

RESOLUTE INDEX

BANKRUPTCY | RECEIVERSHIP

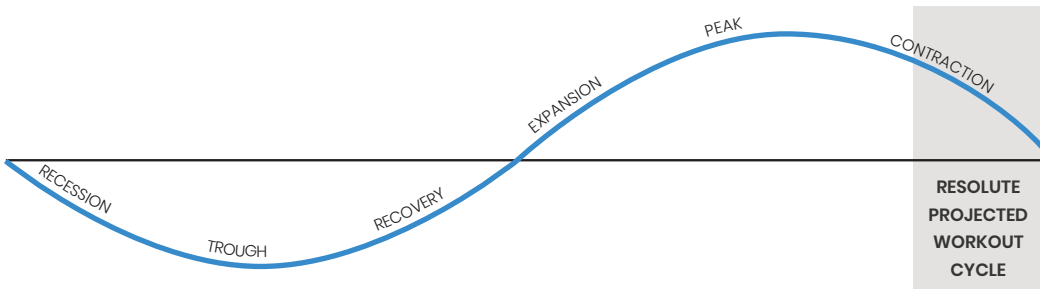
Q2 2022
Middle Market
Workout Business
Review

Seven of 10 states in the Rocky Mountain West Region reported fewer middle market business bankruptcies during the first half of 2022 than during the same period in 2021. This is notable as business bankruptcy filings were already historically low in 2021.

Three Arizona middle market business filed bankruptcies within the second quarter. This is a slight increase compared to the first quarter but is still well below 2021 bankruptcy levels.

State of the Workout Environment

Projected outlook for the turnaround industry



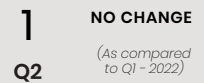
WORKOUT TREND



ARIZONA MIDDLE MARKET BANKRUPTCY

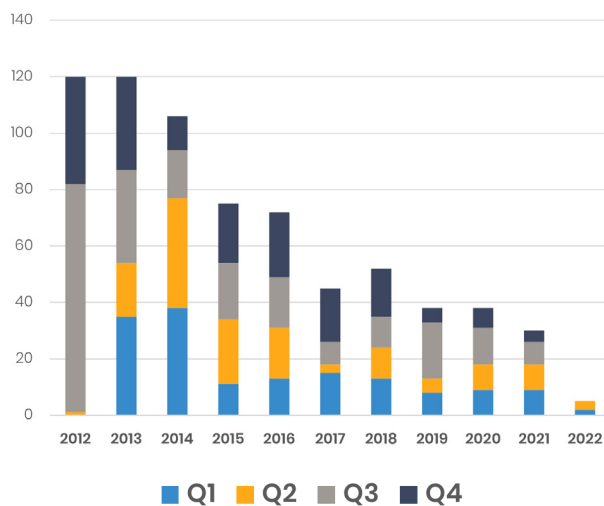


ARIZONA MIDDLE MARKET RECEIVERSHIP



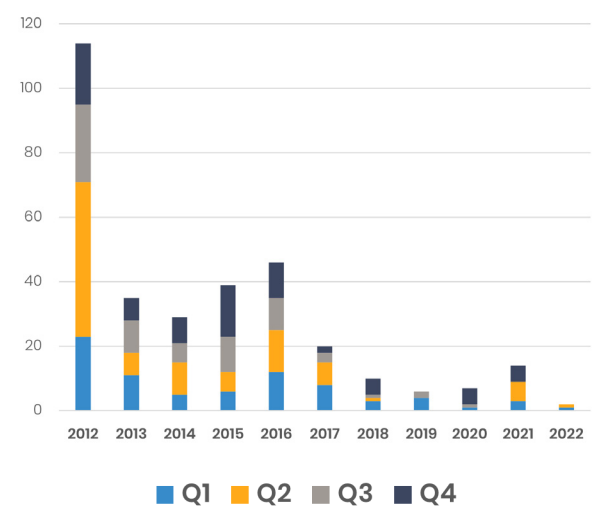
Arizona Middle Market Bankruptcies by Year

In business filings with \$1MM+ in liabilities



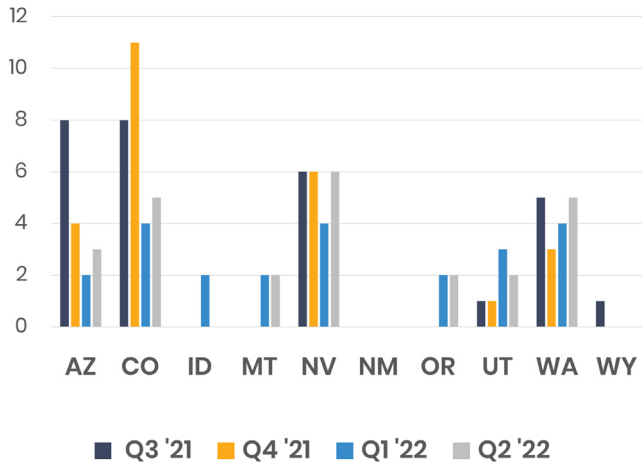
Arizona Middle Market Receiverships by Year

In business filings with \$1MM+ in liabilities



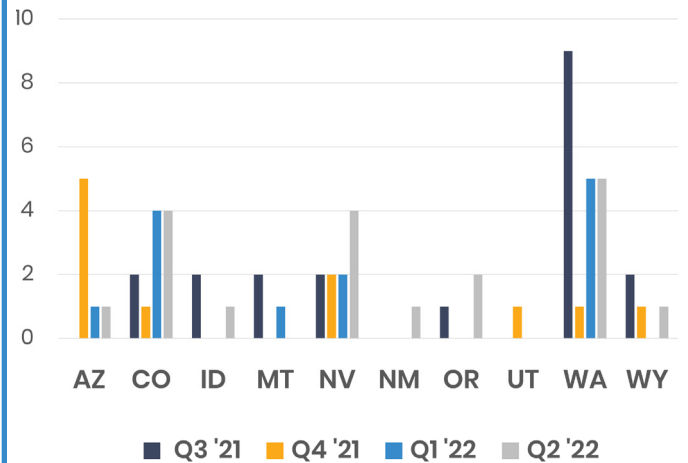
RMW Middle Market Bankruptcies- Past 4 Quarters

In business filings with \$1MM+ in liabilities



RMW Middle Market Receiverships - Past 4 Quarters

In business filings with \$1MM+ in liabilities



TAKEAWAYS:

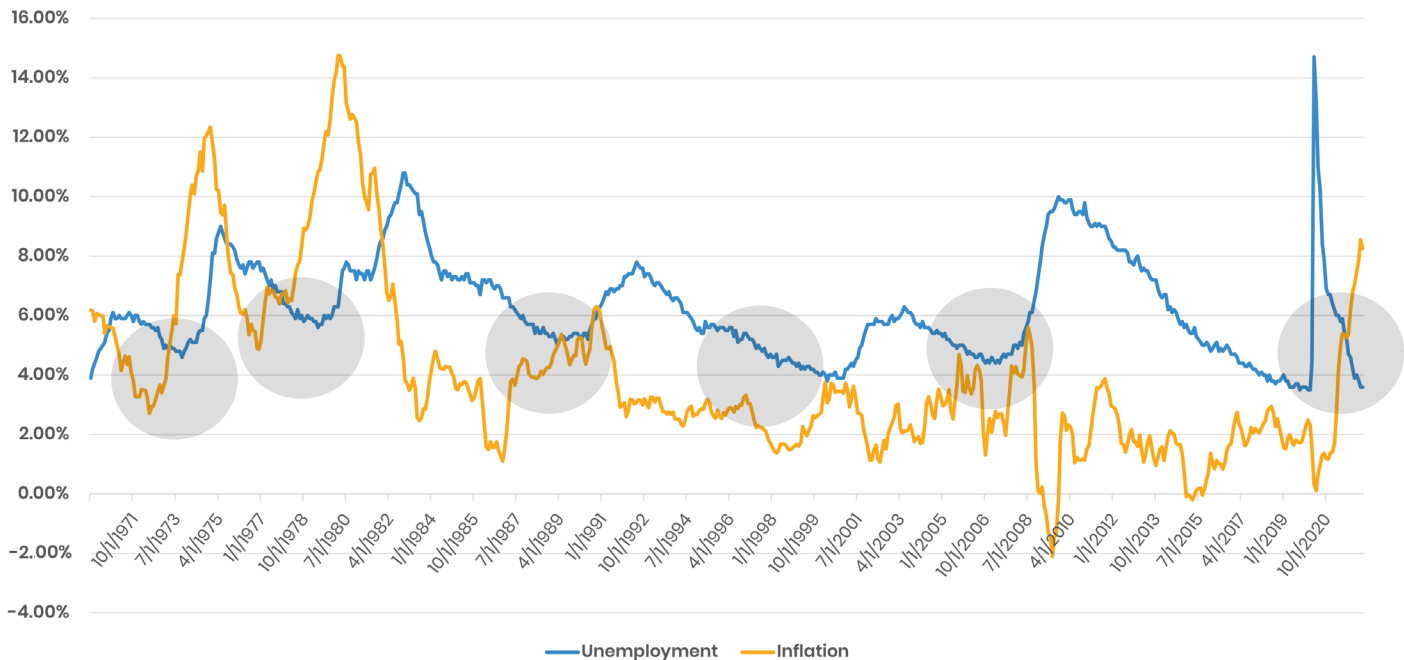
Arizona, Colorado and Nevada have all recorded significant decreases in middle market bankruptcies this year. While Utah and Montana, states in the region that typically see relatively few bankruptcies, have already experienced more middle market

bankruptcies throughout the first six months of 2022 than they did in all of 2021.

Industry insiders we've spoken with expect business bankruptcies to remain low until the end of this year or early 2023.

Predictors of Recession: Inflation & Unemployment

Unemployment vs Inflation, 1970 - 2022

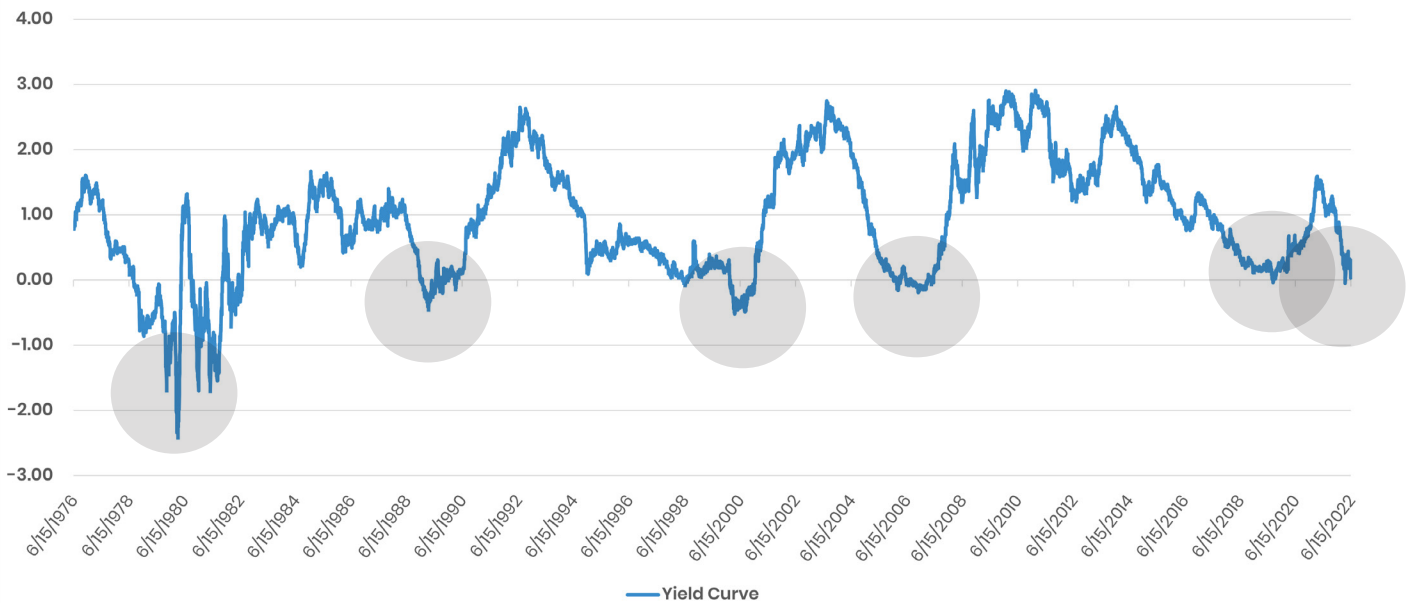


WHY IT MATTERS:

“Over the past 75 years, every time inflation has exceeded 4% and unemployment has gone below 5%, the U.S. economy has gone into a recession within two years” - Former Treasury Secretary Lawrence Summers in *Fortune*

Predictors of Recession: Yield Curve Inversion

Yield Curve by Day, 1976–2022



WHY IT MATTERS:

A 2s/10s yield curve inversion—where yields on short-term two-year government bonds outpace those on long-term 10-year government bonds—has predicted every recession since 1955, with only one false signal during that time, according to *Fortune*.

The average time frame for a recession after the yield curve inverts: between 6 and 24 months—hence, all the predictions of a recession by 2023.

TAKEAWAYS:

Historical indicators regarding inflation, unemployment and the yield curve inversion indicate a recession is on the horizon, if it hasn't started already. Most experts seem to agree. However, economic uncertainties related to recession, inflation and high gas prices do not yet appear to be impacting bankruptcies in the Rocky Mountain West region.

Most of our industry insider sources theorize bankruptcies are low because many companies are opting to restructure their debt out of court through processes like the Assignment for the Benefit of Creditors.

ABOUT THE RESOLUTE INDEX

The Resolute Index was created to provide an overall interpretation of Arizona's workout industry trends. This report analyzes the individual workout dynamics at play in the State of Arizona and its comparison with those same metrics on a regional level. In addition, the Resolute Index measures noteworthy trends in bankruptcy filings and the overall business climate in the Rocky Mountain West region of the United States, which includes Washington, Oregon, Idaho, Montana, Wyoming, Nevada, Utah, Colorado and Arizona.

Our proprietary database of receivership and bankruptcy filings for entities with assets over \$1MM creates unique insights. The Resolute Index shares our assessment of the overall workout environment as it relates to the data compiled in our research.

ABOUT RESOLUTE

Since 2008, Resolute has been providing solution-oriented financial advisory services including corporate renewal, receivership, forensic accounting and litigation support. Resolute has provided services in 36 states across the country and has been involved with more than 350 distressed engagements with assets totaling over \$1 Billion. Resolute's ability to maximize value in entangled business situations has been utilized by financial institutions, corporations, law firms, state courts, and federal courts.

The information and any statistical data contained herein were obtained from sources that we believe to be reliable, but we do not represent that they are accurate or complete, and they should not be relied upon as such. All estimates and opinions expressed herein constitute judgments as of the date of this report and are subject to change without notice.