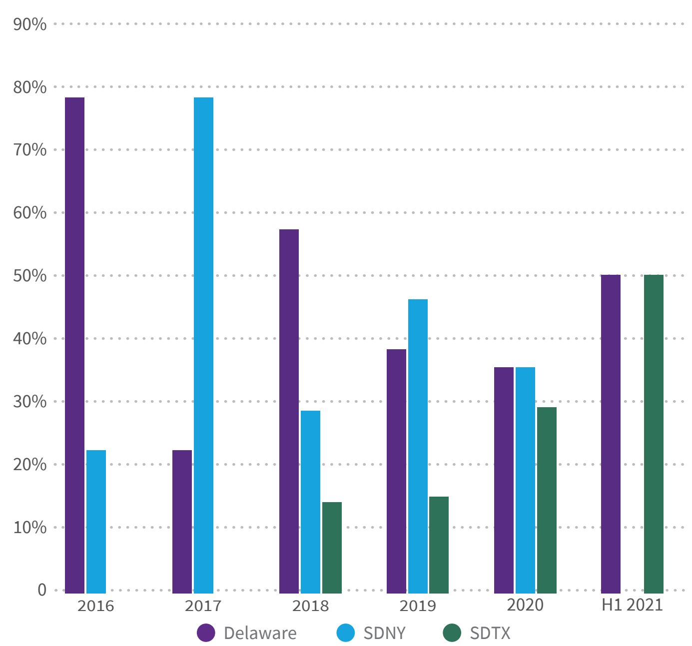
Share of 1B + Chapter 11s by Court District



Share of Chapter 11s by Court District ($10M+ Liability; Excludes Energy & Utilities)



Share of Chapter 11s by Court District (1B+ Liability; Excludes Energy & Utilities)



Nonprofits

After 10 nonprofit filings in 2020, including several Catholic diocese entities and **Boy Scouts of America**, only a few nonprofits have filed in 2021, most notably the **National Rifle Association of America**. The NRA had only a brief stint in chapter 11, which it said was designed to "dump" New York for Texas, after facing motions to dismiss from litigation counterparty U.S. Attorney General, the D.C. Attorney General and embattled marketing agency Ackerman.

The Boy Scouts case, despite filing last year, is still going, though the debtors would like it to end by this summer in order to cut costs and avoid interference with their fall recruiting season. The Boy Scouts debtors are currently engaged in a confirmation battle, having reached agreement with tort claimant constituencies but still fighting with their insurers.

Involuntaries

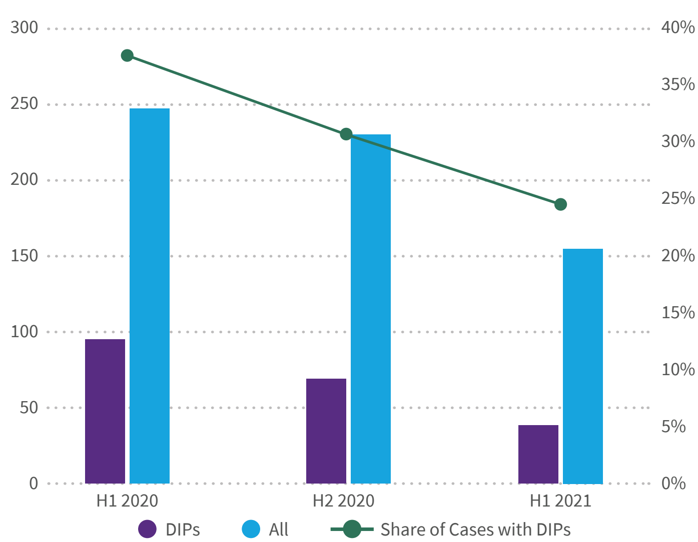
There were a couple of high-profile involuntaries in the first half of 2021. A large student loan servicer, **Navient Solutions**, was forced into chapter 11 in early February by three former petitioning students who had their private student debts discharged in bankruptcy. Navient described the filing as just the "latest salvo in Counsel's long-running, highly public crusade against Navient and the broader student loan servicing industry." Class ring and yearbook retailer **American Achievement Corp.** was also the subject of an involuntary brought by equity sponsors and subordinated noteholders Prudential Capital Partners, or PCP, and Falcon Strategic Partners. Navient's case was dismissed, notwithstanding Judge Martin Glenn stating that the allegations that Navient violated discharge injunctions were "troubling." American Achievement Corp.'s cases also ended in a dismissal, but it was based on an agreement among the parties to implement an out-of-court balance sheet restructuring.

DIP Financing

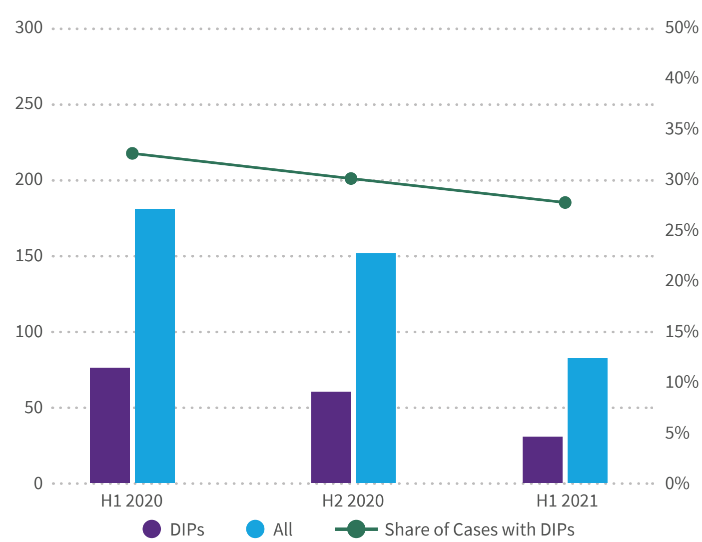
The drop in chapter 11 filing frequency from 2020 to the first half of 2021 resulted in decreased opportunities for DIP financing. Looking at all chapter 11s in the First Day Database, not only did DIP requests fall with the decreased filing frequency, so did the share of chapter 11s requesting DIPs, as shown below:

The period-to-period drop in the percentage of chapter 11s involving DIP financing requests, however, is largely a result of the increase of single asset real estate, or SARE, chapter 11s. If we remove all SAREs from the dataset, the decreases observed from the first half of 2020 to the second half 2020 and from the second half of 2020 to the first half of 2021 are cut in half, as shown below:

Ch. 11s With First Day DIP Financing Requests

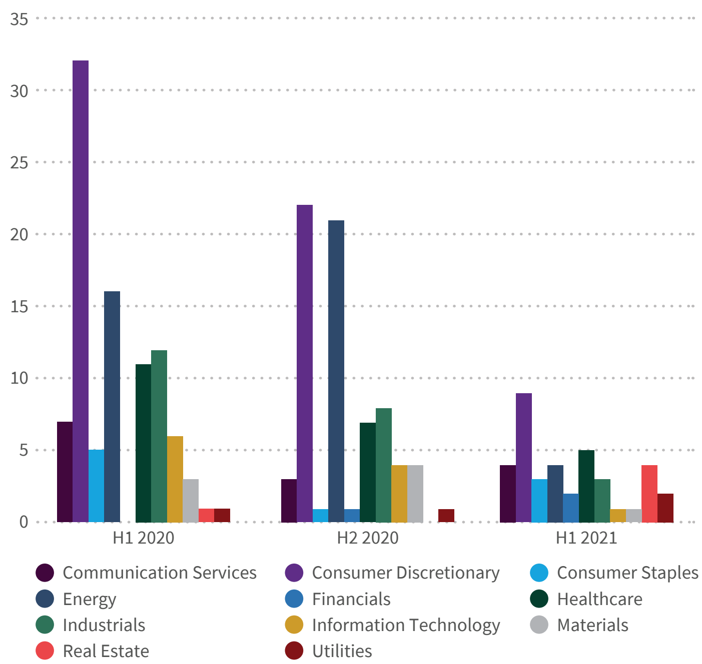


Ch. 11s With First Day DIP Financing Requests Excluding SAREs



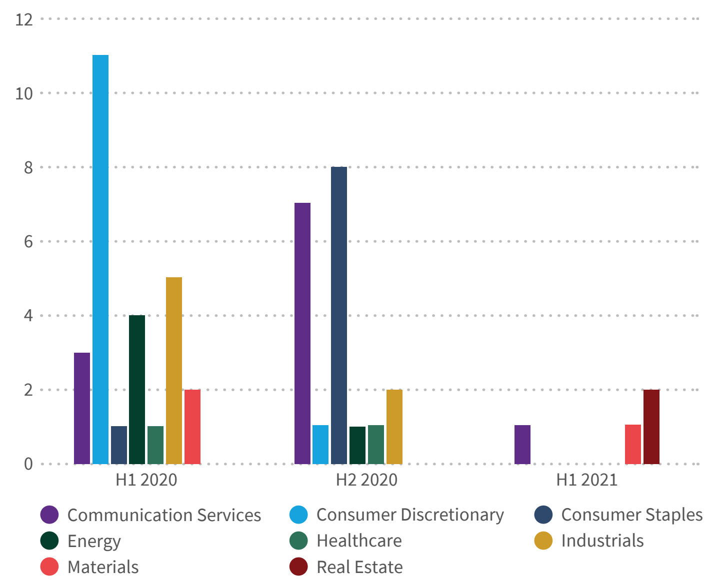
With significantly less chapter 11 activity in the energy and consumer discretionary sectors in 2021, we have a much more balanced distribution of DIP financing requests per sector, led by consumer discretionary:

Chapter 11s Requesting DIPs Per Sector



This year's extreme drop in billion-dollar chapter 11s has been met with an even more extreme drop in requests for DIP financing of at least $100 million, falling from 27 and 19, and from the first and second half of 2020 to just four in 2021, with zero requested in 2021 from the top sectors of 2020:

Chapter 11s Requesting DIP Financing of at least $100M Per Sector



Reorg's new DIP Financing Database includes an extensive range of information on DIP loans sized at $1M+ so clients can quickly and easily research the nuances within these facilities.

Click here to see a video demo and to request more information.

Case Endings

There were some creative case endings in the first half of 2021. **Paper Source**, a retailer of paper products, crafting supplies and related gifts which has 158 domestic store locations, and fitness club operator **YouFit**, which operated more than 100 clubs pre-pandemic and which filed in November 2020, cases ended in unique two-part dismissals. YouFit's two-step process provided for the debtors to first pay U.S. Trustee fees and allowed professional fees, with any remaining cash going back to the lenders, after which the debtors would file a certificate of counsel indicating that the fees were paid and requesting entry of a dismissal order. YouFit sought the dismissal as there was not sufficient value to satisfy priority claims after filing and soliciting a combined disclosure statement and liquidating plan and the sale of substantially all of the debtors' assets to YF FC Acquisition LLC, an acquisition vehicle created by prepetition and DIP lenders, for an $85 million credit bid. Paper Source's orderly dismissal was also sought after the "fruitful" sale of substantially all of its assets for $40 million in cash and other amounts to Elliott Investment Management (with Paper Source to be merged into Elliott-owned Barnes & Noble) and the consent of the UCC.

Country Fresh had a more contentious ending, with an initially contested chapter 7 conversion, after disputes with PACA creditors and issues raised by the UCC, and it also had what debtors' counsel described as a "bespoke" two-part conversion process. First, the court would approve the conversion without a fixed date, and second, the debtors and the DIP lenders would subsequently agree to a conversion date. Country Fresh's conversion also followed the sale of substantially all U.S. assets to stalking horse Stellex/CF Buyer (US) LLC for $35.5 million in cash. In a more typical chapter 7 conversion, women's apparel and accessories retailer **Christopher & Banks** had its cases converted, also after a completion of sale process resulting in liquidation sales at retail locations and the sale of its e-commerce business to prepetition term lender ALCC. **Bumble Bee Foods**' cases were also consensually converted to chapter 7 in January, after the IRS had opposed the debtors' previous efforts to wind up the cases through a structured dismissal.

The **NRA** cases were famously dismissed after a multiday trial. There were also various structured dismissals. **John Varvatos** also ended in a structured dismissal, after the sale of its assets to stalking horse Lion/Hendrix Cayman Ltd. Judge Robert Drain also approved a structured dismissal in the Great Atlantic & Pacific Tea "chapter 22" case, and Judge Mary Walrath approved a structured dismissal of Transformation Tech Investors, after a sale of its principal asset to Innovation Tech Investors Inc. (formed by Prudential and SunTx), the stalking horse bidder and DIP lender.

Meet the First Day by Reorg Team

Jessica Steinhagen is Deputy Managing Editor 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.

Ian Howland is a Research and Data Analyst and manages all data projects for First Day. He has extensive experience working as a researcher for the Advisory Committee on Investor Responsibility at The New School and as an editor for The New School's economics journal.

Johanna Schaaper supports Jessica and Ian by providing legal analysis of bankruptcy filing data for cases with $10 million in liabilities or more for First Day. Johanna has experience as a data analyst at The Environmental Finance Center at the University of North Carolina.

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, Global Edge** and **Global Edge Plus**.

Learn more at **reorg.com/solutions**.