Special Situations Market Update: Down by the River – Brazos Electric Files Bankruptcy as a Result of Texas Winter Storm Charges

Past Week (3/1 – 3/7): This past week saw one of the largest filings of 2021 to date, Brazos Electric, and was one of the busiest filing weeks of the year. Brazos became the first domino to fall after the "black swan" winter storm event in Texas which resulted in over $2B of invoices for power surcharges that Brazos was unable to pass on to its customers. The isolation of the Texas power grid and the massive electricity demand from the recent winter storm caused ERCOT to institute maximum rates which resulted in charges Brazos cannot afford under its current capital structure and Brazos plans to use chapter 11 as a means to reorganize. Additional fallout is expected from the winter storm and other utilities providers are also under substantial financial pressure.

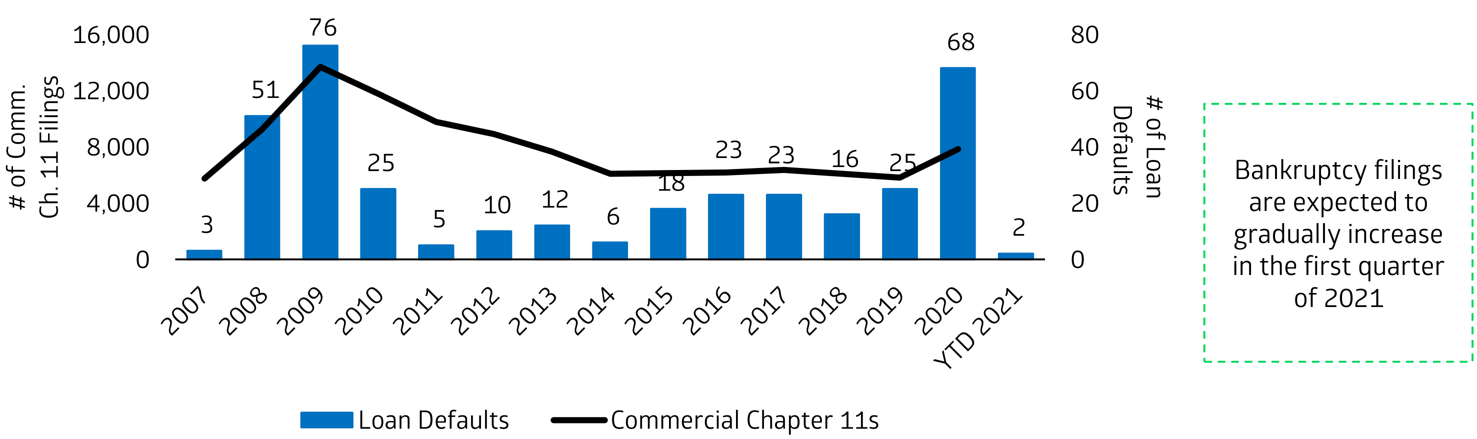
Paper Source became the second filing in recent months to file chapter 11 after acquiring assets out of bankruptcy from another retailer within the past year (Loves Furniture filed in January 2021 after acquiring stores from the Art Van Furniture). Paper Source had acquired certain stores from Papyrus in March 2020 but was unable to realize synergies as a result of the COVID-19 pandemic. Paper Source expects to use the chapter 11 process to sell its assets to the stalking horse bidder, MidCap Financial.

Another major filing from the past week was Alamo Drafthouse, a 40+ location theater chain. Alamo had begun reviewing strategic alternatives in 2020 as a result of industry headwinds which were compounded by COVID-19 and enters chapter 11 with a restructuring support agreement from its prepetition lenders.

Upcoming Week (3/8– 3/12): Key hearings and deadlines in the upcoming week include:

March 8	March 9	March 10	March 11	March 12
Center City Healthcare – Omnibus Hearing **Easterday Ranches** – Trustee Appointment Hearing **Knotel, Inc.** – Meeting of Creditors **PBS Brand Co.** – Auction Scheduled **SHL Liquidation Industries** – Omnibus Hearing	**Cred Inc.** – Plan Confirmation Hearing **Lighthouse Resources Inc.** – Omnibus Hearing, including Plan Confirmation Hearing **Unipharma, LLC** – Plan Confirmation Hearing	**BL Restaurants Holdings** – Disclosure Statement Hearing **Comcar Industries** – Plan Confirmation Hearing **FM Coal** – Plan Confirmation Hearing **Noble Corporation** – Deadline to File Administrative and Professional Fee Claims	**Alpha Media Holdings** – Disclosure Statement Hearing **CBL & Associates Properties** – Disclosure Statement Hearing **Congoleum Corporation (2020)** – Deadline for Professional Fee Claims **Stein Mart** – Plan Confirmation Hearing	**No Key Hearings or Deadlines Scheduled**

LOAN DEFAULTS[1] VS. COMMERCIAL CH. 11 FILINGS (ANY SIZE) – SINCE 2007



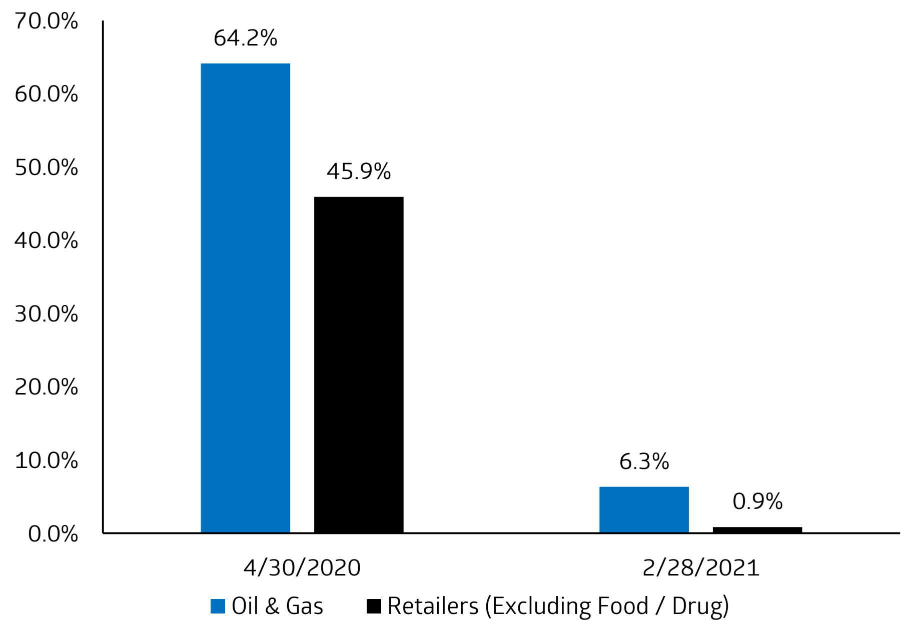
(1): Includes only publicly traded leveraged loans
Source: Debtwire; LCD, BankruptcyData, USCourts.gov, Reuters

DISTRESSED COMPANY AND INDUSTRY UPDATES

The S&P Global Ratings defines the distress ratio as the proportion of speculative-grade issues with option-adjusted composite spreads of more than 1,000 bps relative to U.S. Treasuries. The distress ratio of oil & gas and retailers has changed significantly from the early days of the pandemic to now.

During the height of the pandemic lockdowns and early-2020 oil woes, these sectors had a distress ratio of 64.2% and 45.9% respectively. By the end of February 2021, the oil & gas distressed ratio was 6.3% compared to the last five-year average of 29.0%. While the distressed ratio for retailers was 0.9% compared to the last three-year average of 14.0%.

DISTRESS RATIO: OIL & GAS AND RETAILERS



RECENT DISTRESSED COMPANY UPDATES

Issuer	Date	Industry	Action Pending	Latest Activity
Eastman Kodak	3/4/21	Information Technology	Rating Action (S&P)	CCC+ rating outlook revised to stable on new financing. Long term cap. structure deemed unsustainable
Glass Mountain Pipeline	3/4/21	Oil & Gas	Downgrade (Moody's)	Cut to Ca on probability of default
Ruby Pipeline	3/4/21	Oil & Gas	Downgrade (Moody's)	Cut to Caa1 on refinancing risk
Navios Maritime	3/2/21	Transportation	Downgrade (S&P)	Cut to CCC on refinancing risk
Steak n Shake	2/25/21	Restaurants	Downgrade (S&P)	CCC- rating placed on CreditWatch positive on term loan repayment
Mashantucket (Western) Pequot Tribe	2/24/21	Gaming & Hotel	Rating Action	TLB raised to CCC- by S&P Global following loan's maturity extension to Feb. 16, 2022. The tribe's SD issuer rating remains unchanged
24 Hour Fitness	2/23/21	Entertainment & Leisure	Chapter 11 Exit	Rated CCC- after Chapter 11 exit on possibility of near-term liquidity shortfall
Diamond Sports	2/21/21	Media & Entertainment	Downgrade (S&P)	Debt tumbles on weak earnings, expectations company will pursue distressed exchange. Previously lowered to CCC+ on unsustainable capital structure

Source: Debtwire; LCD, Reorg Research

SELECT RECENT BANKRUPTCY FILINGS

Company	**Alamo Drafthouse Cinema**	**Paper Source**	**Brazos Electric Power**	**Consulate Health Care**
Industry	Leisure	Retail	Power	Healthcare
Petition Date	March 3, 2021	March 2, 2021	March 1, 2021	March 1, 2021
Venue	Delaware	Virginia Eastern	Texas Southern	Delaware
Ownership	Private	Private	Private	Private
Filing Type	Free Fall	Pre-Filing Sale Process	Free Fall	Free Fall
Prepetition Debt ($M)	$123	$103	$2,290	N/A
Capital Structure Overview ($M)	$5 revolver; $78 term loan; $30 loan; $10 PPP loan	$15 revolver; $58 term loan; $30 second lien term loan	$1,810 secured notes; $480 revolver	N/A
Largest Unsecured Creditors ($M)	1. Summit Glory Property - $2.2 2. 30 West Pershing - $2.0 3. Albee Development - $1.5	1. FedEx – $2.2 2. 83 Spring Street Associates - $0.9 3. Hartford Realty - $0.7	1. ERCOT - $1,809 2. Tenaska Power Services - $84 3. J. Aron & company - $76	1. Genesis Rehabilitation - $57 2. Healthcare Services Group - $19 3. Omnicare - $11
Key Notes	• Alamo Drafthouse Cinema Holdings filed for bankruptcy on March 3rd with a $60M DIP requiring an auction for the company's assets on May 2nd • The company's lenders agreed to provide the DIP, consisting of $20M in new money and a rollup of the company's pre-petition debt, planning to credit bid for the company's assets	• Paper Source filed for bankruptcy on March 2nd seeking to sell substantially all its assets to stalking horse bidder MidCap Funding Investment • Among other goals, the debtor's plan to rationalize their real estate portfolio. Notably, they plan to renegotiate lease terms to align with prevailing market rates	• Brazos Electric Power Cooperative filed for bankruptcy on March 1st because the company was unable to pay $2.1B in costs • These large liabilities were caused by a severe February winter storm in Texas that resulted in rolling blackouts and dozens of fatalities in the state	• CMC II (d/b/a Consulate Healthcare) filed for bankruptcy on March 5th due to a $258M legal judgement • The company seeks to partake in a bankruptcy sale process and has the support of a $5M DIP facility to maintain operations

Company	**Belk**	**Country Fresh**	**Mercy Hospital**	**Seadrill Limited**
Industry	Retail	Food & Beverage	Healthcare	Oil & Gas
Petition Date	February 23, 2021	February 15, 2021	February 10, 2021	February 10, 2021
Venue	Texas Southern	Texas Southern	Illinois Northern	Texas Southern
Ownership	Private	Private	Private	(OTCMKTS: SDRLF)
Filing Type	Pre-Packaged Plan	Pre-Filing Sale Process	Free Fall	Free Fall
Prepetition Debt ($M)	$1,933	$125	$161	$6,470
Capital Structure Overview ($M)	$358 revolver; $1,575 term loan	$49 credit facility; $70 term loan; $6 PPP loan	$137 credit facility; $24 HUD loan	$897 credit facility; $5,037 term loans; $536 senior notes
Largest Unsecured Creditors ($M)	1. Performics A Division of VN - $17.5 2. LF Centennial Pte - $17.4 3. Clinque Laboratories - $15.4	1. Victory Packaging – $1.0 2. D6 Inc - $1.0 3. Pacific Sales - $1.0	1. Biofire Diagnostics - $0.1 2. General Mechanical Services - $0.1 3. United Security Services - $0.1	1. National Oilwell Varco - $2.4 2. Sodexo Operations - $1.4 3. Cameron International - $1.4
Key Notes	• Belk Inc filed for Chapter 11 on 2/23 and is already seeking confirmation of its plan of reorganization. The office of the US Trustee is objecting to confirmation, taking particular issue with the speed of the process and some of the plan's proposed releases	• Country Fresh Holding company filed for Chapter 11 with plans to sell its assets backed by a $55M stalking horse bid from Stellex Capital Management and $13M in DIP financing from a group of prepetition lenders • The DIP agreement with the ad hoc lender group requires the company to secure approval for a sale by 26 March	• Mercy Hospital & Medical Center filed for bankruptcy intending to use the Chapter 11 process to wind down and close their Chicago hospital by May 31st • The Hospital is part of a holding group owned by Trinity Health Corporation. Trinity, a non-profit, has not filed for Chapter 11 protection and has suffered substantial losses funding Mercy Hospital	• Seadrill Limited filed for Chapter 11 bankruptcy for the second time in three years, originally emerging from bankruptcy in 2018 • The company joins its affiliates Seadrill Partners and Asia Offshore drilling in Chapter 11 • The company intends to fund its cases through cash collateral and does not have a timetable for emergence

Source: Debtwire; Company Filings

GENERAL MARKET UPDATE

The S&P, Dow, and Nasdaq all finished positively on Friday. The positive finish to the week occurred after the major indices rallied following a sharp sell-off midday Friday.

February finished with surprisingly strong job growth adding 379,000 jobs. This signals that the economy could be at a pivot point. Economists say that it would not be surprising to see job growth of 500,000 or more for multiple months ahead. In late February, the number of houses for sale was reportedly half of what it was at the same time a year earlier according to realtor.com.

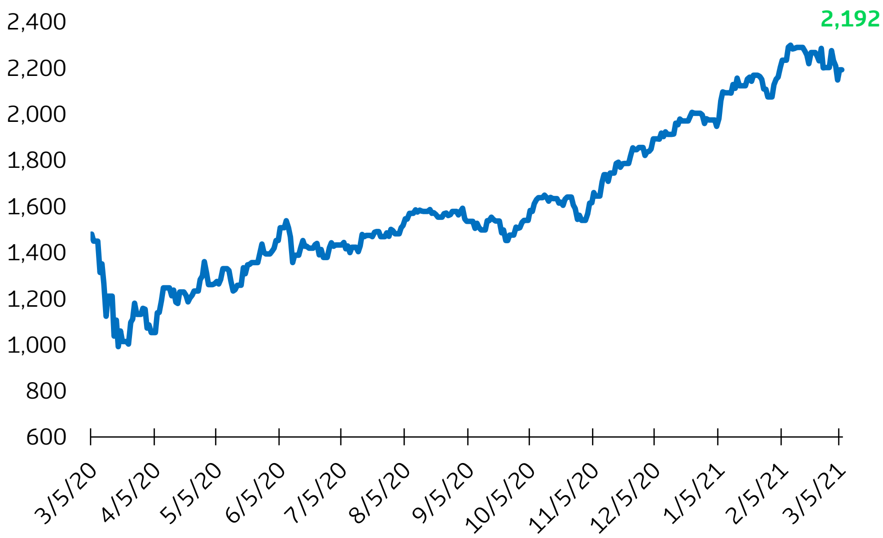
COWEN INSIGHTS

THE WHEEL: $1.9T RELIEF SOON TO TURN TO $3.0T RECOVERY (Link to Report – HERE)

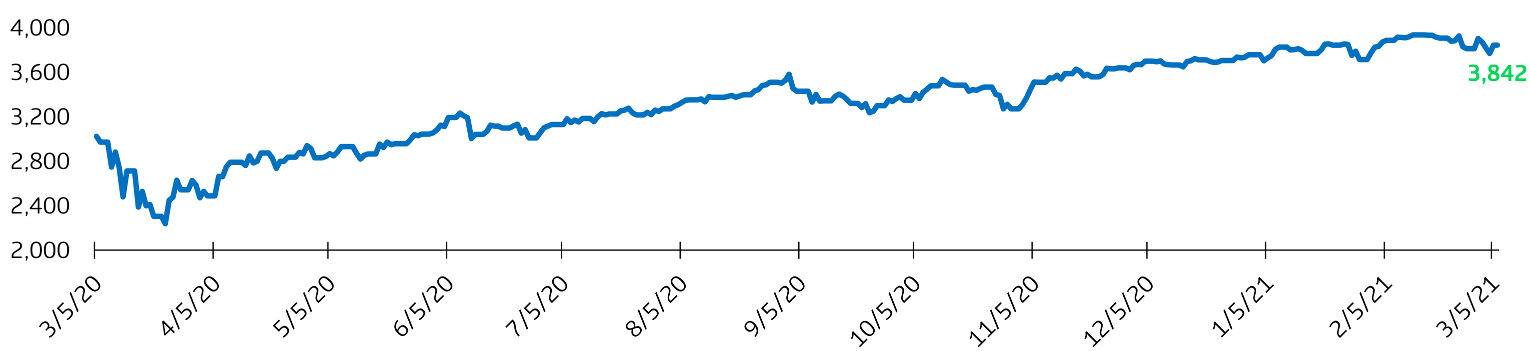
The $1.9T stimulus relief passed in the Senate this weekend. Congress is expected to follow suite early next week with the President signing off by the March 14 benefits cliff. Once passed, the shift will focus on a potential $3.0T recovery bill with passage possible by late third quarter of 2021.

For the 49th week in a row, over 1M Americans filed for 1st time unemployment claims.

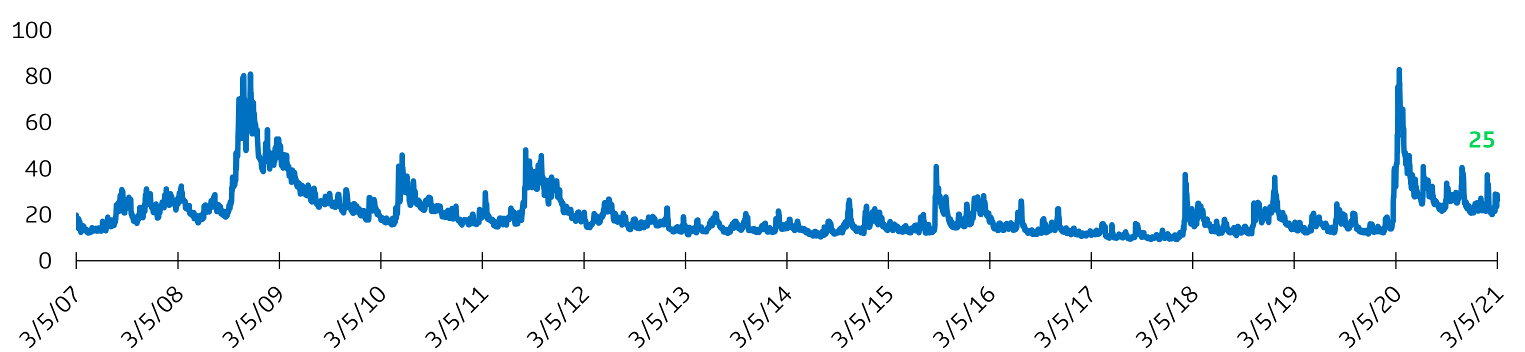
RUSSELL 2000



S&P 500



MARKET VOLATILITY – VIX



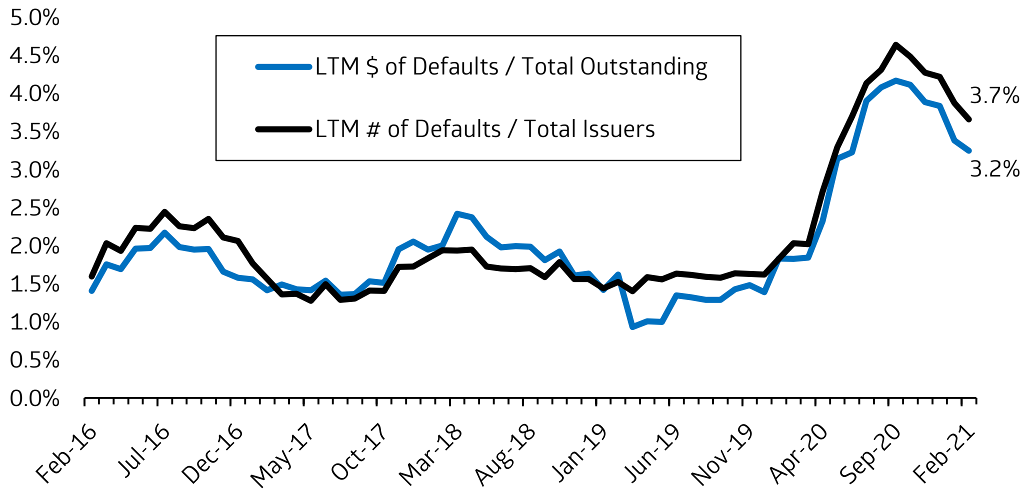
Note: Prices reflect market close as of 3/5/21
Source: Cowen Equity Research, CapitalIQ, Reuters, NBC News

CREDIT MARKET UPDATE

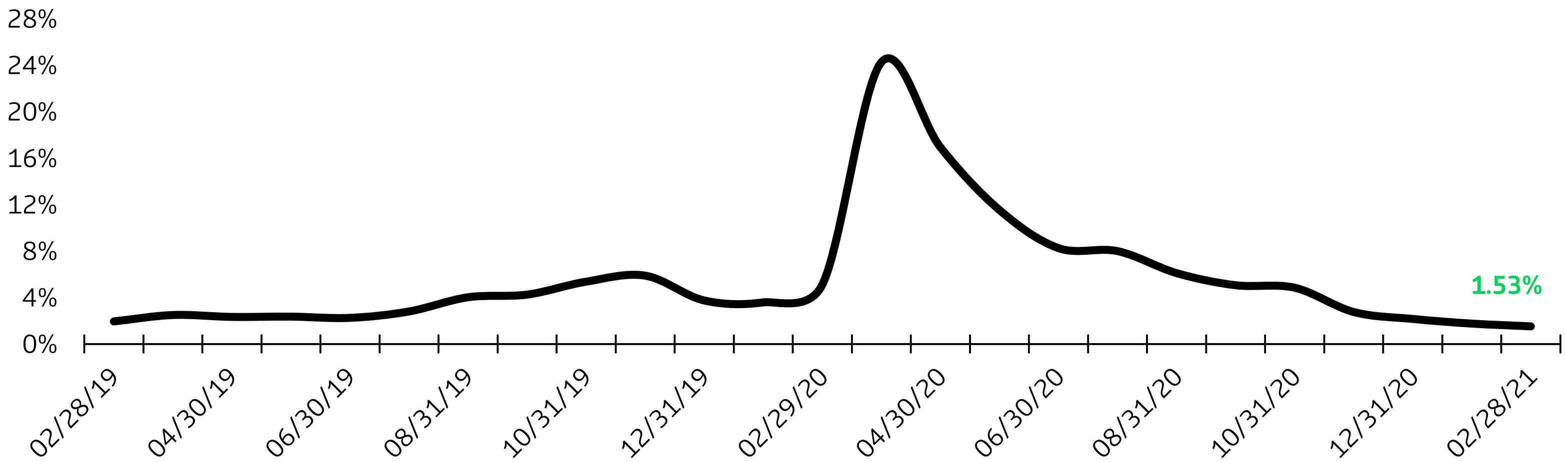
2021 has seen default rates continue to fall from historic levels that have not been experienced since the 2008 financial crisis.

February 2021 LTM defaults in dollars as a percentage of total outstanding loans was recorded at 3.2%; compared to 1.8% in February 2020. February 2021 LTM number of defaults as a percentage of total loan issuers was recorded at 3.7%; compared to 2.0% in February 2020.

S&P / LSTA LEVERAGED LOAN INDEX DEFAULT RATES



DISTRESSED RATIO BY AMOUNT OUTSTANDING (% OF LOANS PRICED BELOW 80) - S&P/LSTA LEVERAGED LOAN INDEX



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