AMERICAN BANKRUPTCY INSTITUTE

Central States Bankruptcy Workshop 2021

Business Track

Capital Markets and Commercial Real Estate Update

Sponsored by Godfrey & Kahn, S.C.

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CONCURRENT SESSION

2021

Current Market Conditions

M&A Volume, Pricing, and Buyer Activity

CAPSTONE PARTNERS

Q1 2021 By The Numbers

2.9% ↑

INCREASE IN DEAL VOLUME

M&A volume increased 2.9% year-over-year as pent-up demand and potential near term tax implications have fueled transaction activity

$76.4M ↑

PUBLIC COMPANY DEAL VALUE

Average deal value for acquisitions by public companies increased nearly 37%, amounting to $76.4 million

8.9x ↑

EBITDA MULTIPLE, $10-$100MM

Valuations in the lower middle market have appreciated year-over-year, rising to an average of 8.9x from 8.1x

10.6% ↑

INCREASE IN PE TRANSACTIONS

Total closed transactions by private equity increased 10.6% year-over-year, although remained below Q4 levels

$62.0M ↑

PRIVATE COMPANY DEAL VALUE

Average deal value for acquisitions by private companies increased 4.3% year-over-year to $62 million

8.5x ↓

EBITDA MULTIPLE, $100-$250MM

The "middle" middle market enterprise value range experienced a decline in average valuation, falling to 8.5x in Q1

28% ↓ **PE**

PLATFORM INVESTMENTS

Private equity platform investments declined 28% year-over-year, while add-on acquisitions continue to proliferate

$45.2B ↓

PRIVATE EQUITY FUNDRAISING

Private equity fundraising increased from the prior quarter but remains lower year-over-year at $45.2 billion

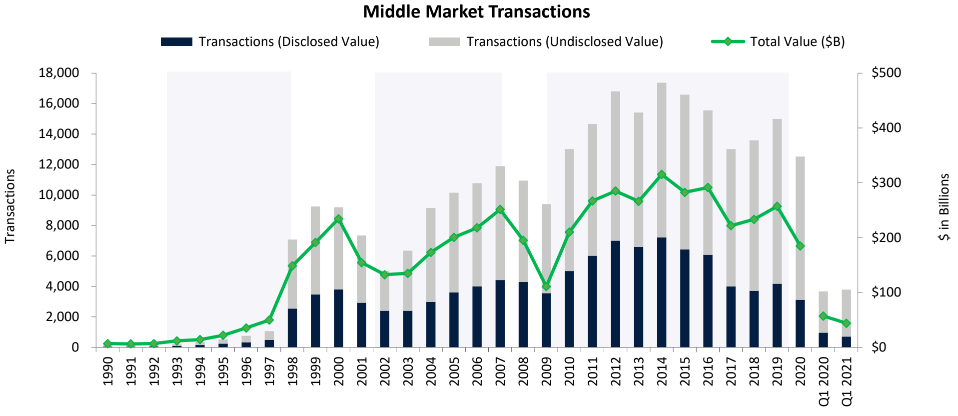
15.6% ↑

DEALS BY FOREIGN BUYERS

Cross-border deal activity increased substantially year-over-year with foreign buyers accounting for 15.6% of deals

M&A Amid Economic Cycles

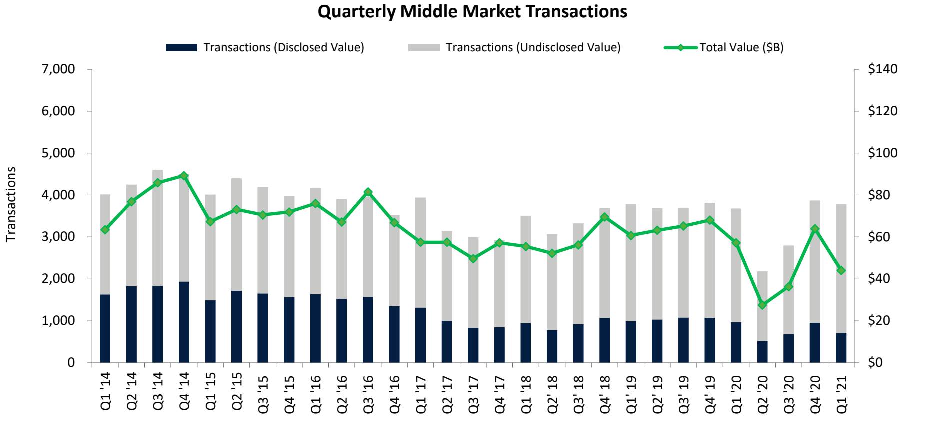
- The reemergence of battered sectors during COVID-19, cheap access to capital, and business model changes are expected to be key drivers of M&A activity in 2021.
- Total transaction volume increased 2.9% in Q1 2021 compared to Q1 2020. Aggregate deal value fell to $44.1 billion, marking a year-over-year decline of 23%.
- The pandemic has uncovered vulnerabilities within many businesses, with M&A serving as a valuable tool to address gaps and strengthen supply chains, product diversification, and digital capabilities.



Note: Shaded areas indicate expansion
Source: Capital IQ and Capstone Research
Enterprise Value < $500mm

Quarter-Over-Quarter Review

- Potential tax increases under the Biden administration are expected to drive a robust pipeline of deal activity in the next 12 months as many business owners look to expedite their exit timeline.
- M&A volume declined 2.2% compared to Q4 which likely indicates a normalization of activity in the market rather than a lack of demand. Q4 recorded the highest quarterly volume since Q1 2017, largely driven by the resumption of many deals placed on hold early in 2020.
- Average transaction value fell quarter-over-quarter, amounting to $61.9 million compared to $67.4 million.

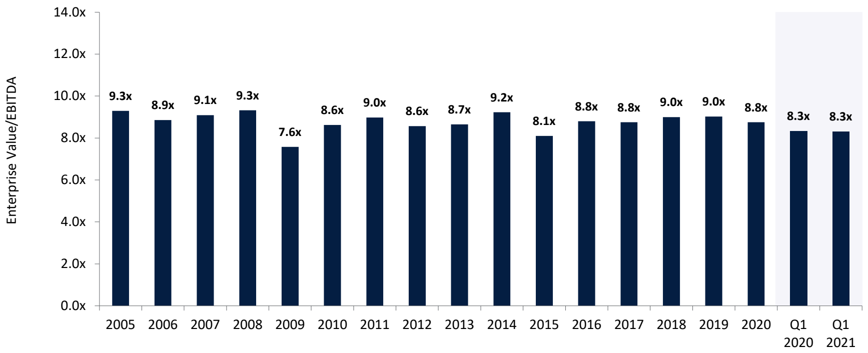


Source: Capital IQ and Capstone Research
Enterprise Value < $500mm

Pricing Trends

- Increased competition in deal markets is expected to drive strong pricing for quality assets in the near-term as pent-up demand is forecast to fuel strong M&A participation.
- The average EBITDA multiple in Q1 mirrored year-over-year levels at 8.3x, although the average declined from the previous quarter's elevated multiple of 9.6x.
- In line with historic trends, private strategic buyers paid heightened multiples to complete deals in Q1, compared to private equity which paid lower than the market average.

Middle Market Average EBITDA Multiple



Source: Capital IQ and Capstone Research
Includes multiples 3x-16x
Enterprise Value < $500mm

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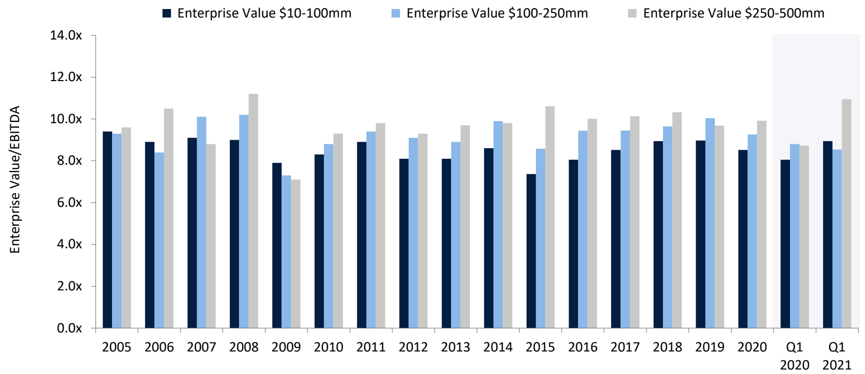
Breaking It Down By Size

- Targets lacking significant industry penetration and revenue growth, have struggled to attract heightened multiples, evidenced by valuations in the lower two market levels falling compared to Q4.
- Transactions in the $10-$100mm and $250-$500mm market segments experienced year-over-year increases in average multiples at 8.9x and 11.0x, respectively. The $100-$250mm market declined to 8.5x in Q1 2021 from 8.8x in Q4.
- The $250-$500mm market recorded an increase in average multiple compared to the prior quarter as buyers continued to pay premium valuations for large assets with scale and market share.

Average Enterprise Value to EBITDA Multiples



Source: Capital IQ and Capstone Research
Includes multiples 3x-16x

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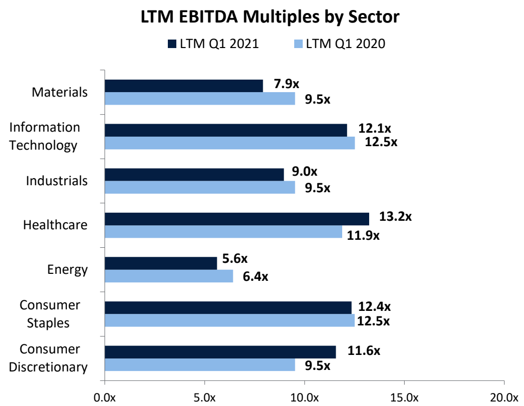
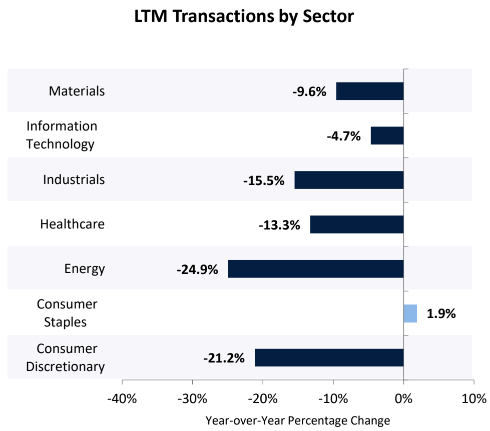
Breaking It Down By Sector

- The Healthcare sector has continued to attract premium valuations with the average multiple reaching 13.2x. Clinical and contract research organizations and healthcare technology providers have garnered heightened valuations, with several deals closing above 18x EBITDA.
- Pricing in the Consumer Discretionary sector also demonstrated growth, rising to 11.6x, as subsectors such as Outdoor Recreation have capitalized on demand for outdoor and active lifestyle pursuits amid the pandemic.
- Consumer Staples deal activity increased while volume remained lower year-over-year across all other sectors.

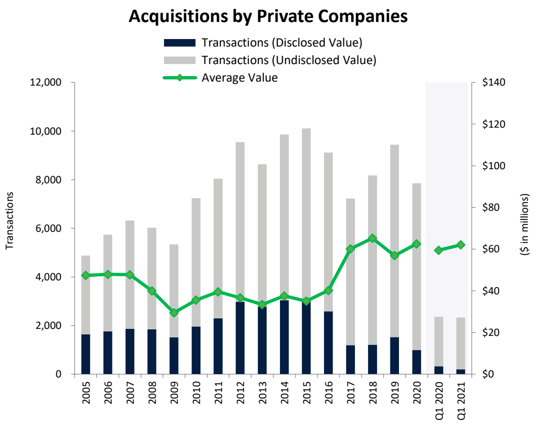


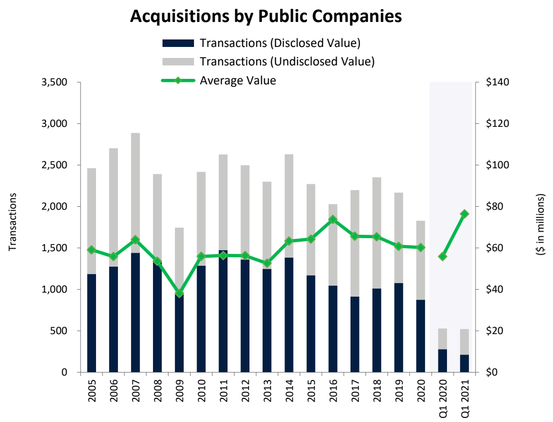


Source: Capital IQ and Capstone Research
Includes multiples 3x-30x; Enterprise Value < $500mm

Strategic Acquirers

- Private company acquisitions have declined 1.2% year-over-year although average deal value increased slightly to $62 million. Total closed transactions declined 5.7% compared to Q4.
- Public company acquisitions declined 1.3% year-over-year and fell 2.6% compared to Q4. However, average deal value increased substantially compared to the prior year quarter, rising nearly 37%.
- Strategics that have successfully emerged from COVID-19 are poised to utilize M&A to foster expansion and defensibility, with opportunities to acquire assets at attractive prices.

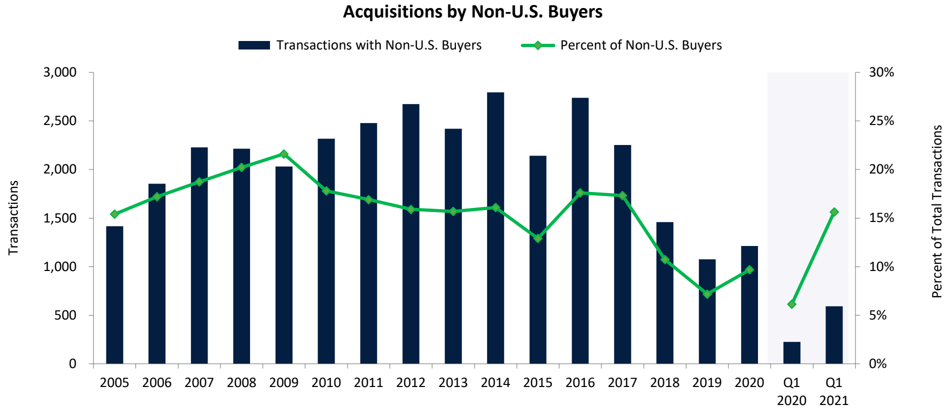




Source: Capital IQ and Capstone Research
Enterprise Value < $500mm

Foreign Acquirers

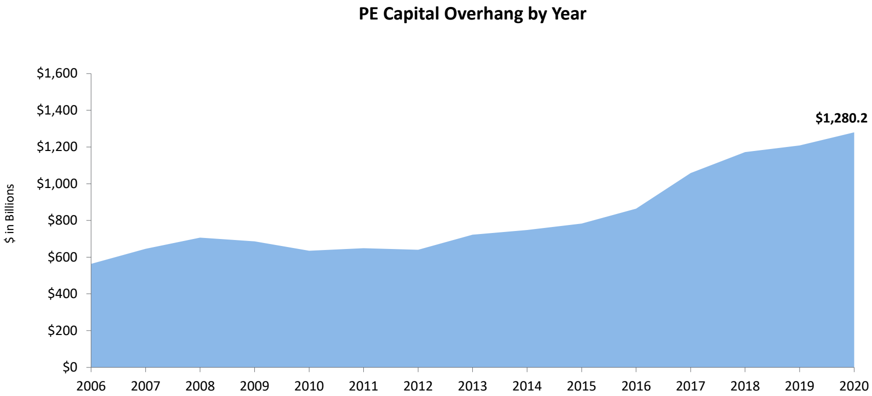
- Foreign relations and the regulatory environment will remain key factors in cross-border transactions throughout 2021.
- Non-U.S. buyers accounted for 15.6% of total transactions in Q1, the highest level since 2017. The United Kingdom has been the most active acquirer of U.S.-based targets through Q1, followed by France and Germany.
- Application software companies continue to be the most sought-after targets in cross-border deals as buyers have increasingly utilized M&A to bolster digital capabilities.



Source: Capital IQ and Capstone Research
Enterprise Value < $500mm

Private Equity Dry Powder

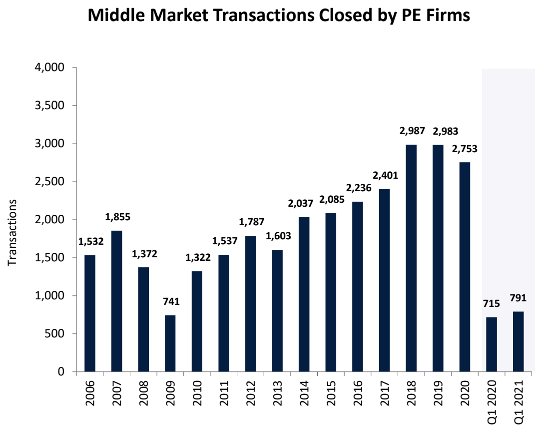
- Capital overhang, or equity that private equity (PE) firms need to deploy into investment opportunities, has surged since the Great Recession and reached historic levels in 2020, approaching $1.3 trillion.
- PE firms supported portfolio companies amid the height of the pandemic, providing cash to keep operations afloat and generating cost-saving solutions.
- Prospective deal flow has been rampant through Q1 2021, which has led to increased selectivity among many private equity firms, choosing to pursue quality companies with favorable growth prospects and strong management teams over “story” deals.

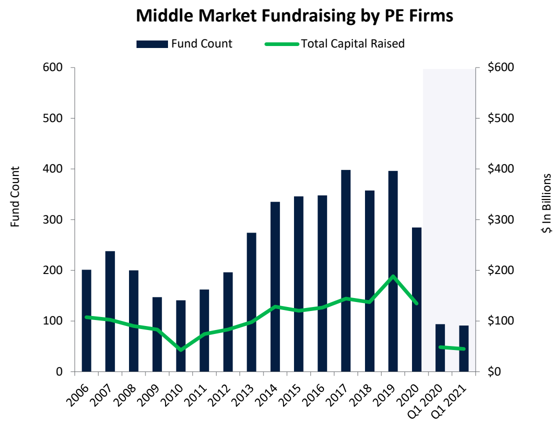


Source: PitchBook and Capstone Research

Private Equity Activity

- PE middle market deal activity increased 10.6% in Q1 year-over-year. However, deal volume failed to match the rapid pace experienced in Q4, with transaction volume falling nearly 24%.
- Sponsor deal activity has normalized following a record Q4, however private equity firms anticipate pent-up demand and potential tax increases to provide a healthy backdrop for deal activity.
- Fundraising by private equity firms increased from the prior quarter to $45.2 billion in Q1 but remains slightly lower year-over-year. Increased adoption of remote due diligence has likely driven some of the gains in fundraising activity.





Note: EV; $25-$500mm, Fund size < $5B
Source: PitchBook and Capstone Research

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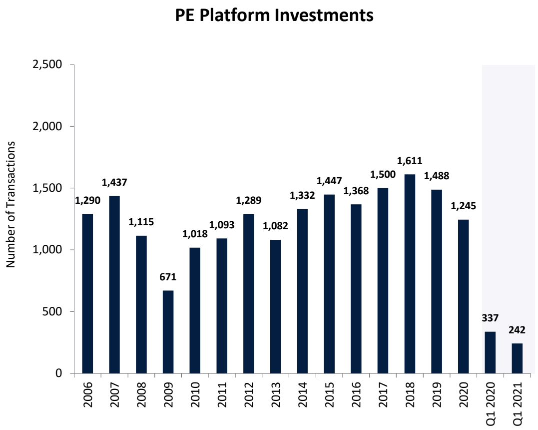
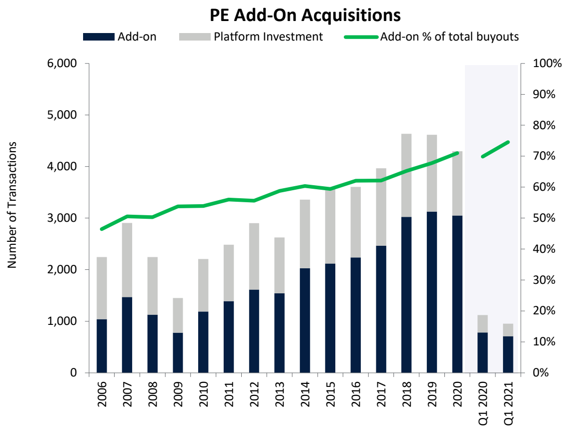
Private Equity Transaction Types

- Platform investment volume declined 28% year-over-year, and fell over 47% compared to the prior quarter. Deal making is expected to increase as sponsors look to deploy capital to high growth sectors.
- Inflation concerns may also bring increased allocation to countercyclical industries as PE looks to bolster portfolio defensibility and hedge risk.
- Sponsors have continued to pursue buy-and-build strategies to drive premium multiples upon exit. Add-on acquisitions accounted for 75% of total buyouts in Q1, surpassing prior year levels.





Source: PitchBook and Capstone Research

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Where Do We Go From Here?

Capstone Overview

Middle market M&A activity increased year-over-year as buyers increasingly returned to deal markets:

- Following near-record levels of deal activity in Q4, M&A volume has normalized but remains elevated year-over-year
- Private equity has been a significant driver of deal activity, allocating elevated levels of dry powder to high-growth sectors
- Valuations remain healthy, with deals in the upper middle market experiencing historic average EBITDA multiple growth

Capstone Outlook

M&A volume is expected to increase in 2021, driven by factors including:

- Shifting of 2020 deals to 2021 and acceleration of future deals into 2021 to get ahead of potential tax changes under the new administration
- Reorganization of many industries in the wake of the pandemic
- Pent up consumer demand driving top line growth as the COVID-19 pandemic fades
- Supportive fiscal and monetary policy creating a favorable transaction environment in 2021
- Historically low cost of capital for deal making, especially for large public companies
- Continued favorable conditions for sponsor activity

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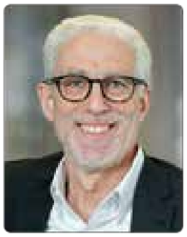
Financial Advisory Team



Scott Eisenberg, Managing Director

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Scott is a Managing Director with Capstone Partners' Financial Advisory Services (FAS) Group. With over 35 years of experience structuring and negotiating transactions and advising companies on financial matters, his experience includes M&A transactions, restructuring and turnaround engagements, and a wide variety of management advisory services. Scott has acted as CRO, court appointed Receiver, and Trustee for clients in a wide range of industries, as well as more than 75 investment banking and 200 financial advisory assignments for manufacturing, service, financial services and technology companies.

Prior to joining the FAS team at Capstone Partners, Scott was a Partner at Amherst Partners, a firm he co-founded in 1994. Before founding Amherst, Scott was a Vice President at Onset BIDCO, a subordinated debt fund that invested primarily in manufacturing and technology businesses. Previously, he was a Manager in the National Corporate Finance Group of Deloitte & Touche where he provided M&A advisory services to middle market companies. He began his career as an accountant with Deloitte & Touche, providing accounting and audit services and taught national firm training seminars.

He is active in many organizations, having served as: President of the Detroit Chapter and international board member of the ACG; President of the Detroit Chapter and international board member of the TMA; President and board member of the Detroit Chapter of the Young Entrepreneur's Organization; President of the Young Adult Division of the Jewish Federation of Metropolitan Detroit and member of the Federation's Board of Governors; President of the American-Israel Chamber of Commerce of Michigan; Chairman of the Automotive Supplier Committee of the Michigan Association of CPAs; and, President of the Southeastern Michigan Venture Group.

Education
Indiana University – MBA - Finance
University of Illinois – BA – Accounting

Registrations & Affiliations
Association for Corporate Growth (ACG)
Turnaround Management Association (TMA)
American Bankruptcy Institute (ABI)
Private Directors Association (PDA)

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Capital Markets and Commercial Real Estate Update

Program Description: The panelists will discuss the state of the middle market and commercial real estate industries, with a focus on the capital markets and current transactions. Topics covered will include a review of financing and M&A alternatives; how lenders are dealing with distressed companies and assets; key issues in lease restructuring; and the future of the office sector.

David Levy, Keen-Summit Capital Partners & Summit Investment Management
Content Lead: Lease Restructuring, Tenant's Perspective; Specialty Lending Capital Markets; Office Market

I. **Lease Restructuring**

A. **Tenant Restructuring Goals**

i. In turnaround situations, the two most common goals of tenants are to improve cash flow through monthly rent reductions and reduce financial exposure by reducing their Remaining Leasehold Liability (RLL), the aggregate amount of rent, Common Area Maintenance ("CAM") charges, unamortized construction allowance, real estate taxes, insurance, etc.

ii. As part of a general business optimization strategy, retail tenants can also look to rent reductions to either improve profitability at slower stores or shed underperforming stores by negotiating an early lease termination.

iii. Tenants who represent a true risk of filing bankruptcy to restructure their business, gain some degree of leverage over their landlord, given the ability to reject their lease under §365. However, the landlord must also feel confident that the tenant's restructured business will be viable.

B. **Landlord Perspectives on Lease Restructuring**

i. Income real estate is acquired as a long-term investment producing a reliable income stream, reminiscent of a bond, which stems from "in-place" income secured by long-term leases. A landlord's primary motivation for cooperating in a restructuring is to take steps that they believe will maximize their net income and bring a stability to their cash flow long-term given the time, expense, and uncertainty associated with finding new tenants. This perspective is more pronounced with special-use properties like movie theaters and competitive entertainment facilities such as TopGolf™, where the tenant pool is smaller.

ii. In multi-tenant properties, such as retail strip centers, the "tenant mix" drives traffic to the property for different reasons (i.e. food, dry cleaning, convenience items) which then promotes synergistic cross-shopping.

iii. Having dark or vacant retail space can have the opposite effect and the reduced traffic can make it harder to re-lease vacant space.

iv. It is common that in exchange for agreeing to a rent reduction, landlords will look to extend the lease term in a technique known as "blend and extend". This gives landlords a greater amount of "guaranteed" revenue while keeping the "bird in the hand".

v. A simple Net Present Value (NPV) calculation sheds light on why a landlord might see an economic benefit to agreeing to a rent reduction. Consider these three scenarios based on the following assumptions:

Assumptions:

-10,000 sf rental space
-$25/sf NNN rent
-5-year lease
-5% brokerage commission on total lease
-$25/sf Tenant Improvement Allowance
-6% Required rate of return
-1-year required to re-lease including build-out

1. Current Lease: Future Value of Income= $1,250,000; Present Value: $925,000
2. Rent Reduction (30%): Future Value of Income=$875,000; Present Value $650,000
3. Re-Lease at Current Rate: Future Value of Income (after lease commission and build-out expense)=$700,000, Present Value: $510,000

vi. Landlords may be at risk of breaching a loan covenant if their occupancy falls below a certain level, so they would have additional incentive to cooperate, but they may also need to obtain approval from their lender to agree to a rent reduction.

vii. There are also a variety of non-economic terms that can be negotiated between landlord and tenants including co-tenancy agreements, waivers of operating hours, increased flexibility in subleasing, and termination rights with or without a Right of First Refusal.

viii. Rent restructures relying more heavily on Percentage Rent became more prevalent during the pandemic, when it became challenging for tenants to project how much rent their business could support. Percentage Rent is typically an additional amount paid by the tenant over and above their Base Rent amount after they have achieved an agreed to amount of sales revenue, which is referred to as the Breakpoint. However, to fully align interest during such uncertain times, purely Percentage Rent leases without a Base Rent component became more prevalent in the market.

C. Lease Restructuring Through Covid

i. The shutdowns of March through June 2020 brought an immediate surge in retail and restaurant lease restructuring. Rent abatements were initially common and then followed by rent adjustments as tenants continued to struggle. In some situations, Percentage Rent agreements were struck wherein the tenant would typically agree to pay a baseline rent amount and then additional amount that is a percentage of sales in an effort to align interest.

ii. Beyond retail, relief has been sought by all kinds of companies impacted by the pandemic including medical offices (hurt by delayed appointments), entertainment (hurt by shutdowns), and suppliers and vendors to the travel industry (hurt by travel restrictions and remote work).

iii. With increasing vaccination levels across much of the US, the summer season will bring some clarity towards which businesses will see their businesses stabilized and which will need to see further landlord accommodations. On this same basis, landlords are in a better position to assess whether a tenant will be viable and stable.

iv. Rapid shifts to online shopping caused some healthier retailers to reassess their footprint, close stores, and pursue to termination negotiations.

D. Post-Covid Lease Modifications

i. The experience of dealing with the pandemic will have last impacts for many years to come. While we survived a few near-misses with Swine Flu (H1N1) and Ebola virus over the past decade, Covid-19 will render the threat of future pandemics very real for generations. Further, the timeline for closing the book on Covid is unclear with uncertainty around reaching heard immunity through vaccine adoptions, requirements for booster shot(s), and the risk of variant spreads from large outbreaks, such as what India endured. As such, the real estate industry will need to adapt like any other to new health, safety, and business realities.

ii. Improved HVAC air cleaning are becoming more prevalent for new construction and buildings with large scale renovations. Major tenants for new projects will likely stipulate such equipment and otherwise seek improved HVAC filtration as part of their build-out package, plus a commitment by the landlord to sanitize common areas.

iii. Pandemics have often not been specifically detailed in lease sections pertaining to Force Majeure and Frustration of Purpose clauses, which will likely change going forward.

II. <u>Future of the Office Usage and Restructurings</u>

A. **The Office sector of the real estate economy has never been more in flux.** Sixteen months of most Americans Working From Home ("WFH") has brought dramatic cultural shifts ranging from how we interact with colleagues to where we people live. In the months that have followed since shutdowns commencing in March 2020, companies had had no choice but to adopt. However, as we enter the back half of this year, the process of outlining post-covid office life is commencing. Ultimately, this will not be a one size fits all approach and organizations will chart their own course based on their business, culture, and workforce. Office strategies reported in the popular press include:

i. Spotify, "Work from Anywhere": Employees can choose the country and city where they would like to be based and further decide if they wish to office full-time, flex time, or work from home entirely. Options also include the company paying for co-working memberships.

ii. Salesforce, "Work As You Wish": Flex, Fully-Remote, Office-Base (See company blog post: https://www.salesforce.com/news/stories/creating-a-best-workplace-from-anywhere/)

iii. Google, "Expanding Office Footprint": The company announced they are spending $7 billion to open new offices and stated, "Coming together in person to collaborate and build community is core to Google's culture, and will be an important part of our future.

iv. JPMorgan Chase: The company announced they would be bringing staff back July 1st on a "consistent rotational schedule" creating an office eco-system between home and office.

B. **Cost/benefit analysis.** The benefits of remote working are obvious, productivity is gained from the lack of a commute, costs are saved on expensive office space, and it is easier for employees to manage their family responsibilities, particularly in dual-working households. The questions each company will have to answer are what the drawbacks are in terms of diminished training of young employees, eroded company culture, increases in employee turnover from lack of a company identify, and the value of in-person collaboration.

C. **The impact of the various forms of remote work strategies.** Shared offices or "hoteling", is predicted by Green Street real estate analytics to drive an overall reduction of the required amount of office square feet per worker or the "Effective Density", which impacts demand, to be reduced by 15%-20%, even if only 10% of employees continue to work remotely on a permeant basis. Further, GlobeSt reported in a March 11, 2021 article that Fitch ratings assumes that employees will work remotely 1.5 days per week, which would result in a 20% decline in office workers and a 10% decline in office space demand, leading to net cash flow declines of 15%-30%. Additionally, Fitch Ratings assumes cap rates from its most recent review of 7.2% on average which is significantly higher than the 4.7% appraisal cap rates at loan origination. Using those assumptions, Fitch saw average market-value declines from at-origination appraised values of approximately 44% and 54%, respectively, for moderate and severe scenarios. Naturally, this will lead to will lead to considerable restructuring activity within the sector, particularly with loans that mature in the next 1-2 years.

III. Specialty Lending Capital Markets Review

A. **Market in flux.** It will take several years for the real estate economy to stabilize from the effects of the pandemic and we gain clarity on which changes brought upon by shutdowns and social distancing will persist. Prior to Covid we had already been through the "Retail Apocalypse" and additional shake out may occur in this segment as well as hotels and office buildings.

B. **Office sector destabilized.** Of all of the real estate asset classes, office will likely remained destabilized for the longest period as companies reduce their office foot print and seek short term renewals to allow time to assess their space requirements. As described above, the combined effect of reduced cash flow and increased rent roll risk is driving up Capitalization Rates ("CapRates) to account for increased risk, which creates a dramatic effect on values. This will render owners unable to refinance under traditional banking guidelines and force a need to seek capital from the specialty finance market using a 2-3 year "Bridge Lending" product.

C. **Office Bridge Lending Example:**

Acquisition Price: $10,000,000
Origination Loan-To-Value (65%): $6,500,000 (5% interest rate)

Current Market Value: $8,000,000 (-20%)
Refinance Loan-To-Value (60%, -5%): $4,800,000 (5.5% interest rate)

Payoff Deficiency: $1,700,000

Investor Options including:

1. Injection $1,700,000 of additional equity into the deal

2. Obtain a $6,500,000 Bridge Loan (10% interest rate) for 2-3 years in hopes that the market and rent roll will stabilize enough that they can refinancing with traditional debt

3. Obtain a $4,800,000 first position loan and a $1,700,000 (15% interest rate) mezzanine loan, but this will come at an expensive rate.

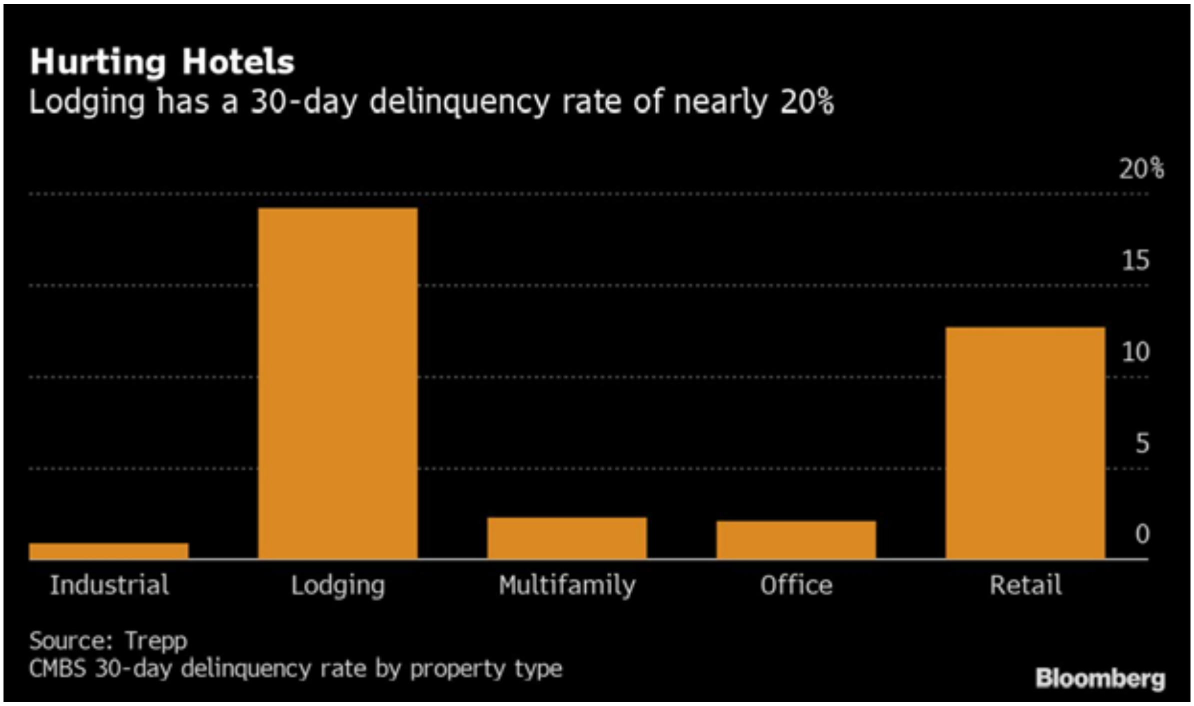
Diana Peterson, AW Properties Global

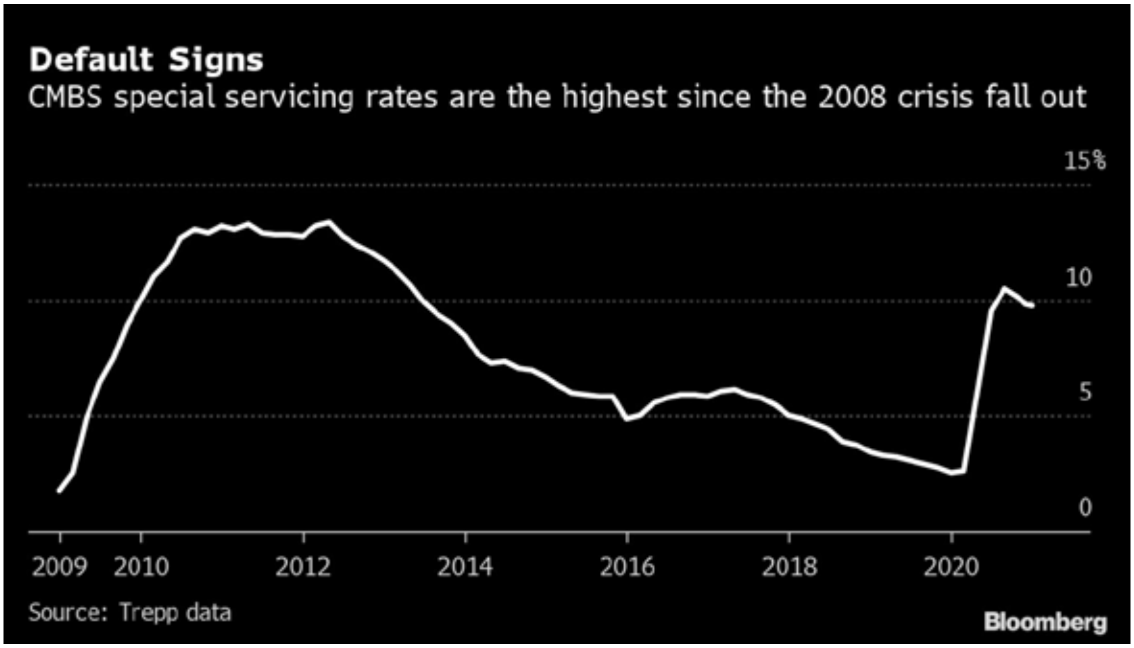
Content Lead: Special Assets View Towards Distressed CRE; How Work from Home Will Impact Business Travel and Hotels; Options for Repositioning Distressed Hotels and Malls; Impact of Capital Build Up on Investment Sales Market

I. **Special Assets View Towards Distressed CRE**

A. **Distressed CRE and the Pandemic Induced Lender "Fog of War"**

i. Largely due to the pandemic, at the end of 2020 about $146 billion of commercial real estate became distressed and in serious risk of bankruptcy or default, according to data compiled by Real Capital Analytics. The majority of these distressed assets were hotels and retail properties. The two graphs below depict the situation well.





ii. Because many lenders reacted to the pandemic by granting credit waivers and forbearances, their wait and see approach created a stagnant CRE sale market in the second and third quarter of 2020. This lender kicking the can down the road period was aptly described as "the fog of War" by Will Sledge, senior managing director in JLL's capital markets group. Instead of selling into a market where they couldn't gauge the demand, lenders waited to see how things played out. By fourth quarter 2020, some lenders did begin selling some of these distressed assets, thanks to strong investor demand.

B. **When Will We Emerge from Fog of War and How Thick is It?**

i. There is scarce data available regarding bank loans to commercial real estate that are under forbearance because lenders have the discretion regarding both whether to give borrowers a break and whether to report it, according to Manus Clancy, a senior managing director at Trepp.

ii. Some loans may be sold to distressed investors because lenders feel pressure to unload them. This is likely since banks are constrained by regulatory requirements stemming from the 2008 financial crisis that prevent them from holding onto assets deemed too risky.

iii. The big question is when will lenders stop extending forbearances and start applying real pressure by filing foreclosure proceedings, appointing receivers and taking back assets that they want to sell?

iv. It is highly anticipated that many CRE assets may never make it to Chapter 11 in 2021 and 2022, with a lot of distressed real estate being sold through foreclosures, deeds-in-lieu, auctions and note sales.

v. That said, retail bankruptcies in the first eight months of 2020 nearly exceeded those of 2010, following the global financial crisis, and it is anticipated that many of the bankruptcies and store closures will continue to come from department stores, malls and hotels.

II. How Work from Home ("WFH") Will Impact Business Travel and Hotels

A. **Negative Impact on Employment and Economic Growth.** Domestic and international business travelers in the U.S. spent $334.2 billion in 2019, supporting 2.5 million jobs, according to the U.S. Travel Association. Travel spending totaled a mere $679 billion in 2020, an unprecedented 42% annual decline (nearly $500 billion) from 2019. International travel and business travel suffered the sharpest declines. International travel spending fell 76% (compared to 34% for domestic travel) while business travel spending fell 70% (compared to 27% for leisure travel). The pandemic heavily impacted the travel economies of every state and territory. Hawaii suffered the most of any state (-60% y/y) and Mississippi suffered the least (-26%). In total, 18 states and territories experienced a greater than 40% downturn in travel spending.

i. The drop in business travel due to the pandemic is affecting whole ecosystems of related commerce, including not only hotels, airlines, travel agents and rental car companies but also airport shops, downtown bars and restaurants, aircraft parts manufacturers, construction companies building convention stages, entertainers and taxi drivers.

ii. With the increasing number of people getting vaccinated, travel for business should increase. Whether a health passport will be required for domestic travel in the future remains to be seen. Regardless, thus far the vaccines have not spurred a travel recovery.

iii. The coronavirus has significantly impacted the way we conduct business and will likely continue to affect the business travel and hotel industries for at least the foreseeable future. Since the use of online video conferencing for conducting business meetings and conferences became the norm, the need for in-person meetings, conferences and events has dropped. Conducting meetings via zoom and other video conferencing tools is not only cheaper than traveling to meet for business, it is also a much more effective use of workers' time.

iv. The impacts of the pandemic on business travel are lingering and the effects of the pandemic are expected to continue to depress employment and economic growth in some communities for years to come.

III. Options for Repositioning Distressed Hotels and Malls

A. **Hotel Conversions.** If a hotel cannot recover from the COVID crisis, repositioning strategies such as conversion to multifamily, senior housing and student housing should be considered.

i. Converting a high-capitalization, hard-to-finance property to a low-capitalization, easy-to-finance property can be a good trade-off for owners with the expertise, flexibility and capital to implement this strategy.

ii. A best use study should be conducted to assess the location and physical attributes of the existing structure, the supply and demand for potential alternative property types in the local market, and the return on investment associated with a significant renovation and repositioning of the property.

B. **Conversion of Class B and C Malls.** According to ICSC, it is predicted that by 2025 there will be a 20% reduction in total U.S. retail real estate inventory from the current level of 56 square feet per capita. It is anticipated that much of this reduction will be triggered by adaptive reuse and conversion of Class B and C malls. These malls have been the most negatively impacted by the pandemic and the “retail apocalypse” that preceded it. Further consolidation among mall REITS is also expected, along with increasing sales of non-core assets as pricing resets under the duress and rising risk of receivership and insolvency.

i. Successful adaptive reuse and conversion requires overcoming complex regulatory issues, greater flexibility in municipal zoning and department store cooperation granting consent and modifications to reciprocal easement agreements permitting redevelopment.

ii. A strategic evaluation of the highest and best use of the underlying land and demand drivers for adaptive reuse and conversion will be the basis for any successful mall conversion project.

iii. To avoid further loss of retail uses and sales tax revenue, some local and state jurisdictions may offer more public financing and subsidies for these redevelopments.

iv. While many malls are currently being repositioned for industrial use, adaptive reuse with multifamily, office and hotel components may still be viable in certain markets and for certain assets. Other adaptive reuse options include medical, education, cultural centers and open/green spaces.

IV. Impact of Capital Build Up on Investment Sales Market

A. **Buying Distressed CRE Post Covid; Property Type and Market Matter Most**

i. Overview. Investors raised a record amount of capital based on distressed-debt strategies last year, and there is still a reported $320 billion sitting on the sidelines, according to the latest data from Preqin. With commercial property distress at the highest level since 2013, investors with dry powder will have plenty of opportunity for investing in 2021 and 2022. This is by far the most active distressed and opportunistic market for commercial real estate since the 2007/2008 crash and many predict that the summer of 2021 is when investors currently sitting on the sidelines will jump into the market and start buying distressed CRE.

ii. Retail and Office. Lack of clarity in rent rolls and NOI for retail and office properties which kept many investors at bay in 2020 will continue to make it difficult for them to assess the value of these property types. Until the rent roll instability due to collection issues and vacancies abates and there is greater income, many investors will buy retail and office properties very selectively and cautiously.

iii. Malls and Urban Core Retail. Malls and urban-core retail are facing the greatest declines in valuation due to occupancy, term length and rents. Investors will continue to be very wary of buying urban retail until tourists and office workers return to cities and they can assess whether the suburban migration experienced during the pandemic will continue.

iv. Suburban Properties vs. Urban Properties. Suburban properties are expected to rebound before urban properties. Likely due in large part to the work from home phenomenon, the suburbs have seen better retailer performance, consumer spending and overall market resilience. As such, the suburbs are expected to lead the recovery and offer investors a far safer investment option than most urban market properties. In particular, single-tenant net-leased properties and suburban grocery-anchored centers are expected to continue to be the most resilient and therefore desirable. Demand and greater debt availability in these property types may also result in cap rate compression next year in certain high-growth markets with low supply.

v. Anticipated Timing for Recovery and Investment. COVID-related rent negotiations and lease restructuring will continue in 2021 as some retailers will be unable to make balloon payments of deferred rent and will require additional rent deferral or abatement to stay open. Distressed assets are expected to rise in the first half of 2021, especially for those with debt coming due.

vi. Institutional Investors vs. Private Capital. Institutional investors will continue to avoid most retail, except for quality core assets like grocery anchored centers. Private capital will continue to be very active and a new group of opportunistic investors and private equity firms are already seeking well priced distressed assets with an eye toward stabilizing, redeveloping or converting them.

Ivan Gold, Allen Matkins Leck Gamble Mallory & Natsis LLP
Content Lead: Lease Restructuring, Landlord's perspective; Landlord Lender Perspective

RECENT BANKRUPTCY CODE AMENDMENTS IMPACTING COMMERCIAL REAL ESTATE

The Consolidated Appropriations Act of 2021 (Public Law 116-260) (the "CAA") contains important changes in bankruptcy law that impact debtors, commercial landlords and suppliers of distressed companies. The CAA, passed by the House and Senate on December 22 and signed into law by President Trump on December 27, 2020, temporarily amends Bankruptcy Code sections 365 and 547 to address certain issues arising from the impacts of the COVID-19 pandemic.

These amendments were originally part of legislation introduced by Senator Thom Tillis (R-North Carolina) on August 6, 2020. See: https://www.tillis.senate.gov/2020/8/tillis-introduces-bill-to-provide-landlord-tenant-bankruptcy-relief-in-response-to-the-coronavirus-pandemic

Extended Time To Assume or Reject Leases:

Bankruptcy Code section 365(d)(4) has been amended to allow more time for the assumption, assumption and assignment, or rejection of nonresidential real property leases. Under prior law (as most recently amended in 2005), Section 365(d)(4) provided that a debtor or trustee had 120 days to assume a nonresidential real property lease or the lease was deemed rejected. An extension of an additional 90 days was available on a showing of "cause."

The CAA amended Section 365(d)(4) to expand the initial time period to 210 days (from 120), with a 90-day extension still available, thus providing for up to 300 days (or the date of confirmation of a plan, if earlier) for a debtor to decide whether to assume or reject a nonresidential real property lease. Further extensions beyond 300 days still require the "prior written consent of the lessor."

This change will "sunset" in two years after the date of its enactment, i.e., on December 27, 2022. It is an open question whether the extended 300-day time period to assume or reject has retroactive effect (i.e., does it apply to cases filed prior to December 27, 2020?).

This amendment addresses the uncertainties in real estate and operational decisions brought on by the impacts of the COVID-19. pandemic. It affords debtors more time to pursue reorganization/restructuring efforts before having to make the commitment to assume or reject commercial leases, including allowing more time for potential lease restructuring negotiations (or "re-trades" of prior lease modifications). As a practical matter, many debtors may not be able to take advantage of the full lease decision timeline afforded by the amended Section 365(d)(4) because of pressure from their secured lenders to conclude reorganization cases promptly through case "milestones" shorter than the statutory time periods.

Further Deferral of Post-Petition Rent In Small Business Cases:

Bankruptcy Code section 365(d)(3) generally provides that a bankruptcy trustee or chapter 11 debtor-in-possession "shall timely perform all the obligations of the debtor . . . arising from and after the order for relief under any expired lease of nonresidential real property, until such lease is assumed or rejected, notwithstanding section 503(b)(1)."

As seen in many major Chapter 11 cases throughout the COVID-19 pandemic, Section 365(d)(3) also provides that the bankruptcy court "may extend, for cause, the time for performance of any such obligation that arises within 60 days after the date of the order for relief, but the time for performance shall not be extended beyond such 60-day period."

In a targeted amendment to Section 365(d)(3) (new subparagraph (B)), a *small business debtor* in a Subchapter V (Small Business Reorganization Act) Chapter 11 case may further extend the time to perform post-petition obligations under an unexpired lease of nonresidential real property beyond the initial 60 days. This further extension may be granted if the debtor has experienced or is continuing to experience a material financial hardship due, directly or indirectly, to COVID-19. Post-petition lease obligations under this amended deferral period that are unpaid at the time of confirmation of a Subchapter V plan may be paid over time through the plan, pursuant to Bankruptcy Code section 1991(e).

As noted, this amendment to Section 365(d)(3) only applies in qualifying *small business* Subchapter V Chapter 11 cases, where the debtor has debts aggregating not more than \$7.5 million. The \$7.5 million debt eligibility limit for Subchapter V small business debtors represents a temporary increase provided by the CARES Act and was scheduled to expire (reverting to the former \$2,725,625 debt eligibility limit) on March 27, 2021. Under the COVID-19 Bankruptcy Relief Extension Act of 2021, signed into law by President Biden on March 27, 2021, the increased \$7.5 million debt eligibility limit was extended through March 27, 2022.

Similar to the amendment to Section 365(d)(4), the amendment to Section 365(d)(3) contains a "sunset" provision, applying in any Subchapter V case commenced "before the date that is 2 years after the enactment of this Act," i.e., December 27, 2022.

Protection of Rent Deferral Agreements From Preference Liability:

The CAA also amended Bankruptcy Code section 547 to create a temporary exemption protecting landlords and suppliers of goods and services from the potential "claw back" of payments made by a debtor pursuant to payment deferral agreements made after March 13, 2020 (the date of the President's Proclamation on Declaring a National Emergency Concerning the Novel Coronavirus Disease (COVID-19) Outbreak). This amendment, adding new Section 547(j), was designed to allow commercial landlords and suppliers the flexibility to negotiate payment deferral arrangements without the fear of later bankruptcy-related litigation.

A typical rent deferral agreement would be as follows: Landlord and tenant agreed to defer April, May and June 2020 rent and charges, to be re-paid over six months starting January 1, 2021 (i.e., starting January 1, tenant would be paying regular rent and a ½-month "catch up" payment each month). The rent deferral/catch up portion of the payment would potentially be a preferential transfer under Bankruptcy Code section 547. If tenant filed bankruptcy in June 2021 and did not assume the lease, as many as three of the catch-up payments of deferred rent (those received by the landlord in the 90 days prior to the bankruptcy) would potentially have to be repaid back to the bankruptcy estate as avoidable preferences.

These “claw back” liability concerns potentially chilled payment deferral transactions or caused landlords and vendors to try and minimize preference exposure by agreeing to shorter repayment periods than might otherwise be desired by their tenants and customers.

Section 547 of the Bankruptcy Code now prevents a debtor or trustee from recovering such deferred payments as a preference so long as (a) the payments were made on account of a lease or executory contract for goods or services that was entered into before the bankruptcy filing, (b) the lease or executory contract was subject to an “agreement or arrangement” made ***after*** March 13, 2020 to “defer or postpone” payments otherwise due, and (c) payments imposed pursuant to any such post-March 13, 2020 agreement do not include fees, penalties or interest greater than (i) the amount scheduled by the lease or executory contract or (ii) that the debtor would owe if the debtor had made every payment due under the lease or executory contract on time and in full before March 13, 2020. However, payments are not exempt to the extent attributable to additional fees, penalties or interest.

It is important to recognize that this exemption from potential preference liability is structured as an exclusion from the definition of a preferential “transfer” under Section 547, rather than as an affirmative defense. The amendment is thus structurally similar to the statutory “carve out” under Section 547(h) (for alternative repayment schedules between the debtor and any creditor created by an approved nonprofit budget and credit counseling agency, added by BAPCPA in 2005). As a result, landlords and suppliers are relieved from the potential burden, expense and delay of proving, under the prior version of Section 547, that deferred payment agreements become “ordinary course” during the COVID-19 pandemic. See, e.g., Wiscovith-Rentas v. Villa Blanca VB Plaza, LLC, 543 B.R. 345, 361 (1st Cir. BAP 2016) (“There is 'no precise legal test' to determine whether a preferential transfer was made in the ordinary course of business between the debtor and the creditor.”); In re Conex Holdings, LLC, 522 B.R. 480, 486-487 (Bankr. Del. 2014) (describing multi-factor test to determine “ordinary course”).

New Section 547(j) apples to all bankruptcy cases (“any case … under title 11, United States Code) commenced before the 2-year anniversary of its enactment.

or any party in interest, may request a modification of the plan to provide for the proof of claim.''.

(2) SUNSET.—Effective on the date that is 1 year after the date of enactment of this Act, section 1329 of title 11, United States Code, is amended by striking subsection (e).

(f) EXECUTORY CONTRACTS AND UNEXPIRED LEASES.—

(1) IN GENERAL.—Section 365(d) of title 11, United States Code, is amended—

(A) in paragraph (3)—

(i) by inserting ''(A)'' after ''(3)'';

(ii) by inserting '', except as provided in subparagraph (B)'' after ''such 60-day period''; and

(iii) by adding at the end the following:

''(B) In a case under subchapter V of chapter 11, the time for performance of an obligation described in subparagraph (A) arising under any unexpired lease of nonresidential real property may be extended by the court if the debtor is experiencing or has experienced a material financial hardship due, directly or indirectly, to the coronavirus disease 2019 (COVID–19) pandemic until the earlier of—

"(i) the date that is 60 days after the date of the order for relief, which may be extended by the court for an additional period of 60 days if the court determines that the debtor is continuing to experience a material financial hardship due, directly or indirectly, to the coronavirus disease 2019 (COVID–19) pandemic; or

"(ii) the date on which the lease is assumed or rejected under this section.

"(C) An obligation described in subparagraph (A) for which an extension is granted under subparagraph (B) shall be treated as an administrative expense described in section 507(a)(2) for the purpose of section 1191(e)."; and

(B) in paragraph (4), by striking "120" each place it appears and inserting "210".

(2) SUNSET.—

(A) IN GENERAL.—Effective on the date that is 2 years after the date of enactment of this Act, section 365(d) of title 11, United States Code, is amended—

(i) in paragraph (3)—

(I) by striking "(A)" after "(3)";

(II) by striking ", except as provided in subparagraph (B)" after "such 60-day period"; and

(III) by striking subparagraphs (B) and (C); and

(ii) in paragraph (4), by striking "210" each place it appears and inserting "120".

(B) SUBCHAPTER V CASES FILED BEFORE SUNSET.—Notwithstanding the amendments made by subparagraph (A), the amendments made by paragraph (1) shall apply in any case commenced under subchapter V of chapter 11 of title 11, United States Code, before the date that is 2 years after the date of enactment of this Act.

(g) PREFERENCES.—

(1) IN GENERAL.—Section 547 of title 11, United States Code, is amended—

(A) in subsection (b), in the matter preceding paragraph (1), by striking "and (i)" and inserting ", (i), and (j)"; and

(B) by adding at the end the following:

"(j)(1) In this subsection:

"(A) The term 'covered payment of rental arrearages' means a payment of arrearages that—

"(i) is made in connection with an agreement or arrangement—

"(I) between the debtor and a lessor to defer or postpone the payment of rent and other periodic charges under a lease of nonresidential real property; and

"(II) made or entered into on or after March 13, 2020;

"(ii) does not exceed the amount of rental and other periodic charges agreed to under the lease of nonresidential real property described in clause (i)(I) before March 13, 2020; and

"(iii) does not include fees, penalties, or interest in an amount greater than the amount of fees, penalties, or interest—

"(I) scheduled to be paid under the lease of nonresidential real property described in clause (i)(I); or

"(II) that the debtor would owe if the debtor had made every payment due under the lease of nonresidential real property described in clause (i)(I) on time and in full before March 13, 2020.

"(B) The term 'covered payment of supplier arrearages' means a payment of arrearages that—

"(i) is made in connection with an agreement or arrangement—

"(I) between the debtor and a supplier of goods or services to defer or postpone the payment of amounts due under an executory contract for goods or services; and

"(II) made or entered into on or after March 13, 2020;

"(ii) does not exceed the amount due under the executory contract described in clause (i)(I) before March 13, 2020; and

"(iii) does not include fees, penalties, or interest in an amount greater than the amount of fees, penalties, or interest—

"(I) scheduled to be paid under the executory contract described in clause (i)(I); or

"(II) that the debtor would owe if the debtor had made every payment due under the executory contract described in clause (i)(I) on time and in full before March 13, 2020.

"(2) The trustee may not avoid a transfer under this section for—

"(A) a covered payment of rental arrearages; or

"(B) a covered payment of supplier arrearages.".

(2) SUNSET.—

(A) IN GENERAL.—Effective on the date that is 2 years after the date of enactment of this Act, section 547 of title 11, United States Code, is amended—

(i) in subsection (b), in the matter preceding paragraph (1), by striking ", (i), and (j)" and inserting "and (i)"; and

(ii) by striking subsection (j).

(B) CASES FILED BEFORE SUNSET.—Notwithstanding the amendments made by subparagraph (A), the amendments made by paragraph (1) shall apply in any case commenced under title 11, United States Code, before the date that is 2 years after the date of enactment of this Act.

(h) TERMINATION OF UTILITY SERVICES.—

(1) IN GENERAL.—Section 366 of title 11, United States Code, is amended by adding at the end the following:

2020-2021 Retail Bankruptcy Filings	
Company	Filing Date
SFP Franchise Corp.	1/23/2020
Pier 1 Imports, Inc.	2/17/2020
Goodrich Quality Theaters	2/28/2020
Bluestem Brands, Inc.	3/9/2020
Art Van Furniture	3/9/2020
Modell's Sporting Goods, Inc.	3/11/2020
True Religion Apparel	4/13/2020
Roots USA	4/29/2020
Chino Holdings (J. Crew, Madewell)	5/4/2020
Neiman Marcus	5/7/2020
Aldo	5/7/2020
Stage Stores	5/11/2020
Garden Fresh Restaurants (Souplantation, Sweet Tomatoes)	5/14/2020
J.C. Penny	5/15/2020
Centric Brands	5/18/2020
Tuesday Morning	5/27/2020
24 Hour Fitness, Inc.	6/15/2020
GNC	6/23/2020
Lucky Brand	7/3/2020
G-Star Raw	7/3/2020
Brooks Brothers	7/8/2020
Sur La Table	7/8/2020
Muji USA	7/10/2020
RTW Retailwinds	7/13/2020
The Paper Store	7/14/2020
Ascena	7/23/2020
Lord & Taylor	8/2/2020
Tailored Brands	8/2/2020
Stein Mart	8/12/2020
Century 21	9/10/2020
RTI Holding Company LLC (Ruby Tuesday's)	10/7/2020
PREIT	11/1/2020
CBL & Associates Properties, Inc.	11/1/2020
Furniture Factory Outlet	11/5/2020
YouFit Health Clubs	11/9/2020
Guitar Center	11/21/2020
Francesca's	12/3/2020
In-Shape Holdings, LLC	12/16/2020
2021	
Loves Furniture	1/6/2021
Tea Olive I LLC (Stock + Field)	1/10/2021

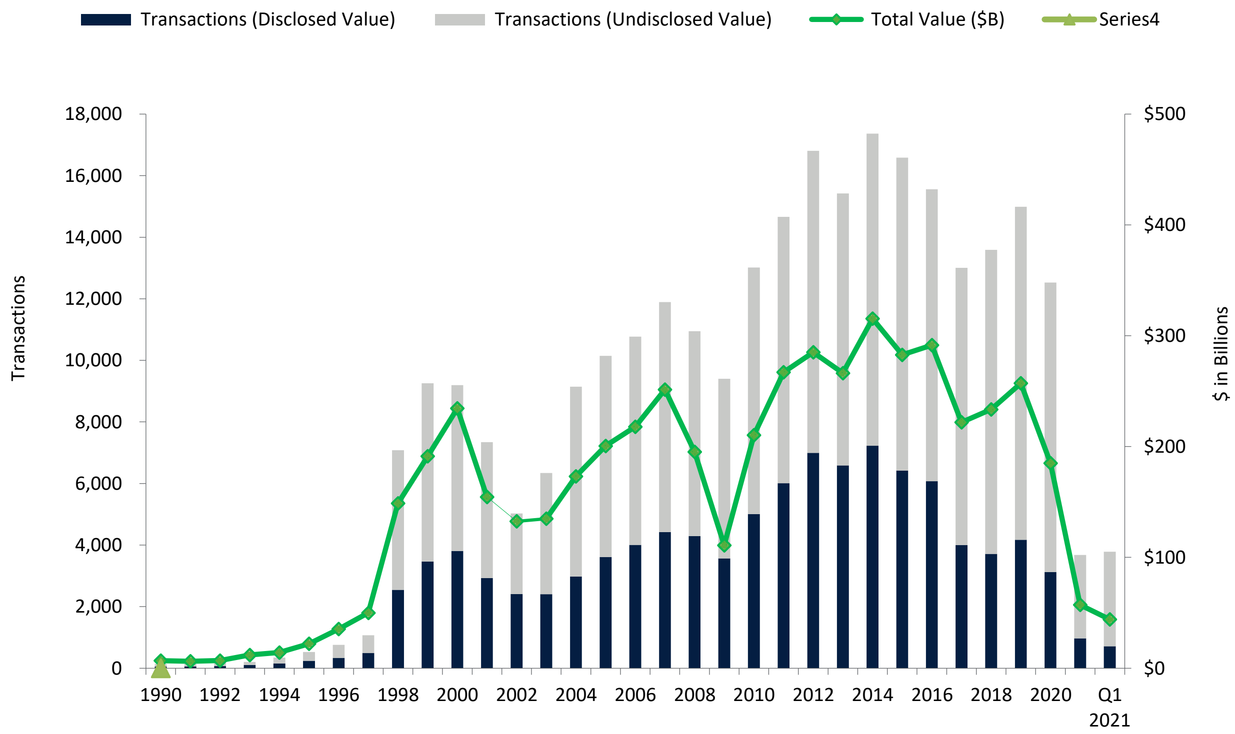
Christopher & Banks	1/14/2021
L'Occitane	1/26/2021
Solstice Marketing Concepts	2/17/2021
Belk	2/23/2021
Paper Source Inc.	3/2/2021
The Collected Group	4/5/2021
Fresh Acquisitions, LLC (Furr's, Hometown Buffet, Ryan's, Old Country Buffet)	4/23/2021

<u>**Scott Eisenberg, Capstone Headwaters**</u>

Content Lead: Non-real estate M&A Activity; C&I Capital Markets Review

Year-Over-Year Review

Announced M&A Transactions



Source: Capital IQ

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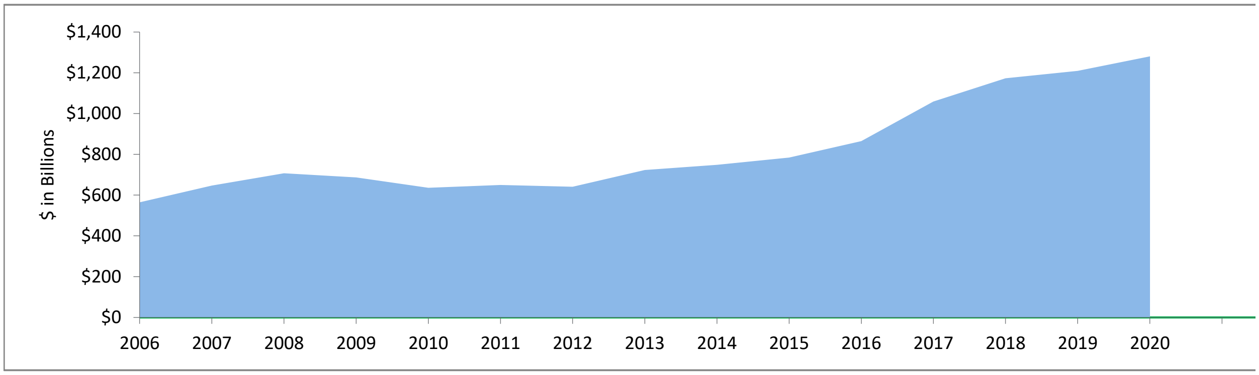
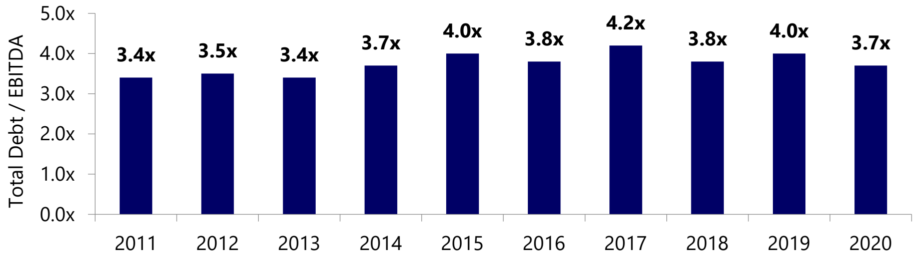
Capital Overhang

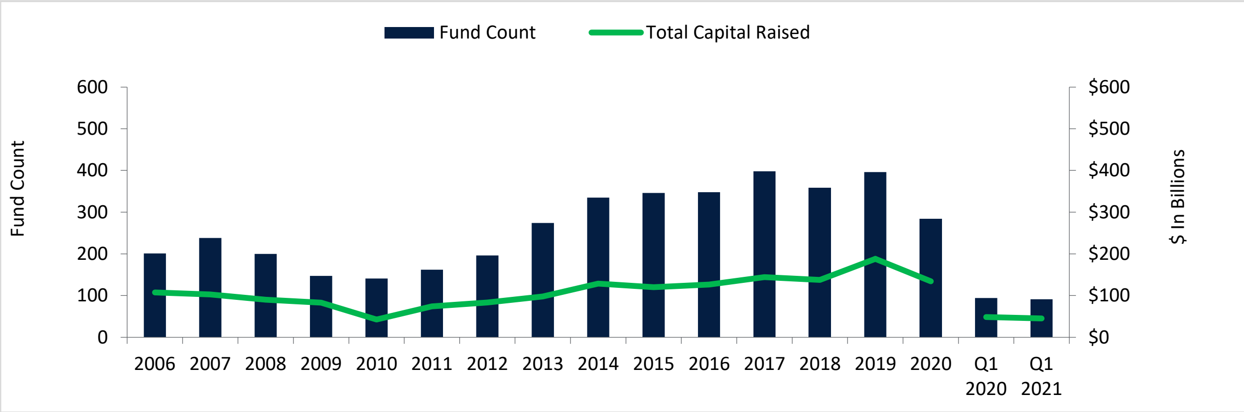


Source: Capital IQ

Average Debt Multiple of Middle Market LBO Transactions (GF DATA)



PE Fundraising



Source: Capital IQ

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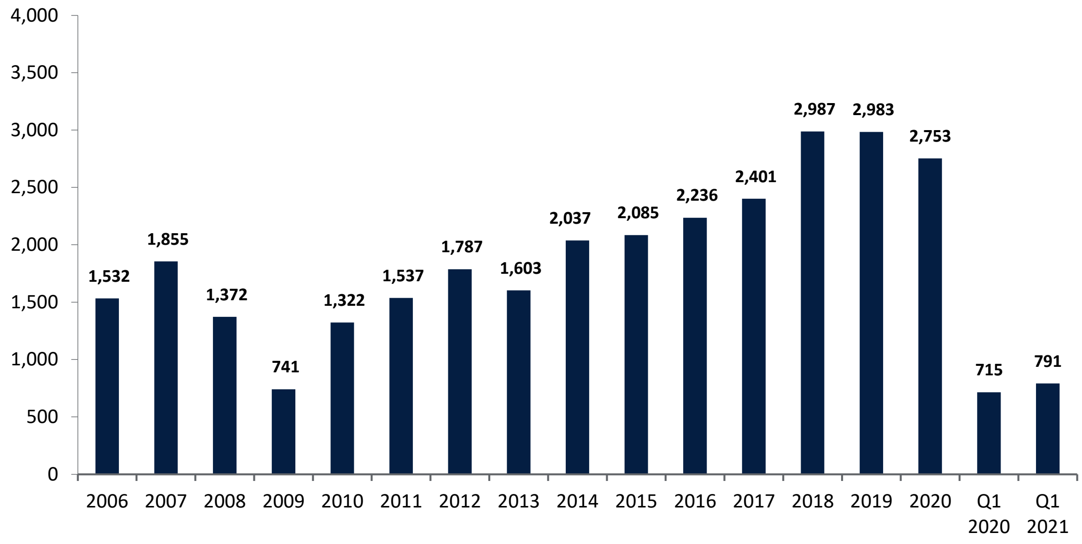
Middle Market Transactions Closed by Private Equity Firms (Pitchbook US PE Breakdown Report)



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Faculty

Scott A. Eisenberg, CPA is a managing director with Capstone Headwaters' Financial Advisory Services (FAS) Group in Detroit and has more than 35 years of experience structuring and negotiating transactions and advising companies on financial matters. His experience includes M&A transactions, restructuring and turnaround engagements, and a wide variety of management advisory services. Mr. Eisenberg has acted as CRO, court-appointed receiver and trustee for clients in a wide range of industries, as well as more than 75 investment banking and 200 financial advisory assignments for manufacturing, service, financial services and technology companies. Prior to joining the FAS team at Capstone Headwaters, Mr. Eisenberg was a partner at Amherst Partners, a firm he co-founded in 1994. Before founding Amherst, he was a vice president at Onset BIDCO, a subordinated debt fund that invested primarily in manufacturing and technology businesses. Prior to that, he was a manager in the National Corporate Finance Group of Deloitte & Touche, where he provided M&A advisory services to middle-market companies. Mr. Eisenberg began his career as an accountant with Deloitte & Touche, providing accounting and audit services and teaching national firm training seminars. He is active in many organizations, having served as president of the Detroit Chapter and international board member of the ACG, president of the Detroit Chapter and international board member of the Turnaround Management Association, president and board member of the Detroit Chapter of the Young Entrepreneur's Organization, president of the Young Adult Division of the Jewish Federation of Metropolitan Detroit and member of the Federation's Board of Governors, president of the American-Israel Chamber of Commerce of Michigan, chairman of the Automotive Supplier Committee of the Michigan Association of CPAs, and president of the Southeastern Michigan Venture Group. Mr. Eisenberg received his undergraduate degree in accounting from the University of Illinois and his M.B.A. in finance from Indiana University.

Hon. Catherine J. Furay is Chief Bankruptcy Judge for the Western District of Wisconsin in Madison. Prior to her appointment, she practiced bankruptcy, commercial law and business litigation. Judge Furay is a frequent lecturer on bankruptcy, commercial law, ethics, marital property and litigation skills. She served as an adjunct faculty member at the University of Wisconsin Law School teaching lawyering skills for 21 years and guest lectures for its bankruptcy course. Judge Furay is a member of the Bankruptcy Judges Advisory Group of the Administrative Office of the U.S. Courts, the bankruptcy judge member of the Advisory Process Review Working Group, and a member of the Advisory Group for the AO's Bankruptcy Case Weighting Study. In 2020, she became a Fellow of the American College of Bankruptcy. Judge Furay is a contributing author of *Construction Law*, Chapter 16, "Bankruptcy," and is the author of several articles on various bankruptcy, collection, marital property and litigation topics. In 2019, Judge Furay became the editor-in-chief of *Ginsberg & Martin on Bankruptcy*. She is a member of the National Conference of Bankruptcy Judges, for which she serves as a member of its Elections, Finance, and Online Learning Committees. She has also served as the Seventh Circuit representative on the NCBJ Board of Governors and on the Next-Gen and Technology Committees of NCBJ. Judge Furay is a member of ABI and currently serves on the Education Advisory Committees for the Central States Bankruptcy Workshop and the Hon. Eugene R. Wedoff Seventh Circuit Consumer Bankruptcy Conference. In addition, she is a member of the Turnaround Management Association, a member of the Board of Trustees, past chairman of the board, and past president of the Certification Oversight Committee. Judge Furay has served on the board of governors and various committees of the State Bar of Wisconsin, including its Executive and Finance Committees. In addition to being co-author of *Wisconsin Business Advisors Series: Collections & Bankruptcy Vol. 4* (Pinnacle Books), she co-authored the *Wisconsin Civil Litigation Forms Manual* (Pinnacle Books). Judge Furay received her J.D. from the University of Wisconsin-Madison Law School.

Ivan M. Gold is Of Counsel to Allen Matkins Leck Gamble Mallory & Natsis LLP in its San Francisco office, where he represents clients in all areas of real estate-related litigation in state and federal courts, as well as contested matters and adversary proceedings in bankruptcy court. He has experience in breach-of-lease and unlawful-detainer litigation, as well as pre-litigation counseling and negotiation involving a wide variety of commercial real estate, including neighborhood and regional shopping centers, office buildings, warehouse and industrial properties, data centers, restaurants and hotels. Mr. Gold represents shopping center developers and landlords of office and data center properties in major bankruptcy proceedings throughout the U.S. He also has utilized alternative dispute resolution in a wide variety of disputes, including arbitration, mediation and private judge proceedings. Prior to joining Allen Matkins, Mr. Gold was senior counsel at Brobeck, Phleger & Harrison LLP and a partner in the San Francisco law firm of Berg, Ziegler, Anderson & Parker. He has spoken at continuing education programs sponsored by ABI and the International Council of Shopping Centers, State Bar of California, Bar Association of San Francisco and California Continuing Education of the Bar on such topics as landlord/tenant disputes, the treatment of leases in bankruptcy proceedings, alternative dispute resolution and real estate-related litigation. Mr. Gold received his B.S. from American University and his J.D. from the University of California, Hastings College of the Law.

David Levy, CAI, CCIM is a director at Summit Investment Management and Keen-Summit Capital Partners and heads its Chicago office. He is responsible for all aspects of business development and execution in connection with the company's distressed-debt acquisitions and opportunistic credit transactions, plus real estate brokerage and auction, investment banking, and lease modification and restructuring services. Mr. Levy has more than 13 years of experience in real estate advisory and transactions, with particular expertise in workout, bankruptcy and other special situations. He is one of less than 50 professionals nationwide to hold both the Certified Commercial Investment Member (CCIM) and Certified Auctioneers Institute (CAI) designations, and he is a frequent speaker and moderator on real estate restructuring programs. Mr. Levy received his M.B.A. from Miami University in Oxford, Ohio.

Diana M. Peterson is president and CEO of AW Properties Global (AW) in Chicago and has nearly 25 years of experience in law, real estate brokerage and auctions. Prior to founding AW, she co-founded AuctionWorks, an online real estate auction platform, which she built utilizing her prior auction expertise and her experience founding and operating a real estate brokerage, PMD Realty, LLC, for over a decade. In 2001, seeing an opportunity to provide homeowners an alternative disposition strategy, Ms. Peterson established PMD Realty, which quickly became the leading local provider of flat-fee MLS listing services, dominating the emerging flat-fee market for several years. During that time, she was recognized by the Chicago Association of Realtors as one of the top five producing real estate brokers, having closed +$130M in residential sales and negotiated +500,000 SF of commercial lease and sale transactions. Prior to starting PMD Realty, Ms. Peterson worked for U.S. Equities Realty and JLL providing strategic planning, site-selection and tenant-representation services to office tenants nationwide. She also was a practicing attorney for several years with

D'Ancona & Pflaum and Hedlund Hanley & John. She is licensed to practice in Illinois and holds an Illinois real estate managing broker's license and an Illinois auction license. Ms. Peterson has been featured in *DS News*, *GlobeSt.com*, *Crain's*, *Illinois Real Estate Journal*, *Real Estate Executive* magazine, *NS Magazine* and many other publications. She is often engaged as a speaker and moderator at real estate, workout and turnaround management conferences, and she has served as an expert witness in real estate-related litigation. Ms. Peterson is a member of the Turnaround Management Association (TMA), American Bankruptcy Institute (ABI), International Women's Insolvency & Restructuring Confederation (IWIRC), Illinois CCIM Chapter, Chicago Association of Realtors (CAR) and the National Association of Realtors (NAR). She received her B.A. with honors from the University of Chicago and her J.D. from the University of Minnesota Law School, where she served as an editor of the *Minnesota Law Review*.