

Corporate Bankruptcy Recap & Forecast: Downward Trend Continues while Prepackaged Filings Rise in 2013

Boston, MA – 01/09/14 BankruptcyData.com’s research reveals that 71 publicly traded* companies filed for bankruptcy protection in 2013 with a total of \$42.6 billion in combined total pre-petition assets**. This filing count is down from 2012’s 87 filings and \$70.8 billion in assets. The largest filing of 2013 was Cengage Learning’s \$7.5 billion bankruptcy, followed by Penson Worldwide with \$6.2 billion in assets then a sharp drop to Dex One’s \$2.8 billion filing. The chart below reflects the ten largest Chapter 7 and Chapter 11 proceedings for 2013. Coincidentally, these are the only bankruptcies for the year that listed \$1 billion or more in total pre-petition assets.

10 Largest Bankruptcies of 2013:

<u>Company</u>	<u>Bankruptcy Date</u>	<u>Business Description</u>	<u>Assets** (\$mil)</u>
Cengage Learning, Inc.	07/02/13	Educational Content	\$7,505
Penson Worldwide, Inc.	01/11/13	Investment Processing	6,197
Dex One Corporation***	03/17/13	Marketing Solutions	2,835
Excel Maritime Carriers Ltd.	07/01/13	Seaborne Transport	2,722
Anchor Bancorp Wisconsin Inc.	08/12/13	Bank Holding Co.	2,368
Exide Technologies***	06/10/13	Lead Batteries	2,195
Central European Distribution Corporation	04/07/13	Alcoholic Beverages	2,073
RDA Holding Co. (Reader’s Digest)***	02/17/13	Media & Marketing	1,564
SuperMedia, Inc.***	03/18/13	Yellow Pages Directory	1,410
Revel AC, Inc.	03/25/13	Resort Casino	1,170

The average pre-petition asset figure also continued its downward trend, dropping to \$600 million—compared to \$814 million in 2012. In fact, the total asset figure for the two largest bankruptcies combined still does not equal that of the largest filing of 2012—Residential Capital, which had more than \$15 billion in assets—and none of this year’s bankruptcies come close to ranking on BankruptcyData.com’s list of largest all-time bankruptcy filings:

10 Largest All Time Chapter 7 and Chapter 11 Bankruptcies (1980-2013):

<u>Company</u>	<u>Bankruptcy Date</u>	<u>Business Description</u>	<u>Assets** (\$mil)</u>
Lehman Brothers Holdings Inc.	09/15/08	Investment Bank	\$691,063
Washington Mutual, Inc.	09/26/08	Savings & Loan Holding	327,913
WorldCom, Inc.	07/21/02	Telecommunications	103,914
General Motors Corporation	06/01/09	Automotive Mfg. & Sales	91,047
CIT Group Inc.	11/01/09	Bank Holding Company	80,449
Enron Corp.	12/02/01	Energy Trading & Natural Gas	65,503
Conseco, Inc.	12/18/02	Financial Services Holding Co.	61,392
MF Global Holdings Ltd.	10/31/11	Commodities & Derivatives Broker	40,542
Chrysler LLC	04/30/09	Automotive Mfg. & Sales	39,300
Thornburg Mortgage, Inc.	05/01/09	Residential Mortgage Lending	36,521

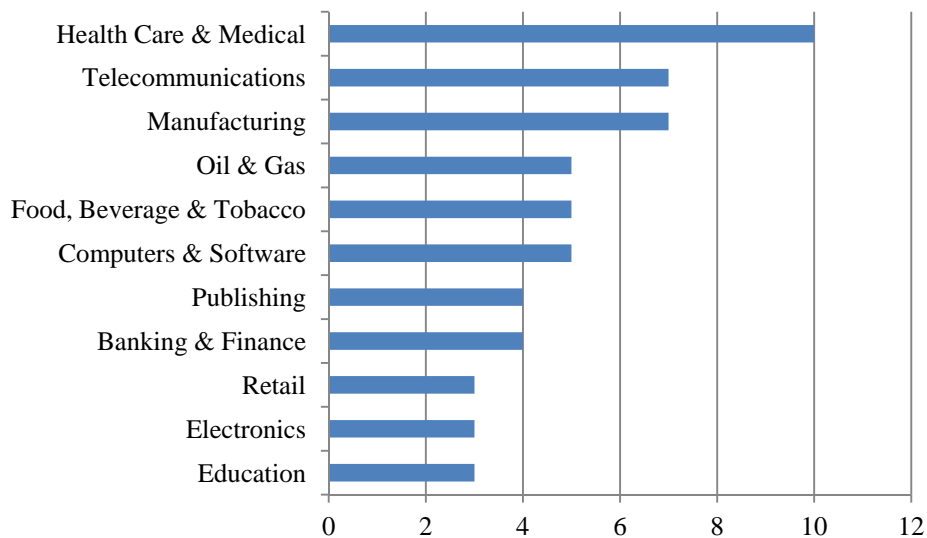
Continuing a trend we've seen over the past few years—and unlike the bankruptcy cycles of (1) 2000-03 and (2) 2008-09, which were clearly dominated by certain industry groups (telecom/technology and financial services, respectively), 2013's Chapter 11 activity covered a wide range of industries. As was the case in 2012, health care & medical industry bankruptcies once again led this year's filing count with ten bankruptcies (or approximately 15% of the total filings) coming from this sector (with total combined assets of \$1.2 billion).

In terms of asset size, filings from the health care & medical industry do not measure up to those from the banking & finance, education and publishing sectors, which reported combined total assets of \$9.5 billion, \$8.2 billion and \$6.3 billion, respectively despite their respective bankruptcy counts of just four, three and four. It should be noted that many filings within the financial sector, which typically report a higher pre-petition asset figure than other industries, reflect a tremendous asset discrepancy between the date on which a company files its most recent pre-petition Annual Report and its bankruptcy filing date. This variance often can be explained by Federal Deposit Insurance Corporation (FDIC) closures and subsequent third party bank asset acquisitions.

Other significant industry representations in 2013 include the following: telecommunications: seven bankruptcy filings/\$1.5 billion in assets; manufacturing; seven bankruptcy filings/\$3.0 billion in assets; oil & gas: five bankruptcy filings/\$1.7 billion in assets and computers & software: five bankruptcy filings/\$575 million in assets. The graphic below provides an overview of 2013's bankruptcy activity by industry.

2013 Chapter 7 and Chapter 11 Bankruptcies by Industry:

(Note: Only those industries with three or more filings are included in this sampling.)



While statistical analysis reveals that bankruptcy activity has generally slowed over the past several years, many wonder if this trend will continue in 2014. George Putnam, III, Publisher of *The Turnaround Letter* and Founder of New Generation Research, anticipates a change. Putnam explains, “Even with the strength in the markets, there are a number of

companies that raised large amounts of debt prior to 2008 that have not yet refinanced or restructured that debt. Many of those debt issues come due over the next few years, and we think a significant number of those issuers will have trouble refinancing.”

Putnam continues, “In addition, there has been a huge amount of new high yield debt issued since 2009. History shows us that a meaningful percentage of high yield debt usually defaults within four years of issuance. Even if only a small percentage of the debt issued over the last four years goes into default, that is likely to generate a significant surge in bankruptcy filings. It is difficult to predict exactly when defaults and bankruptcies will pick up again, but we are confident it will happen in the not-too-distant future.”

Despite the decrease in the actual number of filings, there has been an increase in the number of prepackaged (Plan of Reorganization filed concurrently with the Petition) or pre-negotiated (company has initiated pre-petition creditor negotiations) bankruptcy filings over the past few years, and many companies are now opting for this streamlined approach or simply restructuring outside the parameters of a U.S. Bankruptcy Court proceeding. In fact, BankruptcyData.com’s research reveals that there were a total of 17 prepackaged Chapter 11 proceedings in 2013, versus eleven in 2012 and just four in 2011—with respective combined total asset figures of \$14 billion, \$8 billion and \$3 billion. The chart below offers historical context on both the number and size of public Chapter 7 and Chapter 11 bankruptcy filing activity dating back to 1980.

Public Companies/Assets Filing for Bankruptcy (1980-2013):

Year	Filings	Assets** (\$mil)	Average Assets** (\$mil)
1980	62	\$1,671	\$27
1981	74	4,703	64
1982	84	9,103	108
1983	89	12,523	141
1984	121	6,530	54
1985	149	5,831	39
1986	149	13,033	87
1987	112	41,503	371
1988	122	43,488	356
1989	135	71,371	529
1990	115	82,781	720
1991	123	93,624	761
1992	91	64,226	706
1993	86	18,745	218
1994	70	8,337	119
1995	85	23,107	272

1996	86	14,201	165
1997	83	17,247	208
1998	122	29,195	239
1999	145	58,760	405
2000	187	100,882	539
2001	265	267,203	1,008
2002	229	401,063	1,751
2003	176	100,214	569
2004	93	47,802	514
2005	86	133,843	1,556
2006	66	22,257	337
2007	78	70,525	904
2008	138	1,159,351	8,401
2009	211	593,733	2,813
2010	106	89,109	840
2011	86	103,990	1,209
2012	87	70,843	824
2013	71	42,626	600

* BankruptcyData.com defines publicly traded as those companies with common stock and/or bonds that are publicly-traded on U.S. markets.

** All total asset figures are pre-petition and taken from each debtor's most recent Annual Report filed with the Securities and Exchange Commission (SEC).

*** Indicates that the company has made more than one bankruptcy filing.

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