AMERICAN BANKRUPTCY INSTITUTE

Southeast Bankruptcy Workshop 2021

Infected, Vaccinated or Cured?

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INFECTED, VACCINATED OR CURED?

SPEAKERS:

Ashley Edwards (Parker Poe), MODERATOR
Joe Pegnia (B. Riley Advisory Services)
Christy Myatt (Nexsen Pruet)
Jay Sakalo (Bilzin Sumber)
Ken Mann (SC&H Capital)
Mark Vitner (Wells Fargo)

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I. Which Industries - Infected, Vaccinated, or Cured?

II. Banking & Finance

III. Supply Chain

IV. HealthCare

V. Hotels

VI. Office Space/Courts - How will our lives be different in the post-COVID world?

Discussion points

- Geography [e.g., jurisdiction] matters due to differing reopening times and regulations.
- Companies with access to public markets have greater options than do those limited to private sources of financing.

Survey Questions

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I. Which Industries - Infected, Vaccinated, or Cured?

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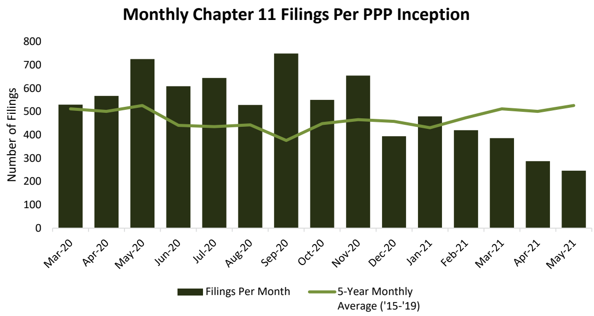

- The chart above displays the chapter 11 filings per month nationwide compared to the average number of filings per month for the past five years
- Monthly chapter 11 filings nationwide surpassed 5-Year Monthly Average consistently during months of strictest lockdowns
- On average, chapter 11 filings per month were 13% higher from March 2020 through May 2021 compared to the 5-year average per month

Raw Data Source: Epiq Systems, Inc.

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From March 1, 2020 to Feb 28, 2021, the five industries most impacted by COVID-19 are as follows:

Industry Name	PD Level on March 1, 2020	Max PD LTM	PD Level on Feb 28, 2021
Airlines	9.84%	26.92%	2.84%
Oil & Gas Drilling	9.10%	24.14%	1.84%
Apparel Retail	7.44%	21.12%	2.03%
Home Furnishing Retail	3.22%	21.98%	1.69%
Casinos & Gaming	6.41%	21.42%	2.74%

Source: PDMS, S&P Global Market Intelligence, as of March 2021. For illustrative purposes only.

The five industries least impacted by COVID-19 are:

Industry Name	PD Level on March 1, 2020	Max PD LTM	PD Level on Feb 28, 2021
Multi-line Insurance	0.59%	1.1%	0.25%
Life & Health Insurance	0.62%	1.2%	0.25%
Specialized REITs	0.08%	1.1%	0.16%
Property & Casualty Insurance	0.59%	1.2%	0.37%
Industrial REITs	0.08%	0.8%	0.11%

Source: PDMS, S&P Global Market Intelligence, as of March 2021. For illustrative purposes only.

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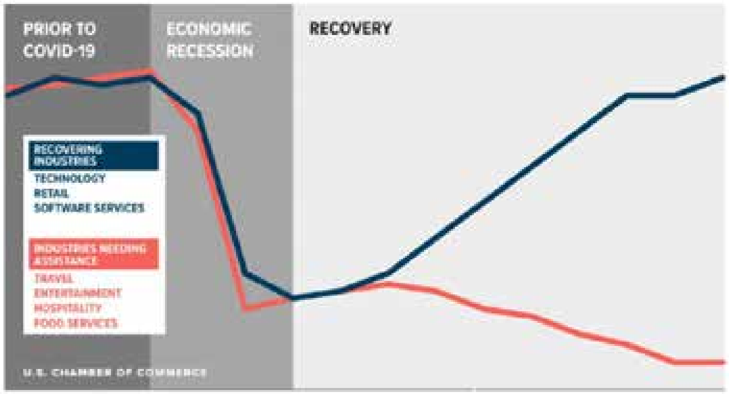

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II. Banking and Finance

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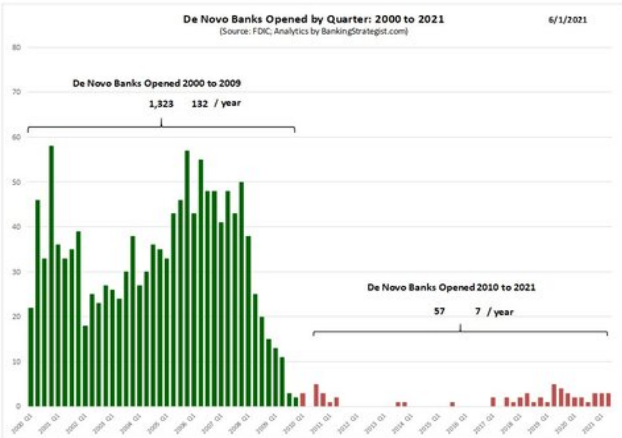

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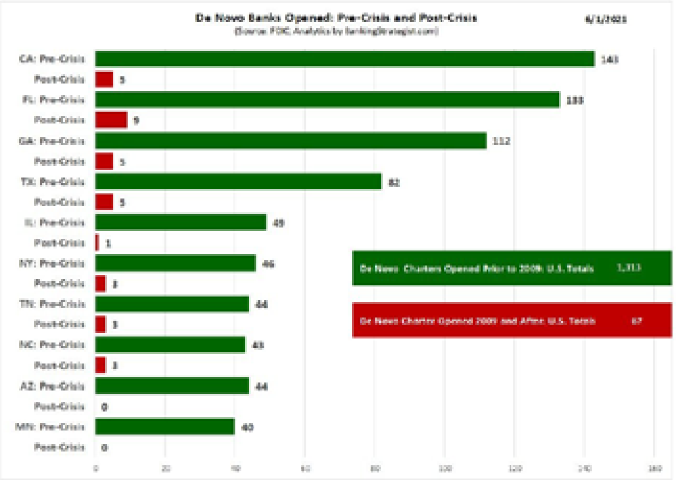

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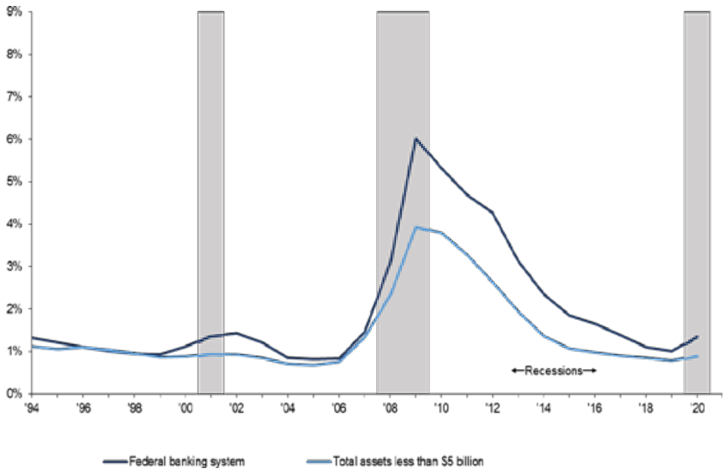
Total Non Performing Loans



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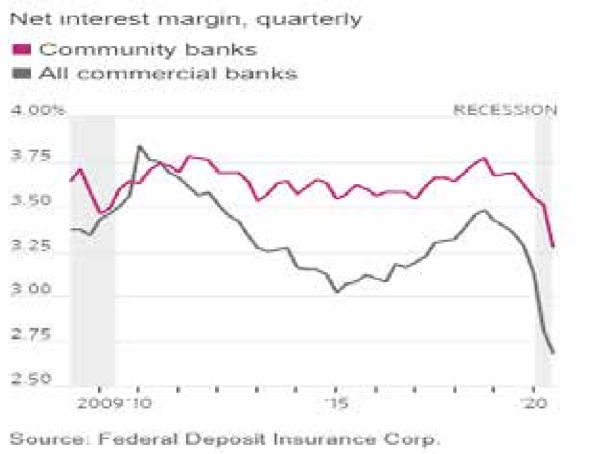
Net interest margin, quarterly
Community banks
All commercial banks
4.00%
3.75
3.50
3.25
3.00
2.75
2.50
RECESSION
2009
'10
'15
'20
Source: Federal Deposit Insurance Corp.

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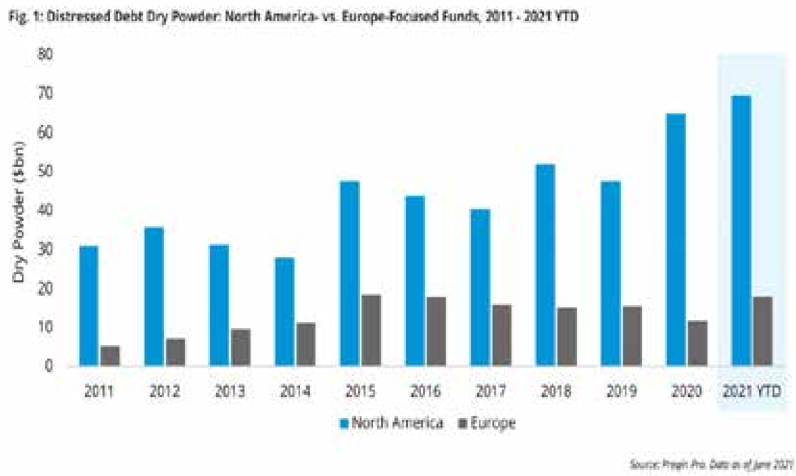
Fig. 1: Distressed Debt Dry Powder: North America- vs. Europe-Focused Funds, 2011 - 2021 YTD
Dry Powder ($bn)
80
70
60
50
40
30
20
10
0
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021 YTD
North America
Europe

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III. Supply Chain

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Distribution

- **Warehousing**
  - **Just in Case (JIC)**
  - **Wage Pressure and Move to 3PLs**
  - **Decentralization**
  - **Cold Storage**
- **Trucking**
  - **Driver Shortage**
  - **Fuel Prices**
  - **Infrastructure Challenges**
- **Exodus / Migration**

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Top inbound states	
Idaho	70%
Arizona	64%
South Carolina	63%
Tennessee	63%
North Carolina	61%

Top outbound states	
Illinois	69%
New York	65%
California	64%
New Jersey	64%
Maryland	61%

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IV. Healthcare

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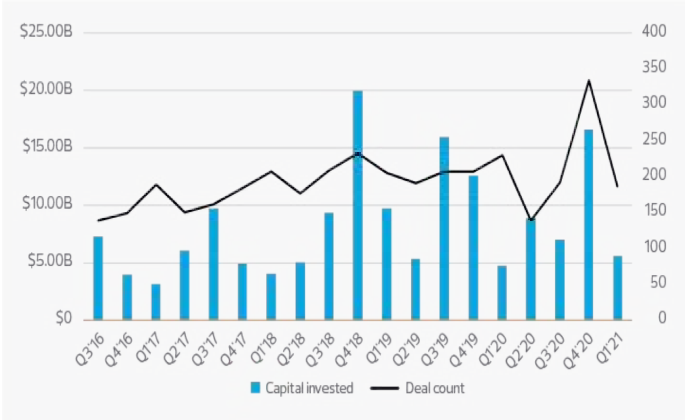
Record Q4 health care services deal count



Source: PitchBook Data, Inc.

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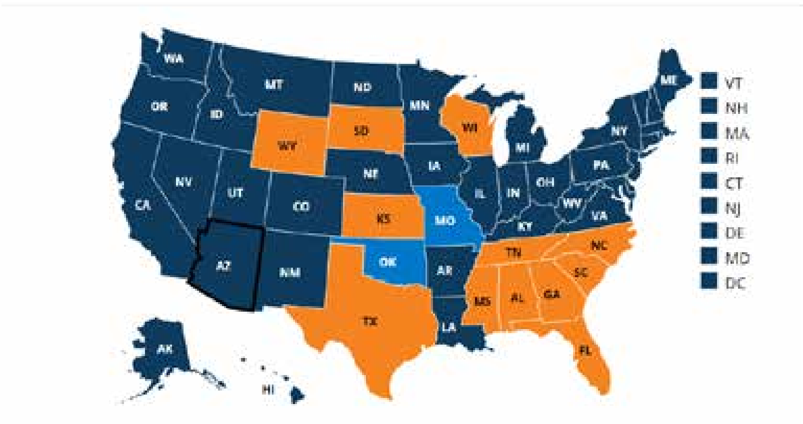
Status of State Action on the Medicaid Expansion Decision



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V. Hotel Industry Trends & Opportunities for Debt Purchasers

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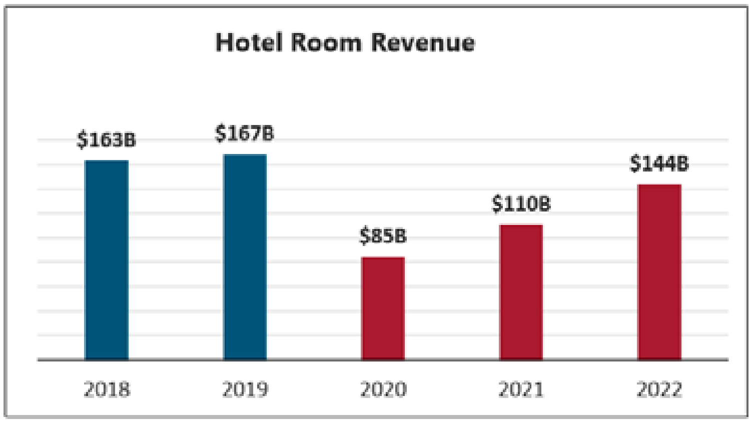

Source: Oxford Economics

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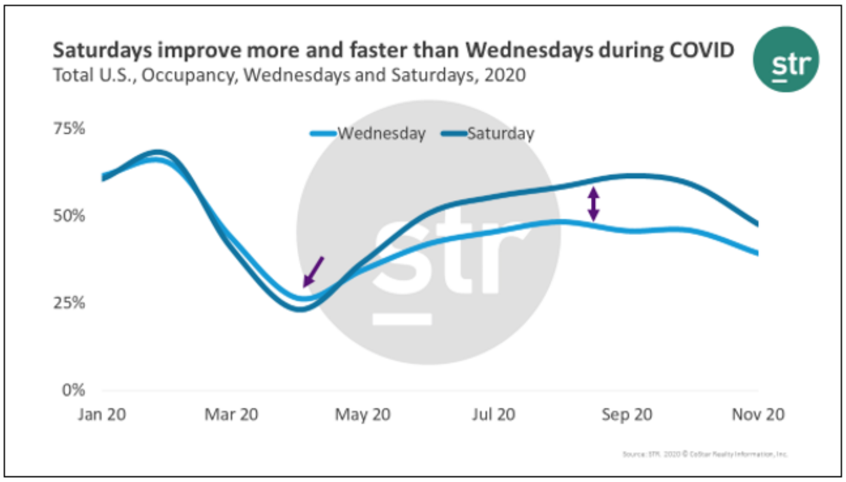

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VI. Are the Courts returning to Normal or is there a new Normal?

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JUDGES' SURVEY - WHAT NEXT IN COURT PROCEDURES?

Bankruptcy District	In Person Hearing	When?	Continue to Conduct Zoom.gov *	What Types of Cases	Telephonic Hearings/ Attendance	341 Meetings (procedure set by UST or BA)	Comments
Florida (MD)	No	We are nearing the end of our Zoom hearings as our primary hearing protocol. We are deciding in early July on going back to in person hearings.	Anticipate that Zoom will continue to play a role in our court hearings even after we return to live hearings.		We have allowed telephonic hearings for years. I anticipate that we will continue that policy and foresee that appearances that were once done by phone will now be done by Zoom.		Have your AV equipment checked out to ensure you can be seen and heard clearly. A poor connection or substandard equipment can be the difference in being clearly understood to barely (or not) understood at all. Check it out!
Florida (SD)	Yes in most courts other than Judge Cristol	Fully by August, 2021	We will all continue to conduct hearings – hybrid – using either zoom.gov or court solutions. We are trying to move to zoom.gov due to the cost to participants using court solutions.	Prepandemic, attorneys permitted to appear by phone for motion calendar or when observing complicated arguments and evidentiary hearings. As we transition back into court, we will see whether we will be more flexible (barring medical issues) with non motion calendar. Will revert to pre-COVID Rule 9017 requirements for remote witness testimony.	We always did and we will continue to do so.	All 341 meetings are being conducted by telephone. UST is considering whether these can continue at least for debtors in counties far from the three divisions.	We have a robust website that includes all helpful material. All judges are now working on revising our forms as we return from full virtual to hybrid. www.flsb.uscourts.gov.

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JUDGES' SURVEY - WHAT NEXT IN COURT PROCEDURES?

Bankruptcy District	In Person Hearing	When?	Continue to Conduct Zoom.gov *	What Types of Cases	Telephonic Hearings/ Attendance	341 Meetings (procedure set by UST or BA)	Comments
Georgia (ND)	Some judges have begun in person hearings and most expect to do so later this summer. We are not aware of judges in our district requiring in person appearances, but are instead having in person hearings upon agreement of the parties and are instituting procedures for mass calendars to give parties the option of appearing in person or remotely.		Yes, for the time being, mass calendars in all chapters will be telephonic or via zoom, with parties having the option to appear in person. Judges may also schedule specially set zoom hearings.		Telephone versus zoom will be at the discretion of the judges and will depend on the nature of the hearing. Generally, anything requiring evidence must be done in person or on video, but mass calendars have been called telephonically.	[T]he [UST] Program has extended the requirement that section 341 meetings be conducted by telephone or video appearance to all cases filed during the period of the President's "Proclamation on Declaring a National Emergency Concerning the Novel Coronavirus Disease (COVID-19) Outbreak" issued March 13, 2020, and ending on the date that is 60 days after such declaration terminates.	
Kentucky (ED)	No, regular motion hearings are still remote	Sept. 2021	Motion hours are conducted via AT T teleconference. Cisco Jabber is the video system used for remote evidentiary or other hearings. Future video hearings will likely happen in the same manner as pre COVID 19 – used if warranted by the circumstances.	Yes upon reasonable request			Each court is different. A one or two judge court in a district w/o a large metropolitan area has different abilities and constraints than Chicago or EDNY. An example is the difficulty and cost of getting to the BCt in a city like Chicago (distance, parking fees, etc.). Connections, referrals, settlements, etc. are built on relationships. Relationships are hard to develop sitting behind a desk w/ no in person contact. Judges and lawyers learn from interaction, facial expression, and other connections that do not always translate well over video and do not show on the phone. courts and practitioners have proven their ability to adapt. The tools exist and are available when the circumstances warrant. :3

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JUDGES' SURVEY - WHAT NEXT IN COURT PROCEDURES?

Bankruptcy District	In Person Hearing	When?	Continue to Conduct Zoom.gov *	What Types of Cases	Telephonic Hearings/ Attendance	341 Meetings (procedure set by UST or BA)	Comments
Maine	Yes		Not for trials or evidentiary hearings		Yes but only for lawyer or self represented litigant that does not seek to examine a witness or otherwise offer evidence	Telephone	Recommend vaccinations and/or wear a mask and come back to court in person. It's far more effective as an advocate than appearing by telephone or video.
Maryland	Yes - left to discretion of each judge		Yes	Status conferences, preliminary hearings, first day motions, non-evidentiary hearings	Yes	Via Zoom.gov	Encourage lawyers to double check the manner in which the hearing is being held and to follow each judge's protocols. To the extent document sharing or break out rooms are beneficial or a potential need during any hearing, please give the judge's courtroom deputy a heads up.
North Carolina (ED)	No	7/7/2021	Yes		Yes		
North Carolina (MD)	Yes but only by special setting	7/1/2021	See attached procedures		Yes	Yes in person resumes 7/9/21	
South Carolina	Yes		Yes		Yes		

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JUDGES' SURVEY - WHAT NEXT IN COURT PROCEDURES?

Bankruptcy District	In Person Hearing	When?	Continue to Conduct Zoom.gov *	What Types of Cases	Telephonic Hearings/ Attendance	341 Meetings (procedure set by UST or BA)	Comments
Tennessee (ED)	Yes as to ED. Other divisions returning later.	Jul 21	We used Teams for evidentiary hearings and the AT&T conference number for regular docket hearings. We will not continue to conduct evidentiary hearings virtually unless the parties show "good cause in compelling circumstances" sufficient to satisfy Rule 43(a) of the Federal Rules of Civil Procedure		For June, yes with notice for any lawyer whether local or not; for pro se parties, no, because their appearance is testimonial; for July, we return to our prior process, which will permit out of town attorneys to appear telephonically by filing a notice but local attorneys must file a motion. See link on website.	Yes. No date set yet for in person 341 meetings by UST	
Virginia (WD)	No	7/12/2021	Yes	See Attached Order	Not Precluded but Zoom is preferred		See link on website for guidelines for remote evidentiary hearings.

* It is not necessarily up to the individual courts whether to conduct video hearings. It is subject to any limitations imposed by the Judicial Conference of the United States.
See https://www.uscourts.gov/news/2020/03/31/judiciary authorizes videoaudio access during covid 19 pandemic

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The Economic Outlook

July 2021

Mark Vitner
Managing Director & Senior Economist | Wells Fargo Securities, LLC
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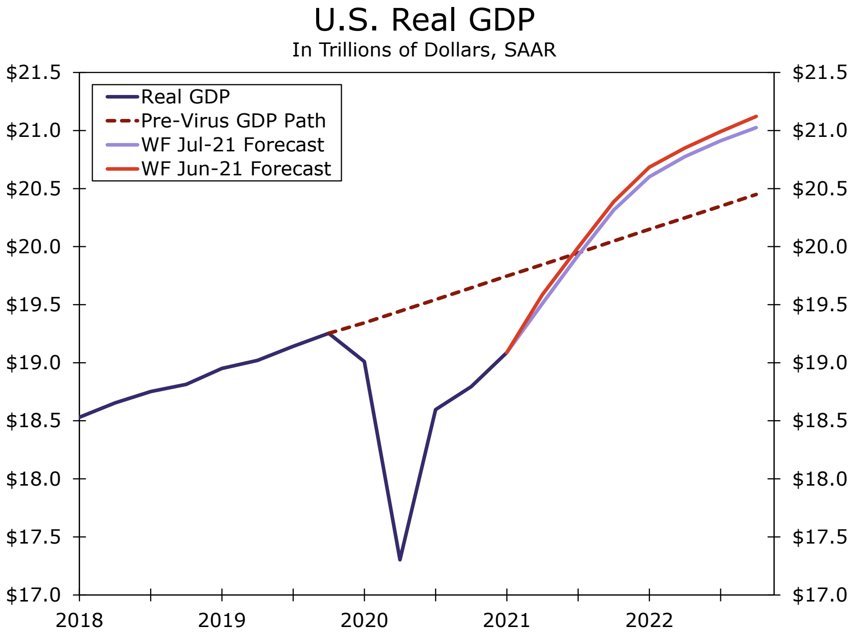
Key Macro Themes

U.S. Outlook	• Economic growth ramped up in the second quarter, as economies reopened across the country. Consumer spending surged initially but has slowed somewhat as consumers pivot away from goods purchases toward services and travel. While growth clearly ramped up, rising prices likely sheared a couple of percentage points off Q2 GDP growth.
Inflation Has Accelerated	• The rapid decline in COVID cases and relatively smooth ramp up to getting most of the adult population immunized has given way to a more rapid reopening of the economy. Strong growth has pulled prices higher, however, which has caused the Fed to raise their inflation forecast by a full percentage point and accelerate their timetable to wind down QE and begin raising interest rates.
Affordability Migration	• The pandemic accelerated the migration from high-cost, densely-populated cites to secondary metro areas in the inland parts of the West and South. The move from transit-oriented cities to suburban areas and automobile-centric metropolitan areas is fueling sales of single-family homes and motor vehicles. Tight supplies along with supply chain disruptions are adding to inflationary pressures.
Housing Has Lost Some of Its Earlier Momentum	• The recent pullback in new and existing home sales likely reflects intensifying affordability concerns and the winding down of pandemic-related tailwinds linked to working remotely. Spending for renovations and improvements has also weakened, reflecting less time spent at home and a shift in household outlays toward services. Home sales should rebound this summer and fall, as supply increases.

Economic Growth

The U.S. economy expanded at a rapid 6.4% annualized rate in Q1.

Q2 may mark peak growth for this business cycle. Waning stimulus and growing calls for increased regulation and higher taxes will likely slow growth in coming quarters.

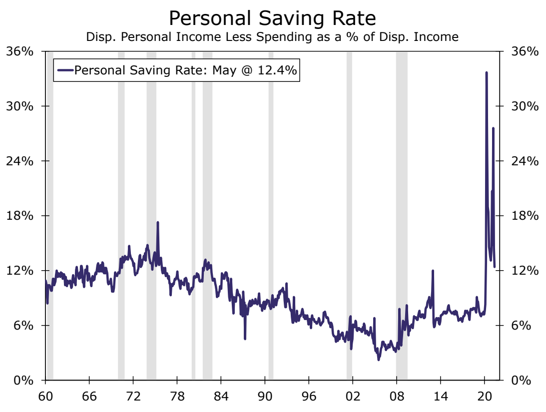


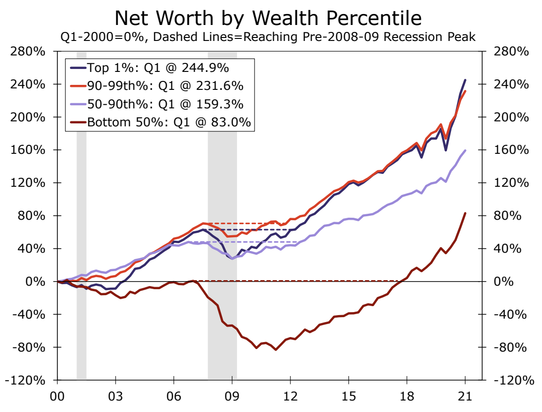
Source: U.S. Department of Commerce and Wells Fargo Securities

3

Household Finances

Households have emerged from the pandemic with significant means to spend thanks to the forced thrift of the pandemic and substantial fiscal and monetary support.



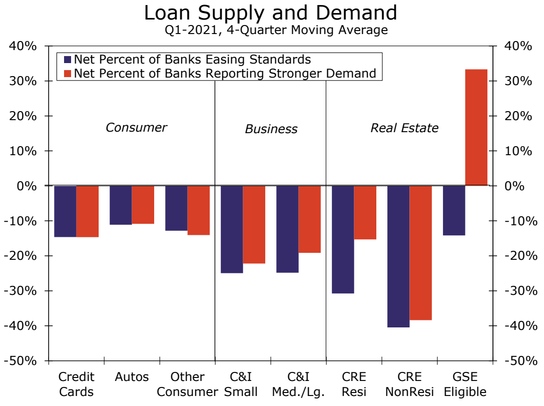


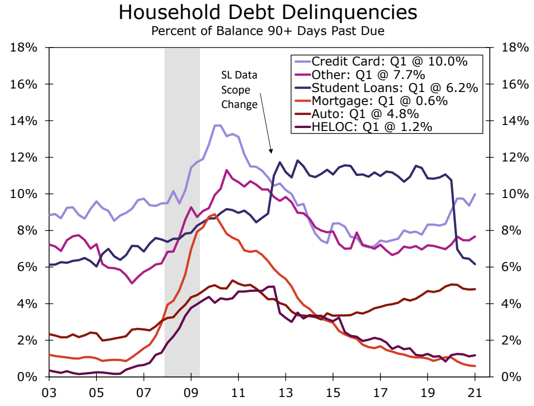
Source: U.S. Department of Commerce, Federal Reserve Board and Wells Fargo Securities

4

Household Finances

For loans to households, banks eased standards across most residential real estate and consumer loan categories. Delinquency rates have continued to decline since the beginning of the pandemic, reflecting an uptake in forbearances provided by the CARES Act or voluntarily offered by lenders.



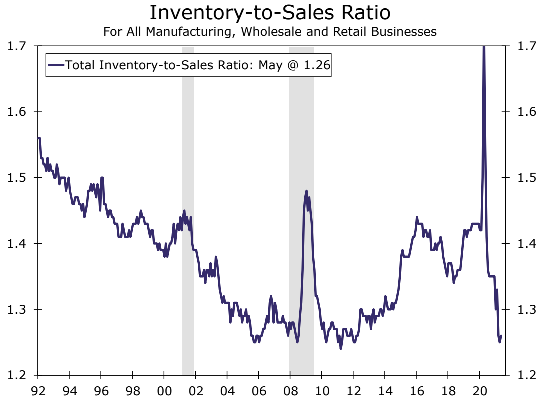


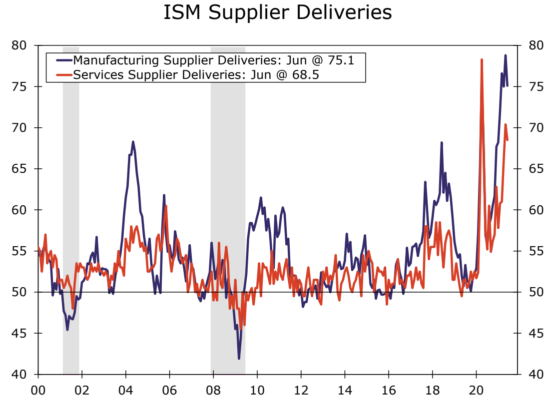
Source: Federal Reserve Board, Federal Reserve Bank of New York and Wells Fargo Securities

5

Supply Challenges: Constraint Today, Boon Tomorrow

Inventories have been depleted and wait times for inputs have lengthened tremendously.



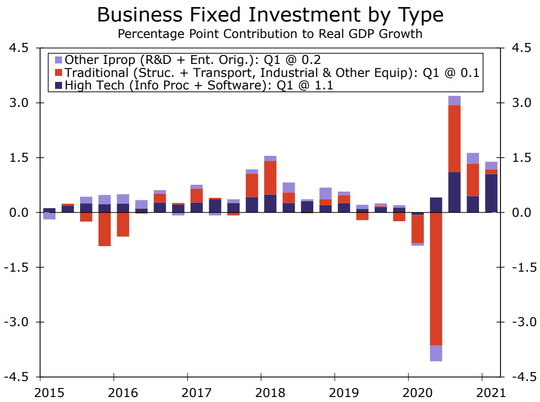


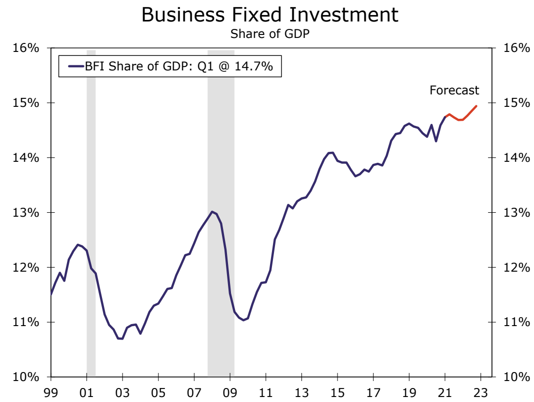
Source: U.S. Department of Commerce, Institute for Supply Management and Wells Fargo Securities

6

Capital Investment

Businesses investment has held up well this cycle, particularly in high-tech categories. Capital deepening could support stronger productivity growth ahead.



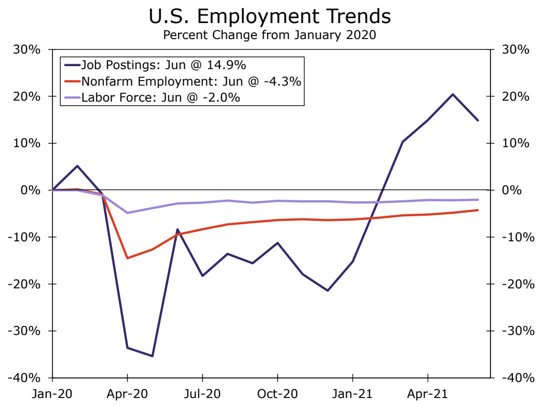


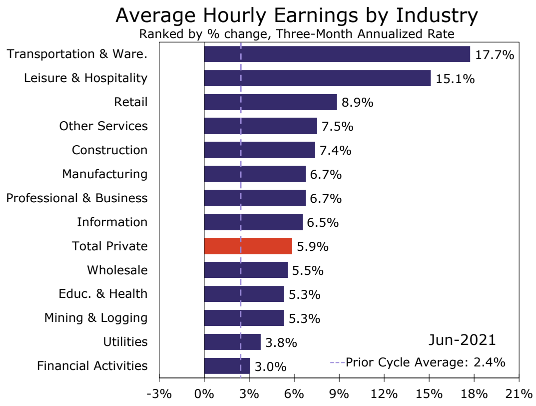
Source: U.S. Department of Commerce and Wells Fargo Securities

7

Labor Market Constraints

Job openings have made a full recovery and the share of businesses reporting at least one job opening hard to fill rose to another record high in May. Job postings, as tracked by Opportunity Insights, trended lower in June as hiring improved amid rising wages.

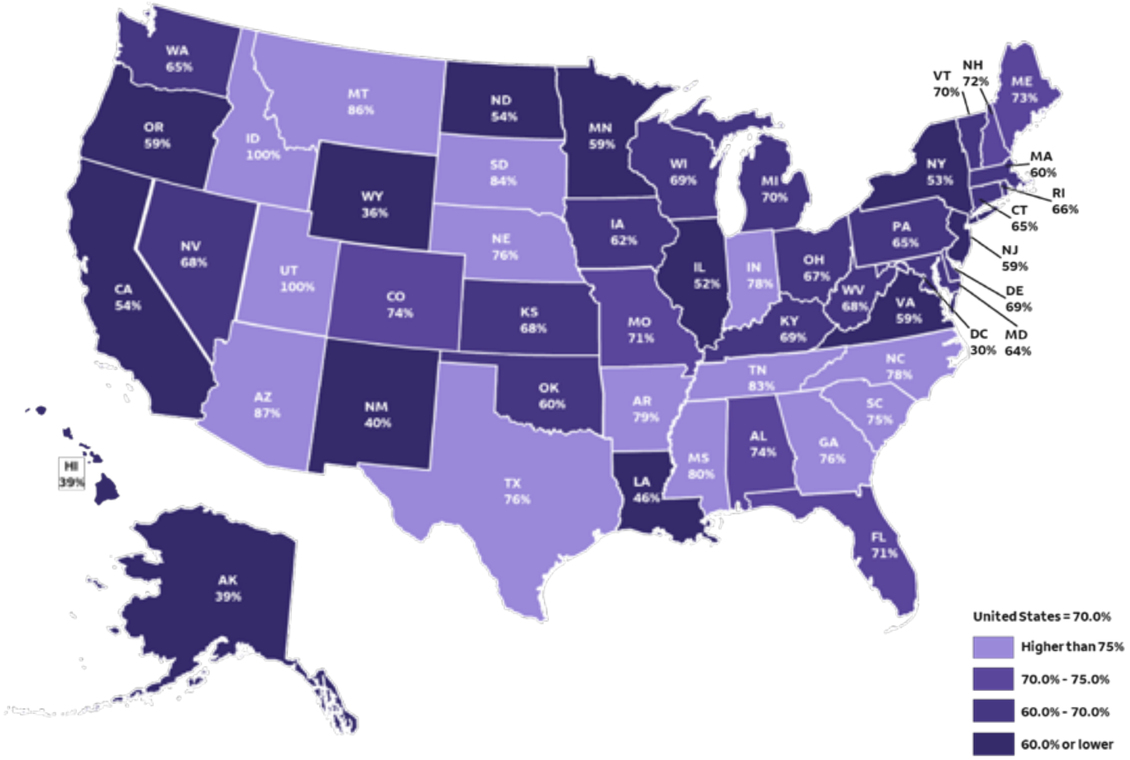




Source: Opportunity Insights, U.S. Department of Labor and Wells Fargo Securities

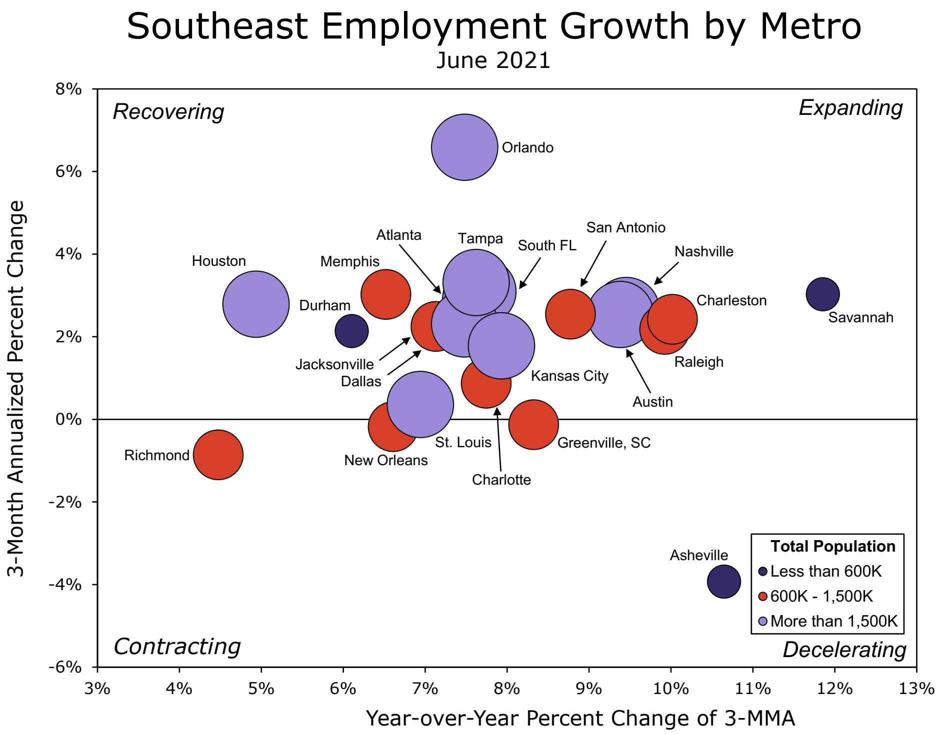
8

Percent of March & April Job Losses Recovered – June 2021



Source: U.S. Department of Labor and Wells Fargo Securities

Regional Job Growth



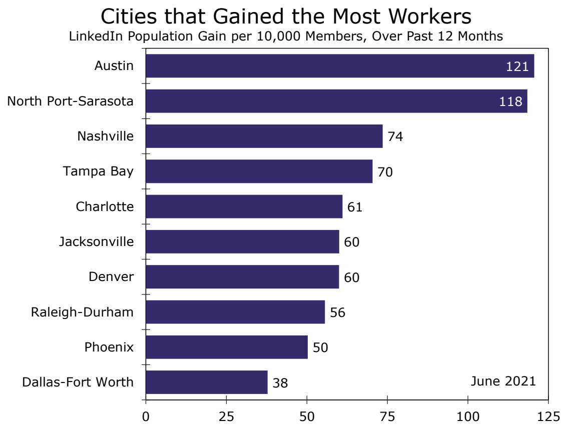
Source: U.S. Department of Labor and Wells Fargo Securities

10

Migration Trends

We've seen evidence of an affordability migration to traditionally smaller, secondary markets across the Sun Belt and South.

Best Places to Live in the U.S.	
2021-22; Metro Area Population > 1M	
1.	Raleigh-Durham, NC
2.	Austin, TX
3.	Portland, OR
4.	Denver, CO
5.	San Francisco, CA
6.	Seattle, WA
7.	Charlotte, NC
8.	Jacksonville, FL
9.	Salt Lake City, UT
10.	Minneapolis-St. Paul, MN



Source: U.S. News & World Report, LinkedIn Corporation and Wells Fargo Securities

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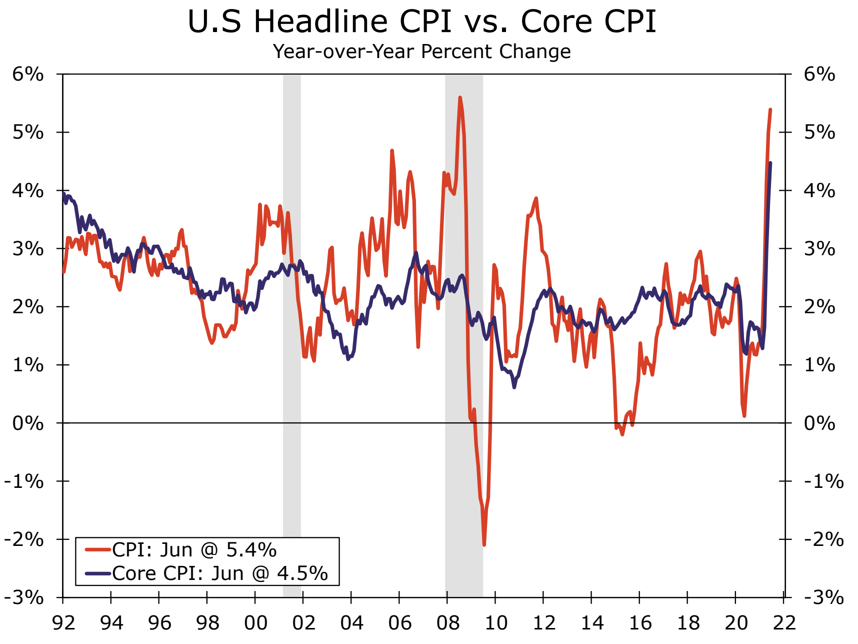
Inflation

We expect the upward pressure on prices to be sharp. Whether or not this price spike proves to be transitory remains to be seen.



Source: U.S. Department of Labor and Wells Fargo Securities

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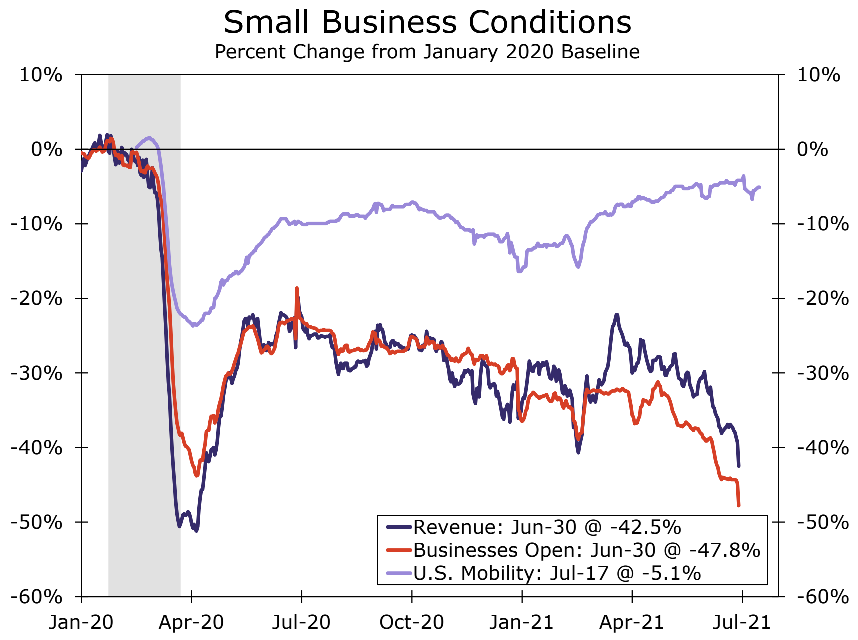
Small Business Conditions

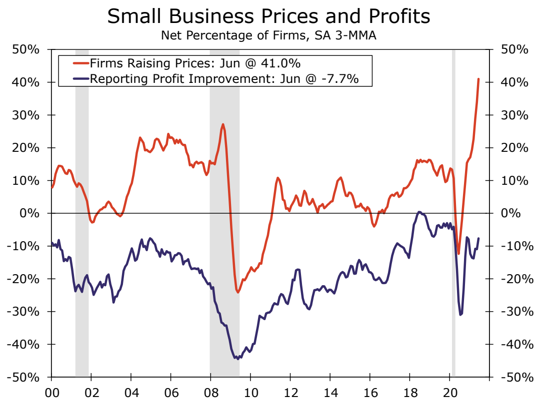
Although mobility is improving, small business owners clearly face a challenging environment.

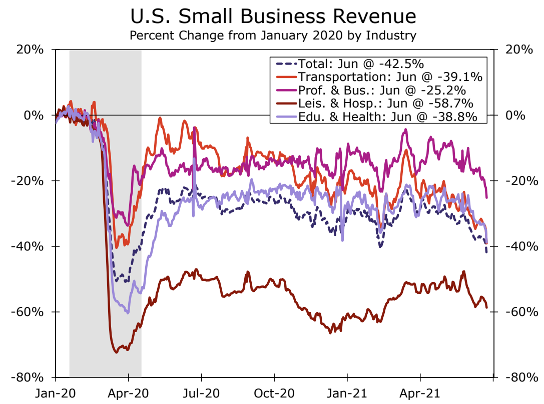


Source: Opportunity Insights, Google and Wells Fargo Securities

Small Business Conditions

Rising compensation costs are far from the only challenge. Input costs for virtually everything are rising and there are persistent shortages of key products and components. So far, small businesses have only been able to pass a portion of these higher costs onto their customers.

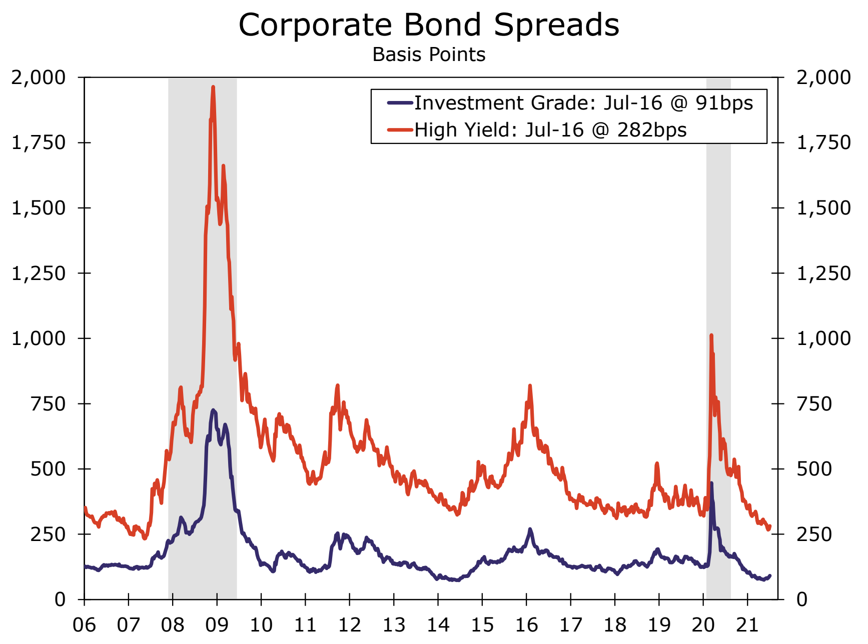




Source: NFIB, Opportunity Insights and Wells Fargo Securities

Corporate Bond Spreads

Tight spreads on investment grade and high-yield corporate bonds suggest that credit to new and small business likely remains generally available, unlike the 2008-2009 recession.



Source: Bloomberg LP and Wells Fargo Securities

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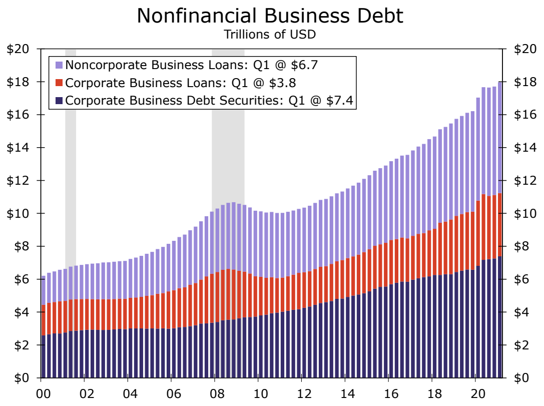
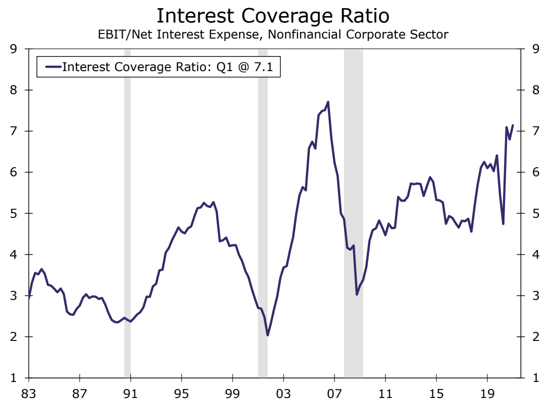
Corporate Debt

The interest coverage ratio, which measures the amount of cash flow that the nonfinancial corporate sector (NFC) has to service its debt, has picked up. This suggests that the NFC sector likely has adequate cash flow to service its debts.



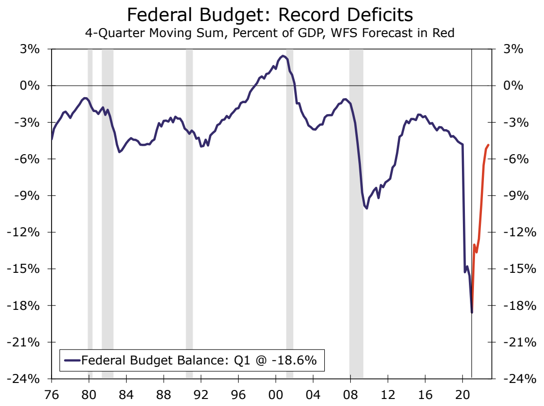


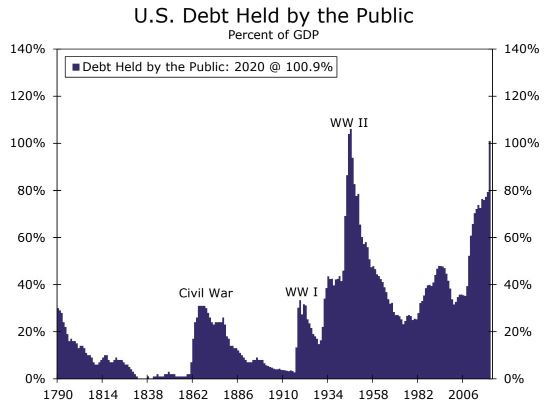
Source: Federal Reserve Board and Wells Fargo Securities

16

Federal Budget Deficit & Debt

The United States is running its largest federal budget deficit and has its largest debt-to-GDP ratio since World War II. Do deficits matter? A growing share of Congress and administration members appear to think they do not, as Modern Monetary Theory is being implemented.





Source: U.S. Department of the Treasury, Congressional Budget Office and Wells Fargo Securities

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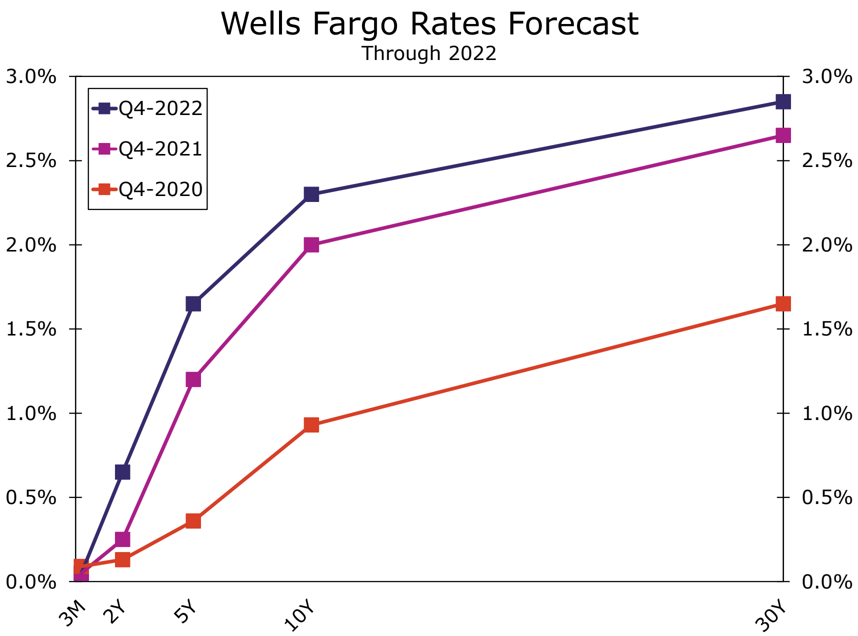
Rates Forecast

Rates likely will remain depressed for the foreseeable future.



Source: Federal Reserve Board and Wells Fargo Securities

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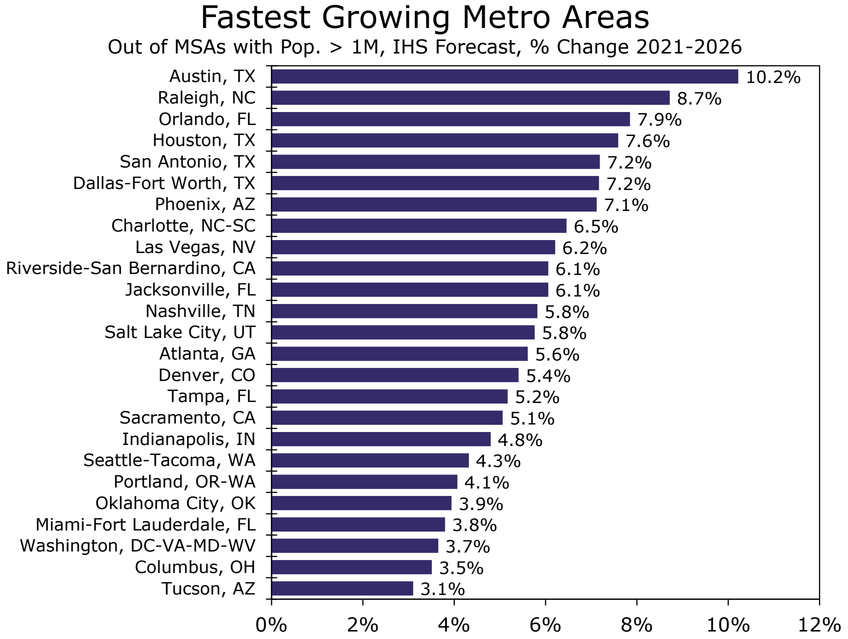
Population Growth Forecast

Major markets across the South are set to see soaring population growth over the next few years.



Source: IHS Markit and Wells Fargo Securities

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Issues to Watch

Antitrust Push

Reopening the Economy

China Tech/Finance Regulation

COVID Variants

WELLS FARGO

Drought in the Western States

Supply-Chain Bottlenecks

Unexpectedly High Inflation

Labor Shortages

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U.S. Forecast

Wells Fargo Securities U.S. Economic Forecast

	Actual								Forecast								Actual		Forecast	
	2019				2020				2021				2022				2019	2020	2021	2022
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Real Gross Domestic Product [1]	2.9	1.5	2.6	2.4	-5.0	-31.4	33.4	4.3	6.4	9.2	8.8	8.1	5.8	3.4	2.6	2.2	2.2	-3.5	7.0	5.7
Personal Consumption	1.8	3.7	2.7	1.6	-6.9	-33.2	41.0	2.3	11.4	12.9	8.6	7.5	5.1	2.8	2.4	2.3	2.4	-3.9	9.0	5.5
Business Fixed Investment	4.2	0.0	1.9	-0.3	-6.7	-27.2	22.9	13.1	11.7	11.3	6.8	6.7	6.1	5.4	5.2	4.9	2.9	-4.0	9.3	6.3
Equipment	2.0	-3.8	-1.7	-1.7	-15.2	-35.9	68.2	25.4	15.0	9.1	7.7	8.0	7.3	6.1	5.8	5.2	2.1	-5.0	15.4	7.0
Intellectual Property Products	4.5	4.1	5.3	4.6	2.4	-11.4	8.4	10.5	15.3	9.4	7.5	6.8	6.0	5.6	5.1	4.9	6.4	1.7	9.1	6.3
Structures	8.2	1.6	3.6	-5.3	-3.7	-33.6	-17.4	-6.2	-2.0	1.2	2.6	2.8	3.0	3.2	3.5	3.7	-0.6	-11.0	-6.0	2.9
Residential Investment	-1.7	-2.1	4.6	5.8	19.0	-35.6	63.0	36.6	13.1	1.1	6.5	7.5	7.0	6.0	4.5	3.5	-1.7	6.1	14.4	5.9
Government Purchases	2.5	5.0	2.1	2.4	1.3	2.5	-4.8	-0.8	5.7	2.8	1.0	2.7	2.2	1.8	1.4	1.1	2.3	1.1	1.6	1.9
Net Exports [2]	0.6	-0.8	0.0	1.5	1.1	0.6	-3.2	-1.5	-1.5	0.1	-0.5	-0.2	-0.1	-0.2	-0.2	-0.1	-0.2	0.0	-1.6	-0.2
Inventories [2]	0.2	-1.0	-0.1	-0.8	-1.3	-3.5	6.6	1.4	-2.7	0.1	1.8	1.2	0.7	0.4	0.0	-0.4	0.0	-0.7	0.3	0.7
Nonfarm Payroll Change [3]	118	152	203	197	-360	-4333	1342	213	518	567	633	483	343	275	265	255	168	-785	551	285
Unemployment Rate	3.9	3.7	3.6	3.6	3.8	13.1	8.8	6.8	6.2	5.9	5.5	4.9	4.5	4.3	4.2	4.1	3.7	8.1	5.6	4.3
Consumer Price Index [4]	1.6	1.8	1.8	2.0	2.1	0.4	1.3	1.2	1.9	4.7	4.8	5.0	4.6	3.3	2.6	2.6	1.8	1.2	4.1	3.2
Real Disposable Income [4]	3.2	2.1	1.8	1.6	1.4	12.2	6.4	3.9	16.4	-2.5	0.8	1.6	-9.0	-1.0	0.1	1.9	2.2	6.0	3.8	-2.2
Quarter-End Interest Rates [5]																				
Federal Funds Target Rate	2.50	2.50	2.00	1.75	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	2.25	0.50	0.25	0.25
Conventional Mortgage Rate	4.28	3.80	3.61	3.72	3.45	3.16	2.89	2.69	3.08	2.98	3.25	3.50	3.65	3.75	3.80	3.85	3.94	3.12	3.20	3.76
2 Year Note	2.27	1.75	1.63	1.58	0.23	0.16	0.13	0.13	0.16	0.25	0.25	0.30	0.40	0.50	0.65	0.80	1.97	0.39	0.24	0.59
10 Year Note	2.41	2.00	1.68	1.92	0.70	0.66	0.69	0.93	1.74	1.45	1.80	2.00	2.10	2.15	2.20	2.25	2.14	0.89	1.75	2.18

Forecast as of: July 08, 2021

[1] Compound Annual Growth Rate Quarter-over-Quarter [2] Percentage Point Contribution to GDP [3] Average Monthly Change
[4] Year-over-Year Percentage Change [5] Annual Numbers Represent Averages

Source: U.S. Department of Commerce, U.S. Department of Labor, IHS Markit, Federal Reserve System and Wells Fargo Securities

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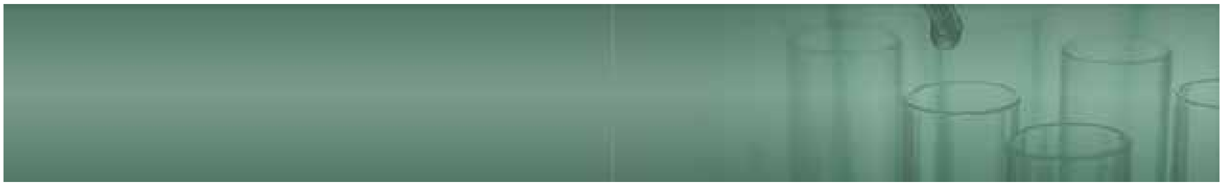


Infected, Vaccinated, or Cured?

I. Which Industries - Infected, Vaccinated, or Cured?

II. Banking & Finance

III. Supply Chain

IV. HealthCare

V. Hotels

VI. Office Space/Courts - How will our lives be different in the post-COVID world?

Discussion points

- Geography [e.g., jurisdiction] matters due to differing reopening times and regulations.

- Companies with access to public markets have greater options than do those limited to private sources of financing.

Survey Questions

Speakers:

Ashley Edwards (Parker Poe), MODERATOR
Joe Pegnia (B. Riley Advisory Services)
Christy Myatt (Nexsen Pruet)
Jay Sakalo (Bilzin Sumber)
Ken Mann (SC&H Capital)
Mark Vitner (Wells Fargo)

I. <u>Which Industries - Infected, Vaccinated, or Cured?</u>

a.) COVID and Default Probability and Chapter 11 Filings

While most insolvency professionals expected COVID -19 to result in a lasting surge in activity for our practices, the reality is that the surge was very short-lived, in large part due to SBA's Payroll Protection Plan (PPP), other government stimulus, and the generous forbearance granted by most lenders and many landlords. As it turns out, the risk of defaults peaked in April of 2020 and by mid-July of 2020 was back down close to pre-pandemic levels. Considering that chapter 11 filings generally lag default predictions, it makes sense that filings were up significantly in the period of May through November (in comparison to the prior 5 years) and then down more than 10% from December of 2020 through May of 2021 (again, from 5-year averages). Below, we use Epiq Systems' statistics as the source, available at abi.org, calculate five-year averages for monthly filings (for the same month of the year) in the column to the far right, and compare 2020 and 2021 to those averages.

aacer℠

Month	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	15-'19 5 year average **
	Chapter 11 Filings Nationwide										
January	479	631	366	367	402	494	523	392	488	750	430
February	420	548	685	425	407	485	364	485	623	757	473
March	386	530	449	774	471	450	414	567	598	687	512
April	287	567	444	394	576	681	409	690	710	666	501
May	246	725	487	448	581	613	502	431	542	717	526
June	-	609	424	310	601	503	366	483	499	545	441
July	-	644	423	415	333	359	645	359	540	704	435
August	-	528	450	364	499	368	534	360	604	653	443
September	-	749	420	312	446	366	337	377	584	525	376
October	-	550	530	557	317	406	431	390	528	550	448
November	-	654	449	662	435	387	392	298	488	670	465
December	-	394	392	456	703	338	401	357	397	565	458
Total	1,818	7,129	5,519	5,484	5,771	5,450	5,318	5,189	6,601	7,789	

Cases included in totals represent only commercial business bankruptcy filings

**The data above is from the source, the calculations of averages, %s, and color coding are from the authors of this material.

Red = more than 20% higher than prior 5 year monthly average for this month

Yellow= 10 - 20% higher than prior 5 year monthly average for this month

Green = more than 10% lower than prior 5 year monthly average for this month

So, what industries were infected with COVID – 19 in 2020? According to S&P Global's *Market Intelligence* reports, which measure Probability of Default (PD), to no one's surprise, restaurants were in the top five most impacted industries from the start of the pandemic all the way through March of 2021. We all also saw plenty of brick-and-mortar retailers, oil and gas related companies, leisure and hospitality players, and many Main

Street businesses such as gyms and salons, resorting to bankruptcy due to lockdowns. Many others did not file, but just shut their doors permanently and many were liquidated out of court. According to S&P Global's updated report issued this March:

From March 1, 2020 to Feb 28, 2021, the five industries most impacted by COVID-19 are as follows:

Industry Name	PD Level on March 1, 2020	Max PD LTM	PD Level on Feb 28, 2021
Airlines	9.84%	26.92%	2.84%
Oil & Gas Drilling	9.10%	24.14%	1.84%
Apparel Retail	7.44%	21.12%	2.03%
Home Furnishing Retail	3.22%	21.98%	1.69%
Casinos & Gaming	6.41%	21.42%	2.74%

Source: PDMS, S&P Global Market Intelligence, as of March 2021. For illustrative purposes only.

The five industries least impacted by COVID-19 are:

Industry Name	PD Level on March 1, 2020	Max PD LTM	PD Level on Feb 28, 2021
Multi-line Insurance	0.59%	1.1%	0.25%
Life & Health Insurance	0.62%	1.2%	0.25%
Specialized REITs	0.08%	1.1%	0.16%
Property & Casualty Insurance	0.59%	1.3%	0.37%
Industrial REITs	0.08%	0.8%	0.11%

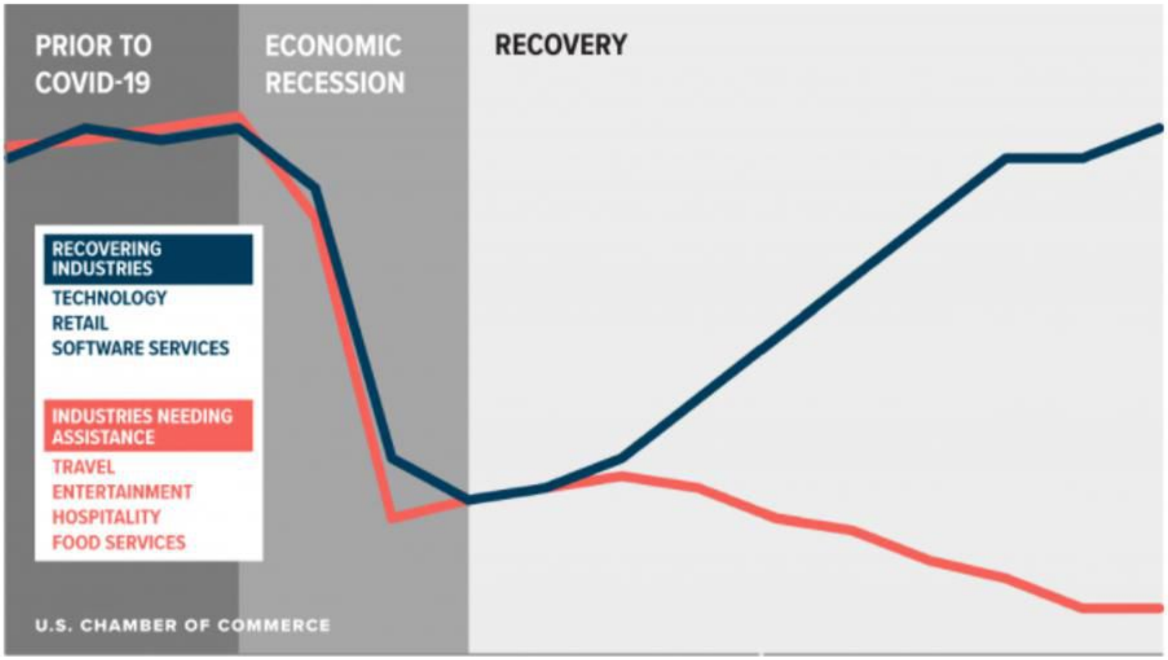
Source: PDMS, S&P Global Market Intelligence, as of March 2021. For illustrative purposes only.

While the five sectors immediately above managed to be largely immune to COVID - 19, there were also those industries that were positively impacted by COVID and the behavioral changes it induced, including work from home technologies (Zoom), E-commerce (Amazon), take out dining/food delivery (Uber Eats), streaming (Netflix), gaming (PlayStation), pharma/bio (Moderna), workout from home (Peloton), food products sold through retail (General Mills), cybersecurity (Palo Alto Networks), and E-learning (MasterClass).

As many economists predicted would occur upon reopening, we seem to be experiencing a K-shaped recovery in which some businesses recover quickly and robustly while others continue to suffer decline, or even disappear. Airlines experienced the greatest recovery, peaking at 13.56% PD in September of 2020, and now down to a pre-pandemic like 2.8%, according to the S&P Global data.

Who else was infected but has recovered? We expect venues holding sporting events, concerts and other large gatherings will bounce back quickly from this point forward if their balance sheets have allowed them to survive thus far. In industries where most players are large and well-funded and/or not heavily dependent on a broken supply chain, including some retail, finance and insurance, construction, and certain real estate and rental businesses, the recovery has already occurred, or should occur relatively quickly. Large companies in tech, retail and software services are some of those experiencing the upward trending line in the K.

Meanwhile, travel and entertainment and hospitality continued the downward trend longer, as depicted in this chart from the U.S. Chamber of Commerce.



While bus/transportation companies and cruise lines have had the longest wait to get back to normal operations, we expect demand for their services will return most of the way back to pre-pandemic levels. The question for them is, how much damage has been done and can they withstand any further delays or hiccups?

When it comes to recovery from economic turmoil, size matters. Small companies may be impacted for years, and many will not survive, including restaurants, retailers and small hotel operators. Restaurants are struggling to staff up to service the pent-up demand for dining out, their labor costs are going up, and if they are relying on more take-out and delivery to drive revenue, they will see lower margins as they have new packaging and delivery costs and are losing higher margin sales. As business travel will not likely return to prior levels any time soon, we imagine that hotels in secondary markets will struggle desperately to fill rooms at reasonable rates.

Many manufacturers, trucking companies, and others will also continue to suffer because of the inability to regrow their employee base to meet demand, and due to the correlated increasing wage pressures. In addition, certain companies will see their recovery to pre-pandemic levels delayed by supply chain disruptions that may have left them sitting with half empty shelves and warehouses, for example, manufacturers relying on semiconductors, such as wireless communications, automotive, and consumer electronics. The cycling industry presents another good example; bicycles and parts are largely made in China, and U.S. wholesale distributors and retailers in the industry simply have no product to service the enormous demand they are experiencing.

Several of the authors have experience in healthcare and were already advising distressed entities in the rural hospital and skilled nursing sectors before COVID and we believe that the challenges for the industry have only been exacerbated by the health crisis. Various forms of government assistance have sustained service providers for the past 18 months, but they face significant headwinds coming out of the pandemic. Many will not survive without a transaction.

As a group, small manufacturers came into the crisis heavily leveraged and are typically capital-intensive businesses. Unlike well-funded companies with access to rescue financing and public debt and equity markets, most small businesses don't have the working capital to make the investments needed to thrive in the economic boom ahead (new technology, worker safety equipment and protocol changes, new machinery and equipment). They have thinner margins and higher fixed costs than do their larger counterparts. According to a survey of 1,000 small businesses done by McKinsey & Company, close to a third of the business respondents with less than 500 employees were operating at a loss or breaking even *prior to the crisis* (and 40% in the restaurant sector).

If interest rates rise, these smaller manufacturers will struggle to survive without finding strong partners.

b. Infrastructure Bill

In addition to COVID factors and related government stimulus, at the time of publication of this article (late June 2021) the U.S. Congress and President appear to be getting closer to enacting an infrastructure bill, which is likely to create another set of winners and losers. This is a topic for another panel, but to summarize our thoughts:

Among the losers - old "dirty" economy players, such as coal and petroleum, and industries that rely on internal combustion engines will lose subsidies and market share to the new green players.

Those subsidies are shiftig to the winners – the electric vehicle (EV), wind, and solar industries, as well as battery manufacturers. Policy will be used to incentivize R&D, manufacturing, and the purchase of EVs. Materials, equipment, and contractors needed to build roads and repair bridges should do well - think asphalt, concrete, steel, dirt moving and paving equipment, and so forth.

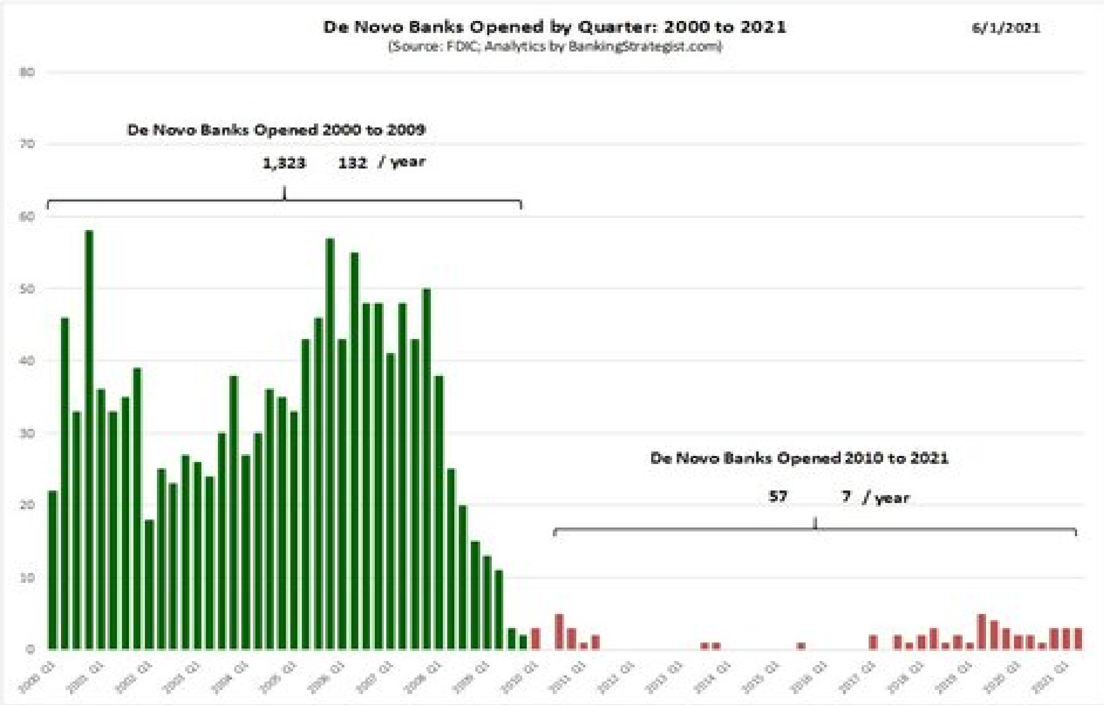
II. <u>Banking and Finance</u>

a. Trends in Banking

Small to medium sized banks, or community banks, are the primary lending source for many business entities in the U.S. Historically, de novo banking was an important part of the banking industry replenishment.1 From 2000 to the Great Recession, there were over 1,300 new banks chartered or opened in the U.S., or 132 on average each year. This resulted in a replenishment rate of over 30%.

Since 2010, only 57 new banks have been chartered, an average of only 7 per year, or a 3% replenishment rate.

[1] Banking Strategist, 2021.



Some believe that *de novo* banking is no more and that the trend is irreversible.[2]

The reasons behind this trend are two-fold. First, there has been a significant increase in the required capital for *de novo* banks following the Great Recession. While the capitalization requirements are specific to each application, the trend shows:

- Doubling of the average of the capital requirement
- From $15 million prior to the Great Recession to $35 million post- crisis. [3]

The belief behind the heightened capital requirements is that additional capital is necessary to provide a cushion to the bank during a recession.

The second reason behind the decline is the extended length of time from FDIC "conditional approval" to the opening of the bank. In the past, it took *de novo* banks approximately 100 days to satisfy most of the FDIC conditions required after "conditional approval" of the banking application to opening. The process has been lengthened after the Great Recession.

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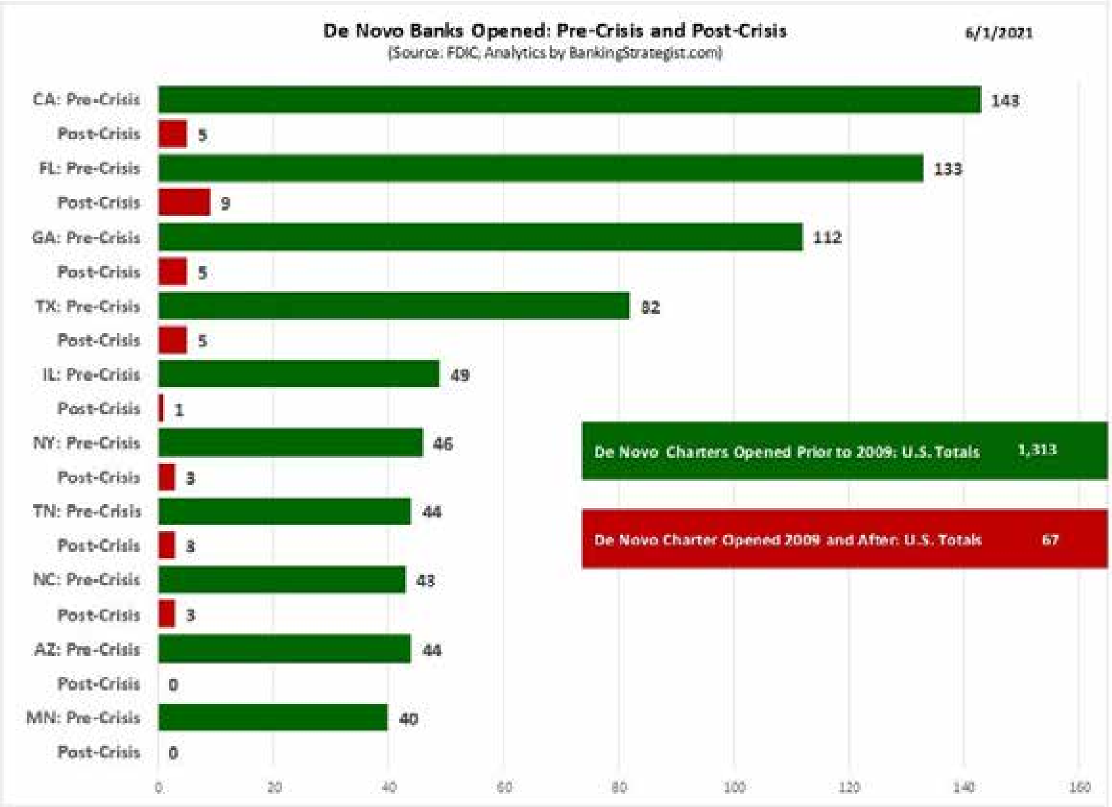
[2] Banking Strategist, 2021.

[3] Banking Strategist, 2021



Of the *de novo* banks approved over the past two decades:

- 578 continue to operate as independent banks: 39% .
- 146 failed: 10%. Bank failure rate is .05% per year.
- 656 merged: 45%. Bank merger rate is 2.1% per year.
- 82 did not open: 6% of FDIC approved *de novo* banks did not open.
- 8 pending openings: 1% of FDIC approved *de novo* bank openings are pending.[4]

COVID exacerbated the situation and made raising capital for a *de novo* bank even more difficult and has further extended the length of time from FDIC conditional approval to opening. Those *de novo* banks which have opened are primarily focused on the larger markets where there is population growth (more than 100,000 population) or significant bank merger activity.

COVID also affected banking operations, reducing the need for branches, tellers and other in-person interaction.

[4] Banking Strategist, 2021

Two small banks failed in October 2020 and at least 50 of the country's more than 5,000 banks are considered troubled. Many of these banks have high levels of nonperforming loans and not have enough capital set aside to protect them if more of their loans default or the economy slows down. [5]

So what does this mean for the banking industry? Will we see more bank failures? Will banking be concentrated in larger metropolitan areas? Will there be more consolidation and only be a handful of regional or national banks? Will banks go into full extinction? Will it be Fintech only? What does this mean to insolvency professionals?

b. Trends in Credit Risk

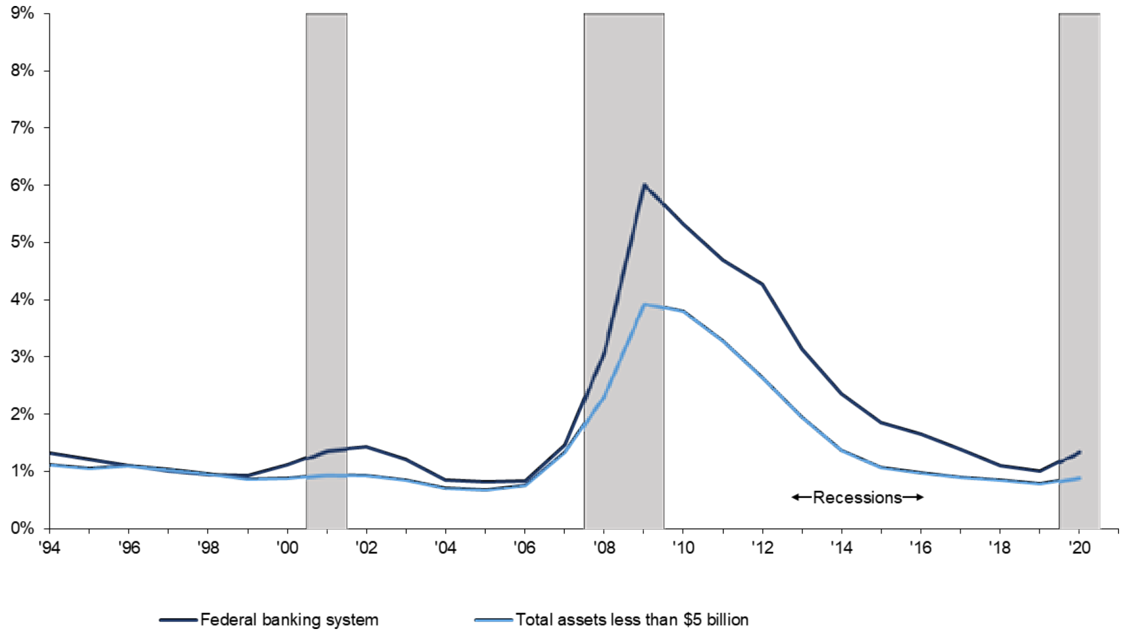
According to the recent Semi-Annual Risk Perspective from the National Risk Committee, Office of the Comptroller of the Currency ("OCC"), Spring 2021, commercial credit risk increased over the last year. This was largely attributable to the restrictions on businesses put in place in response to COVID. Businesses that were weak before COVID, including highly leveraged borrowers, have been especially vulnerable to the COVID restrictions.

In response to these risks, many banks strengthened their risk management systems and increased their commercial loan loss reserves. Unlike the Great Recession, banks entered 2020 and the outbreak of COVID with historically high levels of capital and liquidity to support credit stress. Banks also had exceptional support from monetary and fiscal policy bolstered by banks' balance sheets, earnings, and credit quality. Expectations are for additional policy support through 2021.

With $7 trillion of government money spent, and very generous forbearance from lenders, many businesses that were likely to become clients have thus far dodged the bullet. Two rounds of forgivable PPP loans (essentially equity infusions from the federal government) repaired broken balance sheets and companies impacted by COVID, and those that were just flawed pre-COVID, have thus far ridden out the storm.

Although the U.S. saw an exceptional decline in economic activity from the spread of COVID and local restrictions, total nonperforming loans (those over 90 days) did not reflect a material deterioration for either the federal banking system or smaller banks through year-end 2020, as shown below.

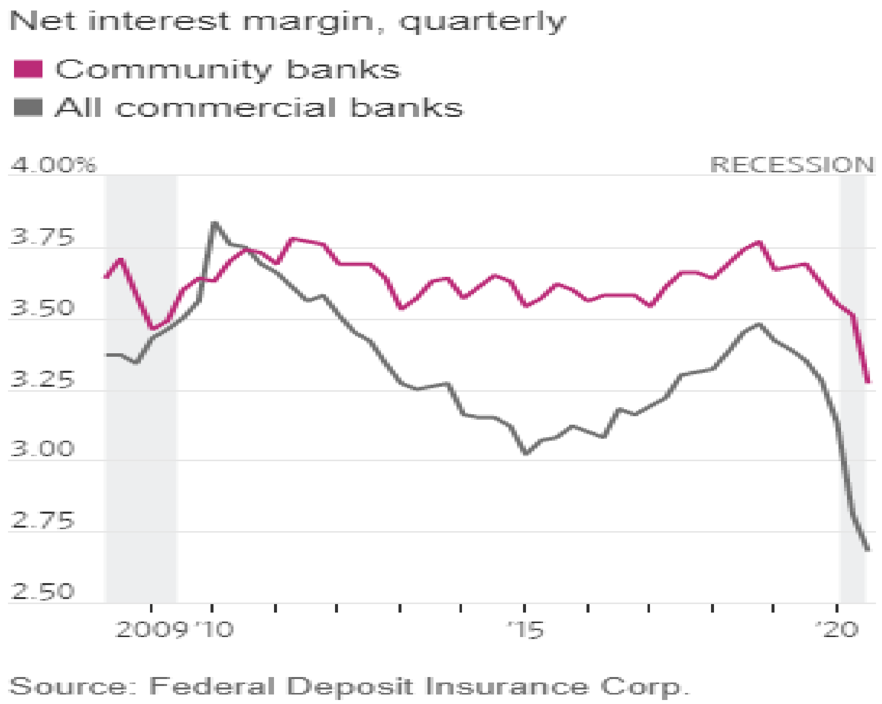
[5] USAtoday.com/story/money/2020/11/20/ bank-failures-may-rise-COVID-if businesses-cant-recover-quickly.



Source: Integrated Banking Information System (OCC).

Note: Annual data through year-end 2020. Banks with less than $5 billion in total assets exclude credit card and trust banks.

As a result, 2020 was surprising good to small community banks. Some think 2020 was the best year ever.



Credit risk is still evolving one year into the pandemic. Problem loan levels continue to remain manageable as government support programs soften the financial impact to commercial and retail borrowers.[6] However, the commercial credit environment continues to show elevated risk levels and evolving risk trends as affected industries adjust to changing business and consumer preferences. [7] Asset-quality deterioration has begun to surface through heightened, but manageable, reclassified assets, nonperforming loans, troubled debt restructurings, loan loss provisions, and loss charge-offs.[8] Those industries exhibiting pronounced deterioration include real estate (including nonresidential CRE and real estate services), retail, restaurants, oil and gas, equipment manufacturing (excluding autos), transportation services, and commercial services, with the impact varying by geography.

The good news is that the level of retail and mortgage credit risk has moderated and stabilized with borrower assistance programs, the improving outlook for GDP, and employment growth over 2021. [9] Although a vast majority of consumers have been able to make contractual loan payments, the OCC forecasts that higher retail and mortgage delinquency and loss rates could materialize within negatively impacted segments of borrowers who will not be able to resume contractual payments at the end of their relief period. [10] Closures resulting from the pandemic disproportionately impacted lower-wage earners, specifically in the travel, leisure, and hospitality industries, and this segment of borrowers remain highly vulnerable and may not be able to resume contractual loan payments once their loan accommodations or beneficial foreclosure moratoriums end.

Because of more prudent underwriting since the last recession and the current strength of the housing market, both mitigating factors, the OCC believes that most banks should be able to absorb any losses in the mortgage market, absent an additional significant market shock that causes another increase in the risk profile. [11]

c. Distressed Debt Dry Powder

While banks were pulling back, record amounts of money have been raised by distressed debt funds, on the hypothesis that there would soon be blood in the water and

[6] Semi-Annual Risk Perspective from the National Risk Committee, Office of the Comptroller of the Currency, Spring 2021

[7] Semi-Annual Risk Perspective from the National Risk Committee, Office of the Comptroller of the Currency, Spring 2021

[8] Semi-Annual Risk Perspective from the National Risk Committee, Office of the Comptroller of the Currency, Spring 2021

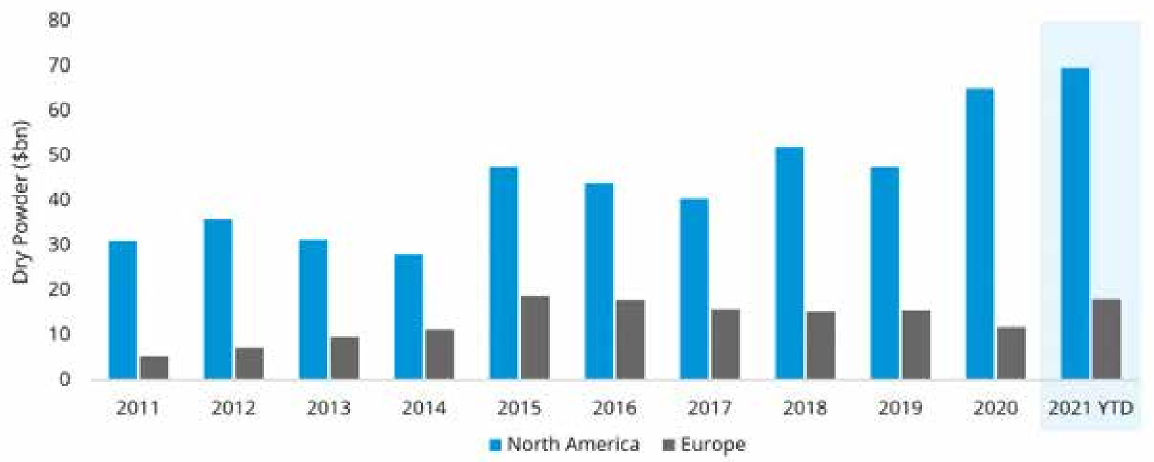
[9] Semi-Annual Risk Perspective from the National Risk Committee, Office of the Comptroller of the Currency, Spring 2021

[10] Semi-Annual Risk Perspective from the National Risk Committee, Office of the Comptroller of the Currency, Spring 2021

[11] Semi-Annual Risk Perspective from the National Risk Committee, Office of the Comptroller of the Currency, Spring 2021

they could earn 1000 basis points above the risk-free rate by acquiring "fallen angels' " debt, whether in public bond markets, by acquiring banks' positions, or by refinancing out current lienholders. However, lenders had huge reserves for which the need has not materialized; most lenders report little to no Troubled Debt Restructurings (TDRs). As a result of these forces, there remains record dry powder available to buy distressed debt and an incredible number of alternative lenders that will refinance out banks. According to Preqin data, in North America, distressed debt dry powder has climbed from $48bn in 2019 to $70bn by mid-year of 2021.

Fig. 1: Distressed Debt Dry Powder: North America- vs. Europe-Focused Funds, 2011 - 2021 YTD



Source: Preqin Pro. Data as of June 2021

U.S. banks had $236.6 billion in total reserves in December of 2020, according to the Federal Deposit Insurance Corp., nearly double their level from before the coronavirus struck the U.S. As they get more and more visibility into the near-term likelihood of a mostly reopened economy, they will begin to release these reserves, which will have two immediate outcomes: 1.) banks will book substantial profits, and 2.) there will be an even larger capacity to lend money to strong borrowers. Some of those borrowers will be alternative lenders that will provide liquidity to weaker borrowers as they are ushered out of traditional banks.

III. <u>Supply Chain</u>

a. COVID Impact

The pandemic's impact on supply chains unfolded something like this: First, in early to mid-January, production and shipping in China had its annual slowdown due to the Chinese New Year. Then, in late January, a month-long lockdown in China dramatically reduced production and shipping, with full truckload volume falling to just 15% of 2019 levels, according to the *G7 China Road Freight Report*. A shortage of working truck drivers and protocols intended to keep warehouse workers safe meant container loads not reaching ports, and then canceled sailings led to outbound containers piling up at loading docks. As COVID spread to rest of world and China's manufacturers re-opened, plants elsewhere closed. The pre-existing shortage of manufacturing, warehousing and trucking employees was exacerbated by COVID and by the government's response to it ($600/week addition to state unemployment benefits likely encouraged lower wage employees to stay home). While truck drivers pay has increased numerous times over the last few years, many are using the extra pay to stay home more. Product that made it to the U.S. often sat in ports, with no one to move it to warehouses.

A year later, some eyes have been opened to the inherent risks of current supply chains that rely heavily on overseas components, over reliance on single source providers, and just in time and lean manufacturing practices. Interruptions in the chain, and the escalating costs of moving product have caused people to reevaluate their supply chains and outbound product distribution. Just in time is being replaced, to some degree, by "just in case" – companies want to protect themselves from being caught without key raw materials or adequate product to meet demand, and so they are holding more safety stock and/or finding more local suppliers. Due to the increasing costs of shipping, businesses want some of their manufacturing and warehousing to be closer to the consumer.

b. Onshoring

One byproduct of all of this is the move to onshoring or reshoring – bringing manufacturing back to the U.S. mainland. Congress has expressed a desire to help U.S. companies compete with China, which likely means federal dollars will be available for R&D and investments in equipment, software, connectivity, cloud, and cyber security to help businesses bring jobs home and win.

The move to onshoring or reshoring picked started to gain momentum 4-5 years ago. Innovation, including rapid changes in product design, design of entirely new products that go through multiple iterations in development, and increasing demand for short lead times led American companies to consider a "local to local" strategy – that is, manufacturing near the end consumer. Under Armour which opened its Manufacturing Innovation Center in Baltimore, Maryland in 2016 was an early participant. This reshoring movement picked up steam over the last few years as the trade war with China heated up and companies began to worry about disrupted supply chains and tariffs. A business can carry much less safety stock when it reduces the risk of transportation delays and this can represent a substantial working capital advantage. Also, American companies have grown tired of intellectual property theft, primarily by Chinese companies, and the resultant loss of profit margins and market share in many industries.

Among the many large corporations reshoring production to America are such household names as Apple, GM, Boeing, Ford, Caterpillar, GE, and Intel. Foreign producers, like Daimler and BMW have also built plants in the southeast as they, too, want to be closer to the consumer. In the southeast, many furniture manufacturers that had been eager to offshore began to realize that which fabrics and patterns are in vogue can change more quickly than foreign suppliers with long lead times could adapt to. Having inventory in transit that could be out of style by the time it lands is problematic. As is carrying large inventories in U.S. warehouses that could be written off as obsolete if not sold before the next scheduled furniture market. While U.S. furniture companies didn't necessarily want to reshore all production, they began to realize some U.S. production, even if more expensive, was beneficial. In 2020, Universal Furniture brought upholstered manufacturing back to Conover, North Carolina. Others have tried to do the same. Unfortunately, the biggest challenge these companies will encounter is finding experienced workers that want to come back to the industry; too many of them have suffered through multiple layoffs and plant closures and have lost faith that the jobs have longevity.

Another major factor likely to make using Chinese manufacturing less attractive is the country's shrinking workforce, the byproduct of its aging population and long standing "one child policy". Chinese millennials have more employment choices (and disposable income) than their parents did - and these factors are combining to cause a shortage of factory workers on the lower end of the pay scale. As the Chinese workforce shrinks, wages go up, reducing the wage gap in comparison to domestic manufacturing.

c. Migration to the Southeast

Not only are businesses reshoring, but southern states have also experienced job growth due to domestic companies relocating (primarily from the northeast) to or opening branches in the area. The population is doing the same because that is where the jobs are, the climate is better, taxes are lower, the cost of living is lower, and there is less congestion. According to the North America Moving Services *2020 U.S. Migration Report*, three of the top 5 inbound states are in the southeast:

Top inbound states	
Idaho	70%
Arizona	64%
South Carolina	63%
Tennessee	63%
North Carolina	61%

Top outbound states	
Illinois	69%
New York	65%
California	64%
New Jersey	64%
Maryland	61%

IV. Healthcare

a. Hospitals

Although hospitals experienced double-digit decreases in admissions during COVID, many experienced significant financial distress because higher margin elective procedures were deferred until the height of the crisis passed. Many hospitals were supported by PPP loans and HHS stimulus provided under the Coronavirus Aid, Relief, and Economic Security Act which provided a lifeline for many hospitals. On the other hand, large and successful hospital systems, like HCA, had such a great year that they are voluntarily giving back their PPP loan money. [12]

Interestingly, some hospitals who did not plan properly are now experiencing difficulties. Problems may have arisen for several reasons:

1. The hospital was not viable pre-COVID
2. In the case of HHS funds advanced against future cost reports, the recoupment was not planned for.
3. Forgiveness of a PPP loan reduces a provider's costs.

Hospitals that were able to thrive during the pandemic found ways to reduce costs for contracted employees, PPE costs, and other medical supplies. Once the hospitals could reopen for elective procedures, many quickly mobilized staff to get procedures scheduled and patients back into the hospitals quickly and safely.

b. Post-COVID Healthcare Trends: Consolidation, Consolidation, Consolidation

Dallas-based consulting firm, RSM, found that the end of 2020 and beginning of 2021 were the busiest periods in healthcare dealmaking ever.[13] Healthcare consolidation was on the increase before the pandemic (even though some data shows that it may not be best for patients). According to RSM, the fragmented nature of the industry continues to

[12] Dmagazine.com/ healthcare-business/ 2021/06/post-COVID- healthcare-trends- consolidation –is-on-a-warpath. [I can't open either of these links]

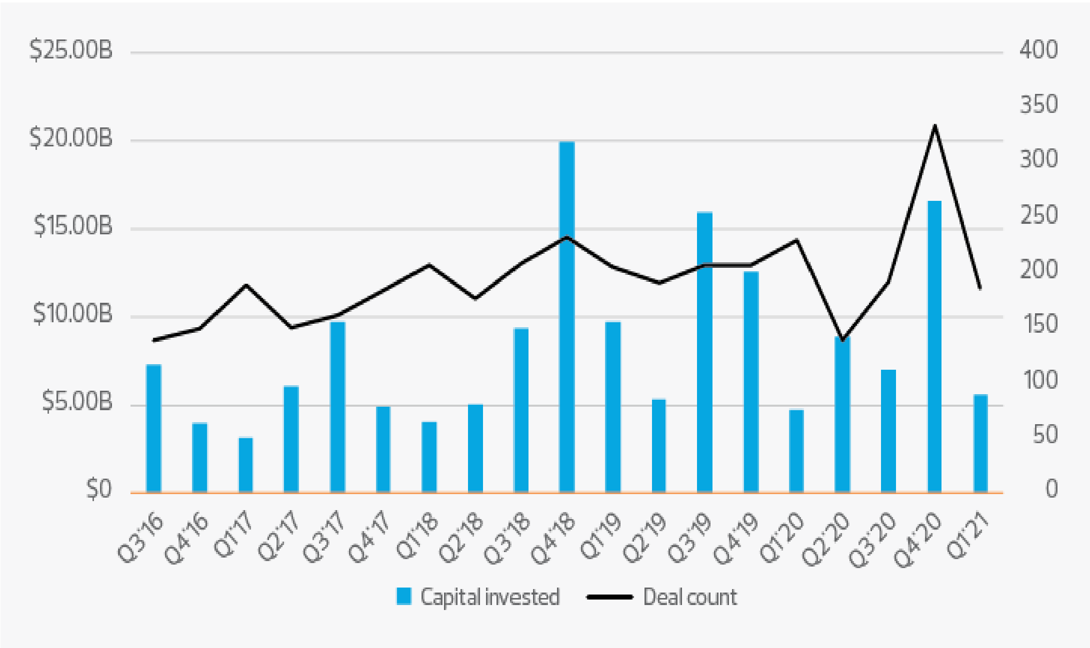
[13] Dmagazine.com/ healthcare-business/ 2021/06/post-COVID- healthcare-trends- consolidation –is-on-a-warpath.

make it a prime target for mergers and acquisitions. “Historically low interest rates, investor demand for healthcare business, and disruption due to the pandemic have accelerated the desire for healthcare dealmaking.”[14]

In 2020, there were 895 healthcare service deals, according to Pitchbook, making it the busiest year since 2020 in that category. The fourth quarter of 2020 saw 334 deals alone, up from 127 deals during that period in 2019.[15]

RSM believes that the healthcare system will continue to become more complex. “There’s more regulation and infrastructure demands, and as those things continue to rise, scale becomes more valuable. Those with entities to sell are losing ground to larger peers, so in order to maintain or sustain their business, they either merge or sell.”[16] Below is a chart illustrating the deal volume since the 3rd quarter of 2016 through the 1st quarter of 2021:

Record Q4 health care services deal count



Source: PitchBook Data, Inc.

Courtesy: RSM

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14 Dmagazine.com/ healthcare-business/ 2021/06/post-COVID- healthcare-trends- consolidation –is-on-a-warpath.

15 Dmagazine.com/ healthcare-business/ 2021/06/post-COVID- healthcare-trends- consolidation –is-on-a-warpath.

16 Dmagazine.com/ healthcare-business/ 2021/06/post-COVID- healthcare-trends- consolidation –is-on-a-warpath.

c. Rural Hospitals – Survival by Merger or Changing Business Model

Many rural hospitals were in trouble prior to COVID and viewed either a sale or consolidation as the only means to remain viable. A consolidation generally entails finding a larger system that has more doctors with more specialties, and working out an arrangement for those doctors to treat patients in the rural setting, either by coming to the hospital one or more days a week or simply consulting with the physicians who are already there. Either way, the expertise of a larger system's staff, the administrative savings, and the purchasing power of a larger hospital systems can be of benefit to a rural hospital.

With the advent of COVID, many rural hospitals have begun looking at other strategies and rethinking their business models. [17] Such options include:

- divestiture of business lines - determining their most profitable business lines and making decisions to focus on those areas, perhaps even cutting certain business lines that have historically proven unprofitable;
- divestiture of non-essential assets - selling an affiliated nursing home or physician practice, or turning over management of such entities to another third party;
- focusing on disease management and prevention issues to help their community;
- turning unused beds into behavioral, opioid treatment, or psychiatric wings.

The pandemic had one positive impact on rural health care – it increased the awareness of telehealth to health care providers, rural health systems, and rural health care constituents. However, telehealth also faces barriers:[18]

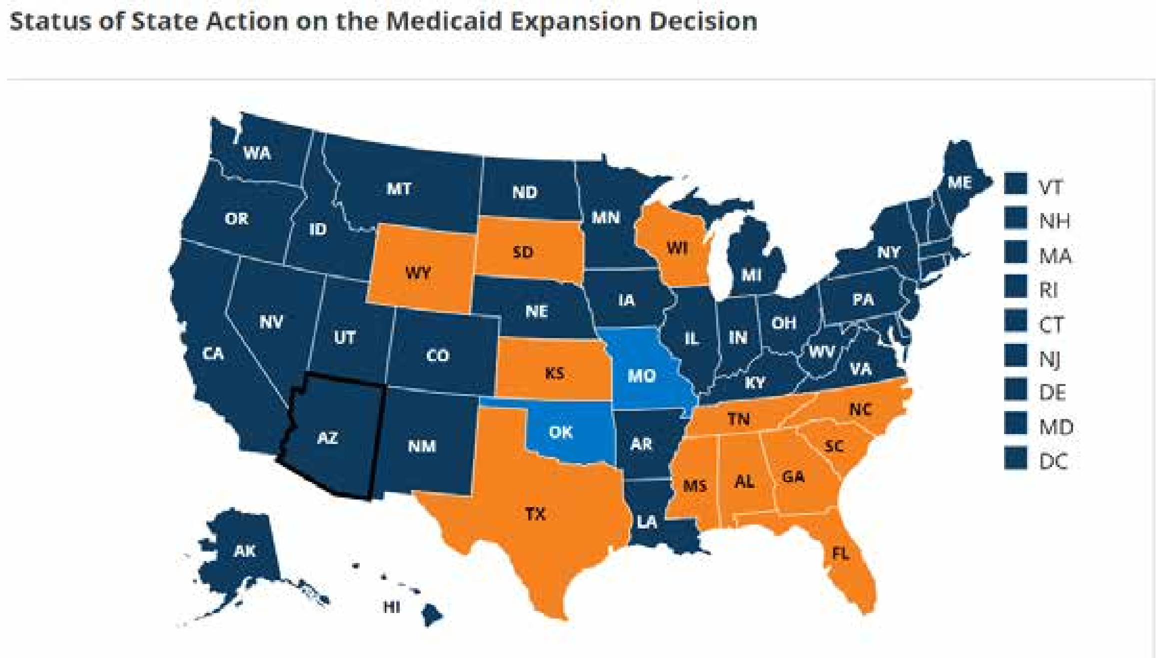
- *Technophobia Barrier*
- *Broadband Access Barrier*
- *Financial* Barrier – reimbursement

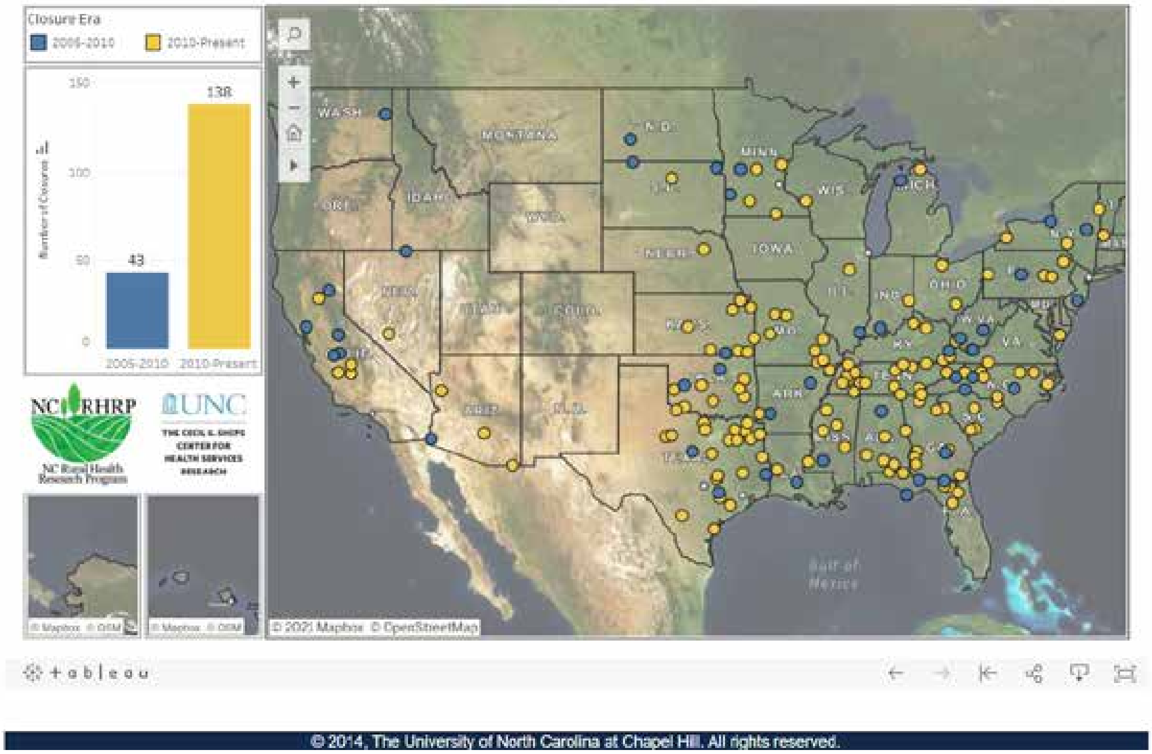
To be truly beneficial to those in rural areas, telehealth must exist on a level playing field with parity in the marketplace for reimbursement, compensation, state licensure and credentialing.[19] Although those requirements remained at a distance during COVID in certain jurisdictions, the health care community must eventually balance this equation of access to care through telehealth with local, state and federal guidelines.[20]

d. Diagnosing Future Trouble

[17] Healthcarefinancenews.com/news/COVID-19-forcing hospitals-re-think-their- business-models (2020)
[18] Homecaremag.com/June-2021/ barriers-telehealth-adoption-homecare-how-to-overcome
[19] Americanboardofhealth.org/media-center/understanding-the-economic-impact-of telehealth-in-rural communities (June 4, 2021)
[20] Americanboardofhealth.org/media-center/understanding-the-economic-impact-of telehealth-in-rural communities (June 4, 2021)

Perhaps the most predictive financial risk indicator of rural hospitals is whether or not they are in one of the states that denied the Medicaid expansion (provided under the Affordable Care Act) because Medicaid, while not as good a payor as Medicare (often paying 60% or less of what Medicare reimburses) or private insurance, is still better than no pay or the various government subsidies for no pay situations. According to the Kaiser Family Foundations website, essentially all or most of the states in which ABI southeast participants practice, denied the Medicaid expansion (the orange states):





…..and that is where the closures have occurred. The above closure map, from UNC at Chapel Hill illustrates rural hospital closures over the last 15 years. The blue and yellow dots represent hospital closures. You'll notice that the two maps have some similarities - the largest concentration of closed hospitals is in the southeast.

Next, those trying to predict hospital closures tend to look to population as a predictor. However, it is not as simple as counting people. The real question is, "what is the population of people where somebody is paying for the care?" For example, if you have an aged population, a large percentage of the patients are covered by Medicare. In impoverished areas with an average aged population, few are insured and few are covered by Medicare. If most treatment is not covered by Medicaid, these areas are reliant on critical access status and the federal money that comes with it. This source of pay is shrinking, and so, what had been difficult is now nearly impossible – sustaining a rural hospital in a poor area with an average aged population.

e. Who Might Buy a Rural Hospital (and Why)?

Most commonly, the buyer is somebody that is willing to convert the hospital into something a little bit less "full-service" than a hospital, by converting it to an emergency room or a skilled nursing facility, for example. As mentioned in the above strategies, if converted into something that doesn't require the intensity of a full service of hospital, costs can be brought down significantly.

Another path to making a rural hospital facility viable is to use it to fill the demand that exists in that market. Some hospitals serving smaller populations can create teaming ventures to share in the lower demand services while focusing on those in high demand, so a close by system is a good target as a prospective buyer.

Too often though, hospitals just look to the contiguous hospital systems as the only viable alternatives because it is easy for them to pursue one of these two strategies. Pursuing that path alone can leave a hospital in a bad situation where neither prospective buyer will tell you what their real value drivers are, which will make it difficult for a seller to negotiate the right price. Getting to the right price for the seller requires knowing what each prospective buyer's capabilities and plans are and what it really is they are trying to accomplish.

In last 3 years, the idea of "virtual care", by which a doctor can do an appointment via telemedicine and a specialist can be in a remote location and give a consult, has created new opportunities. As alluded to in prior paragraphs, rather try to have all services at each rural hospital, smaller systems can joint venture to essentially outsource higher sophistication, heavy training required, and rare services to systems and academic centers which have begun to look for ways to monetize their own expertise and technology. Radiologist, for example, don't need to be in the room to read the film. Multiple small rural hospitals don't need the radiologists sitting in each hospital, largely underutilized. They can contract with a remote radiologist. A group of five hospitals can prosper this way and entrepreneurs with an appetite for technology and technical expertise could market all five hospitals together and staff that system with experts that work across all.

f. Skilled Nursing Facilities

Skilled Nursing Facilities ("SNF's) have historically been a very challenging business to operate for several reasons:

- Significant reliance on Medicare and Medicaid for reimbursement and the attendant regulation which are continually evolving. As federal and state governments continue to focus on healthcare reform initiatives, efforts to reduce costs by government payors will likely continue which result in reductions in
  reimbursement at both the federal and state levels. Market expectations of the volatility in reimbursement rates put SNF's at risk.
- Senior living properties (including SNF's) became overvalued and highly levered during the 2013 – 2016 period when real estate investors aggressively developed and acquired assets.
- Southeastern US specific challenges:
  - Denying Medicaid expansion resulting in lower reimbursement rates

- Excess capacity stemming from development as well as a greater interest in home based healthcare (more prevalent at the higher end of the market),
- When these facilities were built, the cost of care in them was about one-third of what it might be in a hospital, but now, what used to take 7 days to treat in a hospital might take 21 now in a SNF, because that's what prescription amount is written (i.e. what is reimbursable). The savings are gone. The reimbursement model moved away from pay per service, which really hurt weaker operators.

Matters worsened with COVID. Census came down because of fears about living in congregate arrangements (being in close proximity to others), which was stoked by the unfortunate deaths and negative press stemming from them. Operating costs went up as systems and equipment had to be installed to prevent the spread of the virus. Many facilities faced staffing challenges because of the additional labor required and were became more reliant on outside nursing agencies that carry an additional cost. In the months ahead Medicare recoupment of HHS stimulus will take effect, and payroll tax deferrals will begin to be repaid. SNF's will need to navigate a return to normal and focus on filling their beds, all while carefully managing liquidity.

V. Hotel Industry Trends & Opportunities for Debt Purchasers

a. Overview – Hotel and Travel

When the COVID-19 global pandemic brought our lives (and our travel plans) to a halt in 2019, the hotel industry immediately felt the consequences. Hotels continue to struggle even as COVID-19 restrictions lift.[i] The American Hotel & Lodging Association reported that the impact of COVID-19 on the travel industry so far has been nine times that of 9/11, and travel rates are not expected to return to 2019 levels until 2024.[ii]

That said, travel is on consumers' minds again, particularly with vaccines being distributed globally.[iii] 56% of Americans stated they are likely to travel for leisure or vacation in 2021.[iv] Leisure travelers are prioritizing lower-tier hotels and those in coastal, mountain, and other outdoor areas.[v] However, business travel has drastically declined. In 2021, business travel is forecasted to be down 85% compared to 2019.[vi] In a January 2021 national survey, nearly nine in 10 business travelers (87%) said their employer had put at least some restrictions on employee travel.[vii] It is clear from business travel data that most business travel management programs are planning on utilizing fewer hotels in 2021 compared to prior years, as well.[viii]

b. Statistics on Hotel Occupancy

Even with vaccine distribution on the rise, hotel occupancy remains low. In 2019, hotel occupancy averaged 66% but fell to a historic low of 24.5% in April 2019.[ix] Experts expect hotel occupancy to average 52.5% in 2021, which is an increase of only 8.5% from 2020.[x] In addition to low hotel occupancy, hotel room revenue decreased by nearly half in 2020 to $84.6 billion.[xi] Hotel room revenue is only expected to increase by $25.9 billion in 2021, which is still 34% below pre-pandemic levels.[xii]

c. Impacts on Bankruptcy

For bankruptcy law and creditors, COVID-19's impact on the hotel industry raises unique questions and opportunities. Hotels are struggling with low occupancy and room revenue causing them to be unable to pay their debts as they come due. As creditors try to realize on their collateral, it is becoming more common for debtors in the hotel industry to seek the protections of the bankruptcy stay.

Under 11 U.S.C. § 362(d), a creditor may seek stay relief under three grounds. The second ground may provide a unique opportunity to move away from the bankruptcy injunction and into state court for foreclosure opportunities. Under § 362(d)(2), if a creditor can establish that (A) the debtor does not have an equity in the property and (B) that the property is not necessary to an effective reorganization, it can petition for relief from stay. The uncertain trends in the hotel and travel industries are raising questions and debates on determining the equity prong of § 362(d)(2)(A). We anticipate that given the fall in value for hotel properties due to the coronavirus, the equity prong may be easier to satisfy in these transactions for creditors.

d. Opportunities for Debt Purchasers

There is a lot of opportunity for clients with available capital and patience to purchase hotel debt and foreclose on the properties, and these transactions are becoming more common. Hotel operators are filing for bankruptcy at a faster pace in the U.S. (and more are likely on the horizon).[xiii] Two hotel companies with liabilities greater than $50 million filed for bankruptcy in 2020, which is the most hotel bankruptcies since 2012.[xiv] Further, it is estimated that 23.4% of U.S. hotels are 30 days or more delinquent on their outstanding mortgage accounts, which is the highest percentage on record.[xv] Some analysts are predicting that a "significant pipeline" of hotel foreclosures is forming.[xvi]

The hotel industry has an uncertain future after being negatively impacted by the COVID-19 pandemic. There are not model formulas for these uncharted waters for the industry. As we see hotel transactions begin again, hopefully we will see some best practices emerge regarding hotel valuation during and after COVID-19. With hotel properties experiencing decreased value due to COVID-19, creditors can more readily obtain relief from stay under 11 U.S.C. § 362(d) for bankrupted hotel properties.

[i] AHLA, *AHLA's State of the Hotel Industry 2021* (January 21, 2021), https://www.ahla.com/sites/default/files/2021_state_of_the_industry_0.pdf
[ii] AHLA, *AHLA's State of the Hotel Industry 2021* (January 21, 2021), https://www.ahla.com/sites/default/files/2021_state_of_the_industry_0.pdf
[iii] Lardieri, Alexa, U.S. NEWS, *Coronavirus Pandemic Sets Hotel Industry Back 10 Years, Report Finds* (January 27, 2021), https://www.usnews.com/news/national-news/articles/2021-01-27/coronavirus-pandemic-sets-hotel-industry-back-10-years-report-finds
[iv] AHLA, *AHLA's State of the Hotel Industry 2021* (January 21, 2021), https://www.ahla.com/sites/default/files/2021_state_of_the_industry_0.pdf
[v] AHLA, *AHLA's State of the Hotel Industry 2021* (January 21, 2021), https://www.ahla.com/sites/default/files/2021_state_of_the_industry_0.pdf
[vi] Lardieri, Alexa, U.S. NEWS, *Coronavirus Pandemic Sets Hotel Industry Back 10 Years, Report Finds* (January 27, 2021), https://www.usnews.com/news/national-news/articles/2021-01-27/coronavirus-pandemic-sets-hotel-industry-back-10-years-report-finds
[vii] AHLA, *AHLA's State of the Hotel Industry 2021* (January 21, 2021), https://www.ahla.com/sites/default/files/2021_state_of_the_industry_0.pdf
[viii] AHLA, *AHLA's State of the Hotel Industry 2021* (January 21, 2021), https://www.ahla.com/sites/default/files/2021_state_of_the_industry_0.pdf
[ix] Lardieri, Alexa, U.S. NEWS, *Coronavirus Pandemic Sets Hotel Industry Back 10 Years, Report Finds* (January 27, 2021), https://www.usnews.com/news/national-news/articles/2021-01-27/coronavirus-pandemic-sets-hotel-industry-back-10-years-report-finds
[x] Lardieri, Alexa, U.S. NEWS, *Coronavirus Pandemic Sets Hotel Industry Back 10 Years, Report Finds* (January 27, 2021), https://www.usnews.com/news/national-news/articles/2021-01-27/coronavirus-pandemic-sets-hotel-industry-back-10-years-report-finds
[xi] Lardieri, Alexa, U.S. NEWS, *Coronavirus Pandemic Sets Hotel Industry Back 10 Years, Report Finds* (January 27, 2021), https://www.usnews.com/news/national-news/articles/2021-01-27/coronavirus-pandemic-sets-hotel-industry-back-10-years-report-finds
[xii] Lardieri, Alexa, U.S. NEWS, *Coronavirus Pandemic Sets Hotel Industry Back 10 Years, Report Finds* (January 27, 2021), https://www.usnews.com/news/national-news/articles/2021-01-27/coronavirus-pandemic-sets-hotel-industry-back-10-years-report-finds
[xiii] Jeremy Hill & Katherine Doherty, BLOOMBERG, *U.S. Bankruptcy Tracker: Hotel Filings Rise Amid Virus Spike* (January 19, 2021), https://www.bloomberg.com/news/articles/2021-01-19/u-s-bankruptcy-tracker-hotel-filings-rise-amid-virus-spike
[xiv] Jeremy Hill & Katherine Doherty, BLOOMBERG, *U.S. Bankruptcy Tracker: Hotel Filings Rise Amid Virus Spike* (January 19, 2021), https://www.bloomberg.com/news/articles/2021-01-19/u-s-bankruptcy-tracker-hotel-filings-rise-amid-virus-spike
[xv] Backman, Maurie, MILLION ACRES, *25% of Hotels Are at Risk of Foreclosure. What Does That Mean to Investors?* (updated June 11, 2021), https://www.millionacres.com/real-estate-investing/articles/25-of-hotels-are-at-risk-of-foreclosure-what-does-that-mean-to-investors/
[xvi] Pollack, Lynn, GLOBE ST, *A Pipeline of Retail and Hotel Foreclosures Is Forming* (June 16, 2021), https://www.globest.com/2021/06/16/a-pipeline-of-retail-and-hotel-foreclosures-is-forming/

JUDGES' SURVEY - WHAT NEXT IN COURT PROCEDURES?

Bankruptcy District	In Person Hearing	When?	Continue to Conduct Zoom.gov *	What Types of Cases	Telephonic Hearings/ Attendance	341 Meetings (procedure set by UST or BA)	Comments
Florida (MD)	No	We are nearing the end of our Zoom hearings as our primary hearing protocol. We are deciding in early July on going back to in-person hearings.	Anticipate that Zoom will continue to play a role in our court hearings even after we return to live hearings.		We have allowed telephonic hearings for years. I anticipate that we will continue that policy and foresee that appearances that were once done by phone will now be done by Zoom.		Have your AV equipment checked out to ensure you can be seen and heard clearly. A poor connection or substandard equipment can be the difference in being clearly understood to barely (or not) understood at all. Check it out!
Florida (SD)	Yes in most courts other than Judge Cristol	Fully by August, 2021	We will all continue to conduct hearings – hybrid – using either zoom.gov or court solutions. We are trying to move to zoom.gov due to the cost to participants using court solutions.	Prepandemic, attorneys permitted to appear by phone for motion calendar or when observing complicated arguments and evidentiary hearings. As we transition back into court, we will see whether we will be more flexible (barring medical issues) with non-motion calendar. Will revert to pre-COVID Rule 9017 requirements for remote witness testimony.	We always did and we will continue to do so.	All 341 meetings are being conducted by telephone. UST is considering whether these can continue at least for debtors in counties far from the three divisions.	We have a robust website that includes all helpful material. All judges are now working on revising our forms as we return from full virtual to hybrid. www.flsb.uscourts.gov.
Georgia (ND)	Some judges have begun in person hearings and most expect to do so later this summer. We are not aware of judges in our district requiring in person appearances, but are instead having in person hearings upon agreement of the parties and are instituting procedures for mass calendars to give parties the option of appearing in person or remotely.		Yes, for the time being, mass calendars in all chapters will be telephonic or via zoom, with parties having the option to appear in person. Judges may also schedule specially set zoom hearings.		Telephone versus zoom will be at the discretion of the judges and will depend on the nature of the hearing. Generally, anything requiring evidence must be done in person or on video, but mass calendars have been called telephonically.	[T]he [UST] Program has extended the requirement that section 341 meetings be conducted by telephone or video appearance to all cases filed during the period of the President's "Proclamation on Declaring a National Emergency Concerning the Novel Coronavirus Disease (COVID-19) Outbreak" issued March 13, 2020, and ending on the date that is 60 days after such declaration terminates.	

JUDGES' SURVEY - WHAT NEXT IN COURT PROCEDURES?

Bankruptcy District	In Person Hearing	When?	Continue to Conduct Zoom.gov *	What Types of Cases	Telephonic Hearings/ Attendance	341 Meetings (procedure set by UST or BA)	Comments
Kentucky (ED)	No, regular motion hearings are still remote	Sept. 2021	Motion hours are conducted via ATT teleconference. Cisco Jabber is the video system used for remote evidentiary or other hearings. Future video hearings will likely happen in the same manner as pre-COVID-19 – used if warranted by the circumstances.	Yes- upon reasonable request			Each court is different. A one or two judge court in a district w/o a large metropolitan area has different abilities and constraints than Chicago or EDNY. An example is the difficulty and cost of getting to the BCt in a city like Chicago (distance, parking fees, etc.). Connections, referrals, settlements, etc. are built on relationships. Relationships are hard to develop sitting behind a desk w/ no in-person contact. Judges and lawyers learn from interaction, facial expression, and other connections that do not always translate well over video and do not show on the phone. courts and practitioners have proven their ability to adapt. The tools exist and are available when the circumstances warrant.
Maine	Yes		Not for trials or evidentiary hearings		Yes but only for lawyer or self-represented litigant that does not seek to examine a witness or otherwise offer evidence	Telephone	Recommend vaccinations and/or wear a mask and come back to court in person. It's far more effective as an advocate than appearing by telephone or video.
Maryland	Yes - left to discretion of each judge		Yes	Status conferences, preliminary hearings, first day motions, non-evidentiary hearings	Yes	Via Zoom.gov	Encourage lawyers to double check the manner in which the hearing is being held and to follow each judge's protocols. To the extent document sharing or break out rooms are beneficial or a potential need during any hearing, please give the judge's courtroom deputy a heads up.
North Carolina (ED)	No	7/7/2021	Yes		Yes		
North Carolina (MD)	Yes but only by special setting	7/1/2021	See attached procedures		Yes	Yes - In person resumes 7/9/21	
South Carolina	Yes		Yes		Yes		
Tennessee (ED)	Yes as to ED. Other divisions returning later.	Jul-21	We used Teams for evidentiary hearings and the AT&T conference number for regular docket hearings. We will not continue to conduct evidentiary hearings virtually unless the parties show "good cause in compelling circumstances" sufficient to satisfy Rule 43(a) of the Federal Rules of Civil Procedure		For June, yes with notice for any lawyer whether local or not; for pro se parties, no, because their appearance is testimonial; for July, we return to our prior process, which will permit out-of-town attorneys to appear telephonically by filing a notice but local attorneys must file a motion. See link on website.	Yes. No date set yet for in-person 341 meetings by UST	
Virginia (WD)	No	7/12/2021	Yes	See Attached Order	Not Precluded but Zoom is preferred		See link on website for guidelines for remote evidentiary hearings.

* It is not necessarily up to the individual courts whether to conduct video hearings. It is subject to any limitations imposed by the Judicial Conference of the United States.
See https://www.uscourts.gov/news/2020/03/31/judiciary-authorizes-videoaudio-access-during-covid-19-pandemic

UNITED STATES BANKRUPTCY COURT
FOR THE MIDDLE DISTRICT OF NORTH CAROLINA

ZOOM APPEARANCE PROCEDURES FOR ZOOM ELIGIBLE HEARINGS FOR BANKRUPTCY JUDGE LENA M. JAMES

All hearings before the Bankruptcy Court for the Middle District of North Carolina will be scheduled as in-person hearings. Subject to public health emergencies or other exigent circumstances that may limit in-person attendance, alerts for which would be posted to the Court's website, the Court expects that parties and attorneys will appear in person at hearings. However, in certain, very limited circumstances described herein, the Court may provide for virtual appearance by way of Zoom for Government.

These procedures may be updated from time-to-time and can always be found on the "Chambers Contact and Procedural Info" page on the Court's website, available at http://www.ncmb.uscourts.gov/content/lena-m-james.

A. ZOOM ELIGIBLE HEARINGS:

Upon the request of a party in interest, in very limited circumstances and subject to the discretion of the Court, certain hearings may be designated as open to video appearances via Zoom for Government ("Zoom Eligible Hearings").

Making a Request: requests to designate a hearing as a Zoom Eligible Hearing should be sent to the Courtroom Deputy for Judge James, Traci-Michelle Phillips, at (336)-397-7789 or at traci-michelle_phillips@ncmb.uscourts.gov. **Requests must be made at least 10 days prior to the scheduled hearing date.** Requests should include whether all parties consent to the request and should CC or BCC all attorneys and participants on any email. Those making requests should attempt, in advance of submitting the request to the Court, to determine whether all parties consent to deeming a hearing a Zoom Eligible Hearing or whether an objection is anticipated. Requests to designate a hearing as a Zoom Eligible Hearing will be considered on a case-by-case basis and are subject to the Court's discretion. Parties must provide a compelling reason why the hearing should be conducted by Zoom for Government rather than in person (i.e., out-of-state attorneys or witnesses, health concerns of an attorney or witness, emergency timing of a hearing on short notice).

Hearings designated as Zoom Eligible Hearings will be denoted as such in the following ways:

- In a docket entry on the case docket;
- Through ecf (and BNC notice if time permits); and
- On the "Chambers Contact and Procedural Info" page on the Court's website, available at http://www.ncmb.uscourts.gov/content/lena-m-james.

B. Requests to Virtually Attend Zoom Eligible Hearings:

After a hearing is designated as a Zoom Eligible Hearing, parties may request to appear virtually through Zoom for Government. Parties must request virtual appearances in accordance with the Zoom Appearance Procedures (Part C). All parties still have the option to attend Zoom Eligible Hearings in person unless otherwise stated by the Court and would not need to send any request if appearing in person.

All parties must comply with the Zoom Appearance Procedures for any Zoom Eligible Hearing, regardless of whether they will attend the hearing in person or via Zoom for Government. All attorneys and parties planning to submit testimony or other evidence must comply with the Zoom Appearance Procedures in doing so.

C. Zoom Appearance Procedures for Zoom Eligible Hearings:

1. Applicable Audio and Video Technologies for Hearing. For hearings allowing for Zoom virtual appearances, video participation shall take place using both the telephonic and videoconferencing means described below. The Court will utilize (a) the AT&T Teleconferencing Service (AT&T) for courtroom audio and (b) Zoom for Government for video.
   a. **Audio.** AT&T can be accessed by calling (866) 434-5269 and entering access code 2732206#. It is strongly encouraged that all counsel and Remote Witnesses accessing the hearing through AT&T utilize either a headset or handset. Participants should only call through a landline and should refrain from using cellphones. The Court reserves the right to mute or disconnect any virtual participant whose faulty connection and/or audio quality disrupts the hearing or renders the communication incomprehensible.
   b. **Video.** The Zoom for Government link shall be provided to those parties who have submitted a notice of intent to participate in accordance with Paragraph 2 below. All counsel and Remote Witnesses shall conduct a pre-

hearing test of Zoom for Government and, if possible, AT&T, using the same equipment that they will be using during the hearing.

2. Accessing the Hearing. Any individual intending to **virtually** attend a Zoom Eligible Hearing via Zoom for Government must provide notice, either directly or through counsel, to Virtual_Court_James@ncmb.uscourts.gov **at least two business days prior** to the scheduled hearing.[1] In that notice, individuals should also specify whether they will appear as counsel, in a pro se capacity, or as a potential witness. Instructions for accessing the hearing will then be provided, including separate links for each individual who will be attending. **Individuals who are participating virtually, and have complied with any applicable Standing Orders and/or Local Rules regarding pro hac vice admission, and wish to (1) make opening or closing statements or (2) question or cross-examine witnesses shall enable the video function on Zoom for Government only when speaking. At all other times, virtual participants shall disable the video function on Zoom for Government.** Any individual who anticipates technological limitations (e.g., slow internet connection, inability to access internet) that will prevent them from appearing by Zoom for Government must email the Court at Virtual_Court_James@ncmb.uscourts.gov, or call (336) 358-4000 for immediate assistance, no later than noon on the day preceding the hearing

3. Submission of Exhibits to Court. All participating parties must adhere to the procedures for submitting exhibits described in this Order, regardless of whether those parties attend the Zoom Eligible Hearing in person or virtually. Parties represented by counsel shall file all exhibits on the docket in .pdf format no later than 12:00 pm on the day preceding the hearing.[2] Individuals representing themselves pro se (without an attorney's assistance) shall submit their exhibits to (i) Virtual_Court_James@ncmb.usourts.gov and (ii) the United States Bankruptcy Administrator, William P. Miller, at bill_miller@ncmba.uscourts.gov. The filing of any exhibit shall not require the exhibit to be offered into evidence at the hearing, nor shall any proposed exhibit be considered as evidence unless offered and admitted at the hearing. All objections to any exhibits are preserved for the hearing. Only those exhibits

[1] Individuals appearing in person for a Zoom Eligible Hearing do not need to provide any notice to the Court.

[2] If the hearing is scheduled for a Monday, the "preceding day" for purposes of this Order shall be the preceding Friday.

timely submitted may be offered at the hearing absent good cause, unless offered solely for rebuttal.

4. Form of Exhibits. Each party shall combine all its potential exhibits into one .pdf document beginning with a table of contents, and each individual exhibit shall be bookmarked for easy review by the Court. **A party calling a witness should arrange for that witness to have an individual binder of all exhibits, with numbering corresponding to that used in the .pdf document, that the party intends to use in examining that witness.**
5. Rebuttal Exhibits. Any document that may be used solely for impeachment or rebuttal at the hearing should not be included in the PDF file(s) described in Paragraph 4. If counsel uses a document solely for impeachment or rebuttal at the hearing, counsel must be prepared to simultaneously email a PDF copy of the document to the Court, the witness, and opposing counsel during the hearing. **The party introducing the rebuttal exhibit should also prepare, in advance, a printed copy of the rebuttal exhibit for the witness that is to be examined.**
6. Requirements for Allowance of Remote Testimony; Additional Information. If a proposed witness (through the sponsoring attorney or pro se party) has obtained permission from the Court to testify by Zoom for Government (the "Remote Witness"), the party sponsoring the Remote Witness shall file with the Court, no later than 12:00 pm on the day preceding the hearing, a document containing the following information:
    a. The name and title of the Remote Witness.
    b. The matter on which the Remote Witness will provide testimony.
    c. The location of the Remote Witness (city, state, country).
    d. The place from which the Remote Witness will testify (e.g. home, office – no addresses are required).
    e. Whether anyone will be in the room with the Remote Witness during the testimony, and if so, who (name, title, relationship to the Remote Witness), and for what purpose. *A party sponsoring the Remote Witness should not be in the same room as that Remote Witness he intends to question.
    f. Whether the Remote Witness will have access to any documents other than exhibits that have been filed on the docket, and if so, an explanation of those documents.

    Individuals representing themselves pro se shall submit this document to (i) Virtual_Court_James@ncmb.usourts.gov and (ii) the United States

Bankruptcy Administrator, William P. Miller, at bill_miller@ncmba.uscourts.gov.

Note: Providing the identity of a witness shall not require that the witness be called, but only those witnesses timely identified will be permitted to testify absent good cause, unless called solely for rebuttal. If counsel intends to call a rebuttal witness at the hearing (who was not timely disclosed prior to the hearing), counsel must be prepared to simultaneously docket a PDF copy of the document required under this paragraph or email the same to the Court, the witness and opposing counsel during the hearing.

7. Swearing In of Remote Witnesses. All Remote Witnesses shall be affirmed during the video conference and such testimony will have the same effect and be binding upon the Remote Witness in the same manner as if such Remote Witness was affirmed by the court deputy in person in open court.
8. Responsibility for Remote Witnesses. The party sponsoring the Remote Witness shall be responsible for ensuring that all virtual hearing information and all exhibits are supplied to the Remote Witness prior to the hearings, and that the Remote Witness has access to the Zoom for Government conference link, as applicable, including access to internet and audiovisual technologies.
9. Courtroom Formalities. Although conducted using telephonic and videoconferencing technology, this hearing constitutes a court proceeding. No person shall record the audio or video of the hearing from any location or by any means. The audio recording created and maintained by the Court shall constitute the official record of the hearing. Further, the formalities of a courtroom shall be observed by all virtual attendees. Counsel and Remote Witnesses shall dress appropriately, exercise civility, and otherwise conduct themselves in a manner consistent with the dignity of the Court and its proceedings.

Signed: June 3, 2021

Paul M. Black
United States Bankruptcy Chief Judge

UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF VIRGINIA

IN RE:	)	
	)	
COURTROOM REOPENING PROCEDURES	)	Standing Order No. 21-2
FOR JUDGE PAUL M. BLACK	)	
(ROANOKE LOCATION ONLY)	)	

In response to the national emergency created by the COVID-19 outbreak, the United States Bankruptcy Court for the Western District of Virginia suspended in-person hearings. Based upon current circumstances relating to the decrease in COVID-19 cases and the availability of vaccinations in the Western District of Virginia, this Court has determined that it is appropriate to reopen its Roanoke courtroom to in-person hearings. Beginning with Judge Black's standing Chapter 13 hearing date of July 12, 2021 for the Roanoke location only, the following procedures will apply:

1. Unless otherwise ordered by the Court, the Court will hold all initial hearings on any Chapter 13 matters, specifically plan confirmation and non-motion for relief matters, in person, in the courtroom in Roanoke. However, if counsel for any party, the Debtor, or any other interested party wishes to participate in the hearing by video through Zoom for Government, that party must inform Judge Black's Courtroom Deputy, Sabrina Lee, by email at

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Sabrina_Lee@vawb.uscourts.gov or by phone at 540-795-6224, by noon two (2) business days prior to the hearing that the party will be appearing by Zoom for Government. Otherwise, attendance in person by any party or counsel is required.

2. Each initial hearing on any Chapter 13 matter, specifically plan confirmation and non-motion for relief matters, will be treated as an initial scheduling hearing. Even if objections to confirmation of a Chapter 13 Plan are filed or responses are filed to a motion, if the parties reach an agreement to resolve the matter, an order confirming the Chapter 13 Plan or resolving the matter may be tendered to the Court prior to the scheduled hearing. The Court may enter that order prior to the hearing provided any objection deadline has passed and the Court, upon its own assessment, determines that the order is otherwise appropriate.

3. If at the initial hearing on a Chapter 13 confirmation and non-motion for relief matters, it becomes apparent that routine Chapter 13 issues need to be addressed, then the Court at that time will determine whether the future hearing will be held in person or by video through Zoom for Government and whether a scheduling order should be entered. Examples of routine Chapter 13 issues include, but are not limited to, the following: a deadline to file a pre-confirmation affidavit, a deadline to become current on Plan payments, or a deadline to file tax returns. If the matter is resolved prior to the continued hearing, the parties may submit an agreed order for consideration by the Court prior to the scheduled hearing.

4. If at the initial hearing it becomes apparent that a non-routine issue is pending and it is likely the parties will need to present evidence or testimony at a future hearing, then the Court at that time will determine whether the future hearing will be held in person or by video through Zoom for Government and whether a scheduling order should be entered. If the matter is resolved prior to the continued hearing, the parties may submit an agreed order for consideration by the Court prior to the scheduled hearing.

5. If a debtor must appear and show cause at a future hearing for failing to comply with a condition or deadline as provided in a Court order, if the show cause is not activated, the parties can either announce their agreement resolving the matter at the continued hearing date or continue the matter to a future date with any new conditions based on any current issues. If a show cause hearing is required to go forward, in-person appearances will be required by both the Debtor(s) and counsel, if any.

6. Chapter 7 and Chapter 11 dockets shall proceed in person in Roanoke. Requests to appear at the hearing by video through Zoom for Government must be made to Judge Black's Courtroom Deputy, Sabrina Lee, at least two (2) business days in advance, and will be addressed by the Court on a case-by-case basis.

7. Unless otherwise specifically requested in the motion and approved by the Court, the initial hearing on a motion for relief from stay shall be treated as a preliminary hearing. Requests to appear at the hearing by video through Zoom for Government must be made to Judge Black's Courtroom Deputy, Sabrina Lee, at least two (2) business days in advance, and will be addressed by the Court on a case-by-case basis. The Court's standard pre-hearing order, and deadlines set therein, are unaffected by the entry of this Order.

8. Matters set for the Roanoke, Abingdon, and Danville dockets will be heard on the dates calendared for those dockets. However, any party may request that a matter be heard on the date of a different docket, which the Court will address on a case-by-case basis. Such requests must be made to Judge Black's Courtroom Deputy, Sabrina Lee.

9. Until further Order of this Court, Judge Black will continue to hold hearings in the Abingdon and Danville dockets by video through Zoom for Government.

It is so **ORDERED.**

****End of Order****

Faculty

Ashley A. Edwards is a partner with Parker Poe Adams & Bernstein LLP in Charlotte, N.C., and has represented creditors in all aspects of commercial debt collection and loss mitigation, including loan restructuring, bankruptcy, litigation and post-judgment execution. Her clients include Fortune 500 companies, national, regional and community banks, nontraditional lenders, finance companies, lessors and manufacturers. She also advises and represents clients from various industries in the purchase and sale of assets under § 363 of the Bankruptcy Code, chapter 11 plan confirmation, and the assumption and rejection of contracts. In particular, she has experience defending national companies against preference and fraudulent transfer actions in a wide variety of jurisdictions. Ms. Edwards also represents clients in a broad range of business litigation in federal and state courts, as well as mediation and other forms of alternative dispute resolution. She has defended principals and officers in derivatives lawsuits and against claims of fraud, embezzlement and racketeering. She is also experienced in issues related to insider trading and corporate structure. Ms. Edwards is admitted to practice before all U.S. Bankruptcy and District Courts in North Carolina and Georgia, as well as the U.S. Court of Appeals for the Fourth Circuit. Prior to joining Parker Poe, she clerked for Hon. J. Craig Whitley of the U.S. Bankruptcy Court for the Western District of North Carolina. She is a member of the advisory board of ABI's Southeast Bankruptcy Workshop and a member of Parker Poe's *Pro Bono* Committee, averaging more than 80 hours of *pro bono* services each year. She focuses her *pro bono* work with North Carolina's Guardian *ad Litem* program, through which she represents abused and neglected children. She also serves on the Next Generation Committee of the National Conference of Bankruptcy Judges and the leadership team (called the council) of the North Carolina Bar Association Bankruptcy Section, and she is the vice chair of the North Carolina chapter of Credit Abuse Resistance Education (CARE). Ms. Edwards received her B.A. *cum laude* in 2005 from Wake Forest University and her J.D. in 2009 from Emory University.

Kenneth W. Mann is a managing director for the Special Situations practice at SC&H Capital in Easton, Md., where he provides distressed M&A, employee stock ownership plans (ESOP) and business valuation advisory for middle-market companies. Prior to joining SC&H Capital in 2020, Mr. Mann had served as the managing director of Equity Partners, providing going-concern solutions (debt, equity, entirety sale) to distressed businesses. His team has completed more than 600 transactions with troubled companies, including approximately 300 approved transactions in 70 bankruptcy court districts. Mr. Mann has personally handled investment banking services for hundreds of companies in a host of industries. In chapter 11 cases, he has served as investment banker, bid examiner and expert witness, and he has testified more than 100 times in support of transactions produced by the firm. Mr. Mann has been a speaker at events hosted by ABI and the Turnaround Management Association (TMA), Florida Bar, Association of Insolvency & Restructuring Advisors (AIRA) and Mississippi Bankruptcy Conference, and he has been an author for ABI, TMA, and various secured lender trade and general business publications. He was named "Distressed M&A Dealmaker of the Year" by M&A Advisors and a "Top 100 Restructuring Professional" by *Turnarounds & Workouts*. Mr. Mann currently co-chairs ABI's Financial Advisors and Investment Banking Committee, and he serves on the board of TMA's Chesapeake Chapter. Prior to joining Equity Partners, Mr. Mann's experience included investment banking, public relations and marketing consulting, and he has owned and exited several successful businesses. He holds Series 7, 63 and 79 licenses, and he has been a licensed real estate agent since 2008. Mr. Mann received his Bachelor's degree with honors in business administration with a marketing concentration from Salisbury University.

Christine L. Myatt is a member of the Bankruptcy/Finance Group at Nexsen Pruet, PLLC in Greensboro, N.C., and represents a wide variety of banking and financial institutions on real estate, construction, development and tax credit lending transactions, and in workouts, debt restructuring and bankruptcy. She also has experience representing farm credit institutions, trustees, creditors' committees, debtors, secured and unsecured creditors, bondholders, guarantors and others in numerous bankruptcy and workout cases throughout the U.S. Ms. Myatt has served as a receiver in various state and federal Ponzi scheme matters on behalf of various creditors and the U.S. Securities and Exchange Commission. With her financial background, she has led numerous investigations involving fraudulent wire transfers, financial fraud and embezzlement. Ms. Myatt is Board Certified in Business Bankruptcy Law by the American Board of Certification and is certified in Bankruptcy Law by the North Carolina State Board of Legal Specialization. She has been named among North Carolina's "Legal Elite" in bankruptcy law by Business North Carolina for seven consecutive years and was first in votes in bankruptcy law for 2010. In addition, she has been named a North Carolina *Super Lawyer* for Bankruptcy & Creditor/Debtor Rights Law (2009-20), a "Top 50 Woman Lawyer in North Carolina" (2012-20) in *The Best Lawyers in America* since 2010, and one of the leading lawyers in North Carolina for Bankruptcy by *Chambers USA* (2012-20). Ms. Myatt received the Lifetime Achievement Award from the North Carolina Bar Association Bankruptcy Section in 2015 and was recognized as one of the "Leaders in the Law" by *Lawyers Weekly* in 2016. She currently serves as a bank director at Triad Business Bank, a *de novo* community bank established in 2020. Ms. Myatt received both her B.A. and J.D. from Wake Forest University.

Joseph V. Pegnia is a managing director of B. Riley Advisory Services in Atlanta and has 23 years of experience as a fiduciary and turnaround advisor. He has advised companies, lenders, bondholders, trade creditors and equityholders in both out-of-court and in-court proceedings. Mr. Pegnia has experience in bankruptcy courts and Federal District Court. He has been involved in more than 30 chapter 11 cases and multi-state federal receiverships, including some of the largest cross-border chapter 11 cases during the financial crisis, such as Abitibi Bowater Holdings and Lehman Brothers Holdings, Inc. Mr. Pegnia currently serves as financial advisor in the *Fresh Acquisitions* chapter 11 case and to a 600-resident continuing care retirement center. Recently, he served as receiver of a 100-bed skilled nursing facility, as CRO in the chapter 11 case of RMH Franchise Corp., valued a multibillion-dollar claim in the Westinghouse Electric Co. chapter 11 case, and acted as financial advisor to the chapter 11 trustee in the *Alliance Medical Holdings* chapter 11 cases. Prior to joining B. Riley Advisory Services, Mr. Pegnia was a partner and shareholder with GGG Partners and a managing director with FTI Consulting. He began his restructuring career with Ernst & Young LLP and before that was an asset-based lender. Mr. Pegnia has addressed numerous professional organizations on issues relating to bankruptcy, creditors' rights and corporate fraud. He was awarded the Turnaround of the Year Award by the Atlanta Chapter of the Turnaround Management Association for both a freight audit and management billing company in 2014 and a golf course management company in 2013. Mr. Pegnia previously served as president of the Atlanta Chapter of the Risk Management Association and attained the rank of Eagle Scout with the Boy Scouts of America. He received his B.S. in business and finance from Miami University in 1992 and his M.B.A. in finance from Xavier University Williams College of Business in 1996.

Jay M. Sakalo is a partner in the Business Finance & Restructuring and Corporate Practice at Bilzin Sumberg Baena Price & Axelrod, LLP in Miami, and represents clients throughout the financial spectrum, from structuring and restructuring complex financings on behalf of lenders, to representing secured creditors and purchasers in bankruptcy proceedings. He focuses on the representation of private-equity funds, hedge funds, alternative lenders, borrowers and issuers. As the practice group leader for the firm's Business Finance & Restructuring and Corporate Practices, Mr. Sakalo has experience in the real estate finance, hospitality, health care, aviation and gaming industries. He is a frequent speaker on restructuring and bankruptcy topics, and has been listed in *Chambers USA*, *The Best Lawyers in America*, *Florida Super Lawyers* and *Florida Trends Legal Elite*, among others. Mr. Sakalo is a member of ABI and the Bankruptcy Bar Association of the Southern District of Florida, The Florida Bar's Business Law Section and the United Way of Miami-Dade's Finance and Administration Committee. He received his B.S.B.A. with honors in finance from the University of Florida in 1995 and his J.D. with honors in 1998 from the University of Florida Levin College of Law.

Mark Vitner is a managing director and senior economist for Wells Fargo's Corporate and Investment Bank in Charlotte, N.C., where he is responsible for tracking U.S. and regional economic conditions. He writes for the department's weekly and monthly economic reports and also produces regular publications on residential and commercial construction, regional economies and issues impacting small business. Mr. Vitner joined a Wells Fargo predecessor institution in 1993. His commentary has been featured in the *New York Times*, *The Wall Street Journal*, *Bloomberg* and many other publications. He also makes frequent guest appearances on CNBC and many other major networks. He is a member of NABE and its inaugural Certified Business Economist class, and he has been active in the Charlotte community, co-founding the NABE Charlotte chapter, The Charlotte Economics Club. He also recently served as board chair for the Foundation for the Charlotte Jewish Community and chaired the Economic Advisory Council for the California Chamber of Commerce for three years. Mr. Vitner is a member of the Blue Chip economic forecasting panel and serves on the Joint Advisory Board of Economists for the Commonwealth of Virginia. He received his B.B.A. in economics from the University of Georgia and his M.B.A. from the University of North Florida, and he has completed further graduate work in economics at the University of Florida. He also completed the National Association for Business Economics (NABE) Advanced Training in Economics program at Carnegie Mellon University.