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VALCON 2022

# **Making Sense of a Distress-less Investing Market: Sustainable, Cyclical or Illusionary?**

**Pauline Chow, Moderator**

Birch Lake Associates, LLC | Chicago

**Andrew Feng**

Quaestor Strategic Advisors LLC | New York

**Bradley Foxman**

Vinson & Elkins LLP | Dallas

**Michael Katzenstein**

FTI Consulting, Inc. | New York

**Melissa S. Kibler**

Accordian Partners | Chicago



Making Sense of a Distress-less  
Investing Market –  
**Sustainable**, **Cyclical** or **Illusionary**?

Through the looking glass of examining distress cycles in the U.S. over the last century, this roundtable will examine the current bull market including the impact of evolving capital sources on the lack of distressed investing and restructuring opportunities.



## Roundtable



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Birch Lake Associates, LLC | Chicago



Michael Katzenstein  
FTI Consulting Inc. | New York



Andrew Feng  
Quaestor Strategic Advisors LLC | New York



Melissa Kibler  
Accordion Partners | Chicago



Bradley Foxman  
Vinson & Elkins LLP | Dallas



## Disruptions

Supply  
Chain  
Logjam

Post-  
Pandemic  
Stress

Market  
Volatility

Surging  
Inflation

Russia &  
Ukraine  
Conflict

U.S.  
Political  
Polarization

Geopolitical  
Instability

Escalating  
Interest  
Rate

Labor  
Shortage

Commodity  
Pricing

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## Historical Cycles



Source: National Bureau of Economic Research

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## Expansion Cycle in U.S. History

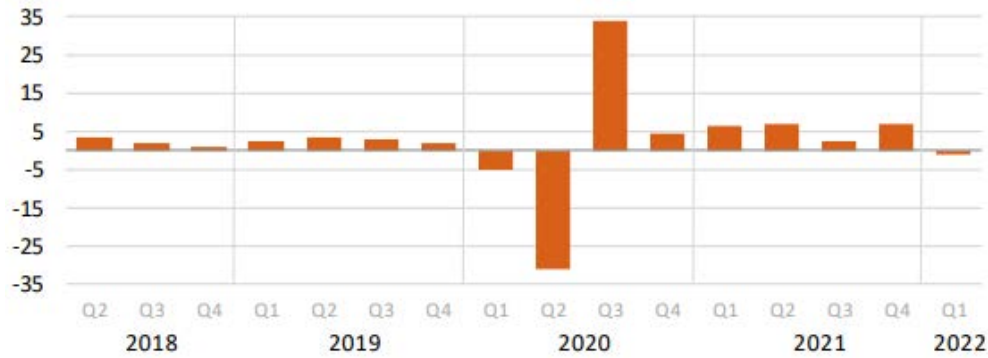


\* The NBER broadly defines an expansion as a period, usually lasting several years, during which economic activity rises substantially, spreading across the entire economy.  
Sources: National Bureau of Economic Research, BEA

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## U.S. Real GDP: Percentage Change From Preceding Quarter

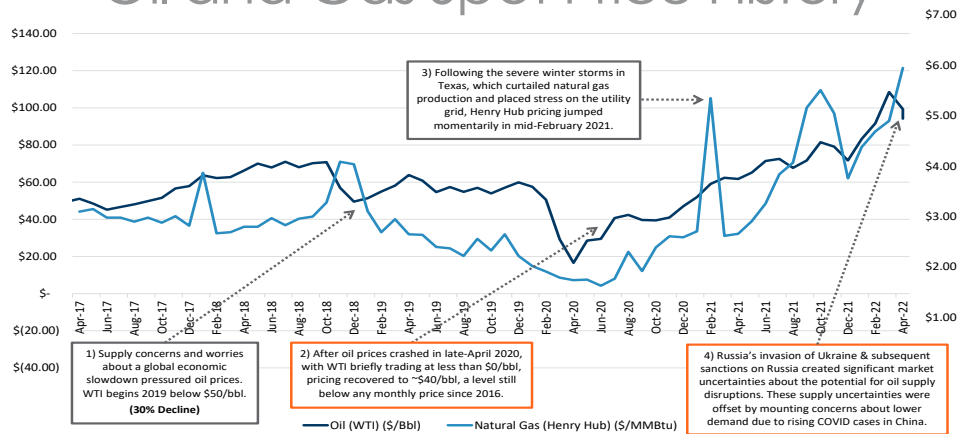


Source: U.S. Bureau of Economic Analysis (seasonally adjusted at annual rates)

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## Oil and Gas Spot Price History

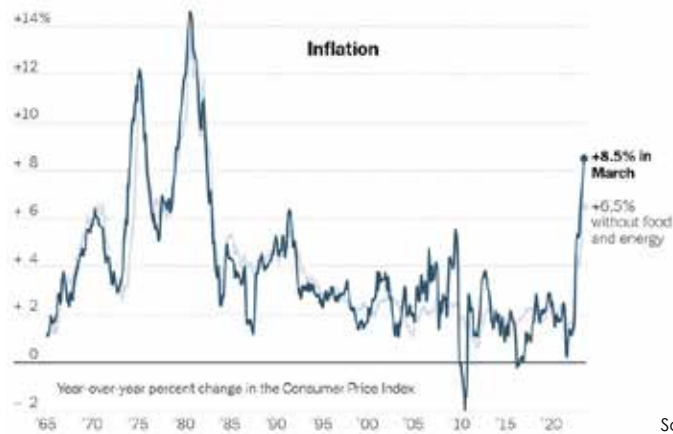


Sources: EIA, Bloomberg, last updated April 28, 2022

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## 10-Year Inflation Expectations are at Record Highs



Source: Bureau of Labor Statistics

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## Bond and Stock Yields Trail Inflation

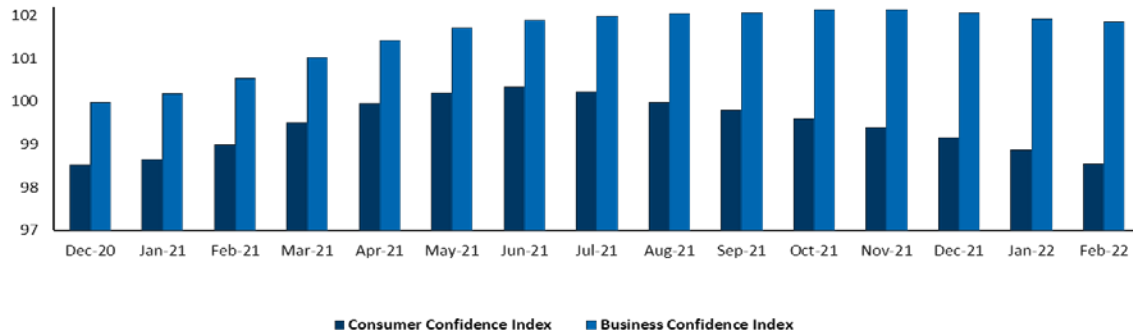


Source: Bloomberg

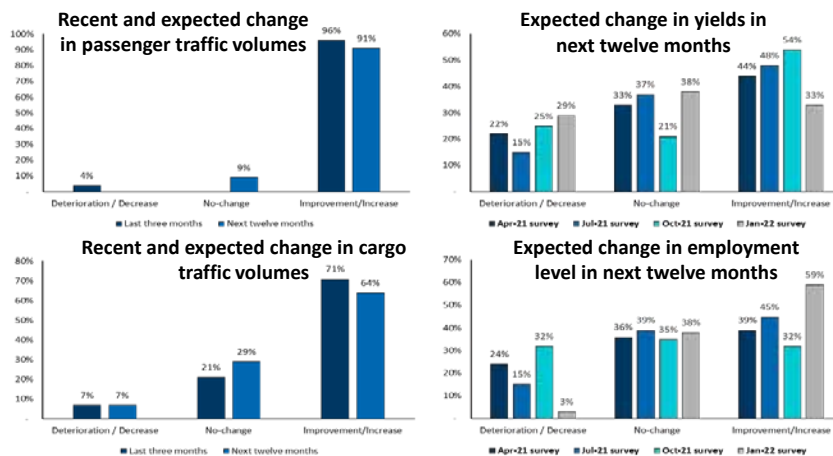


## Consumer Confidence Continues to Slip

Business vs. Consumer Confidence



## January 2022 Survey Points to a Mixed Outlook on Return to Air Travel and Profitability



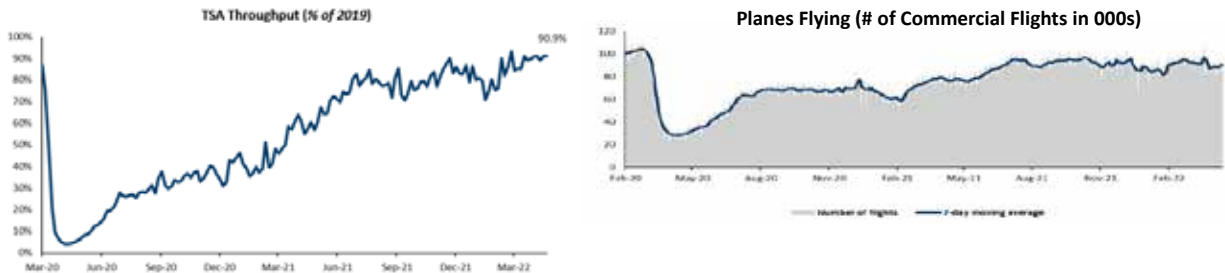
Sources: IATA, FTI Analysis



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## Domestic Throughput Shows Volatile, but Steady Recovery



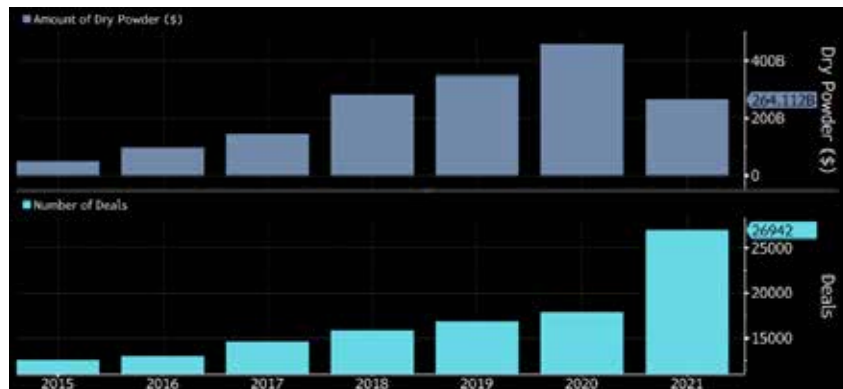
Sources: Transportation Security Administration, Flight Radar

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## Historical Dry Powder & Deals

To finance the approximate 2,700 deals in 2021, funds tapped billions of dollars in uninvested capital, ending the year with dry powder down about 40% from 2020 and at the lowest level in four years.

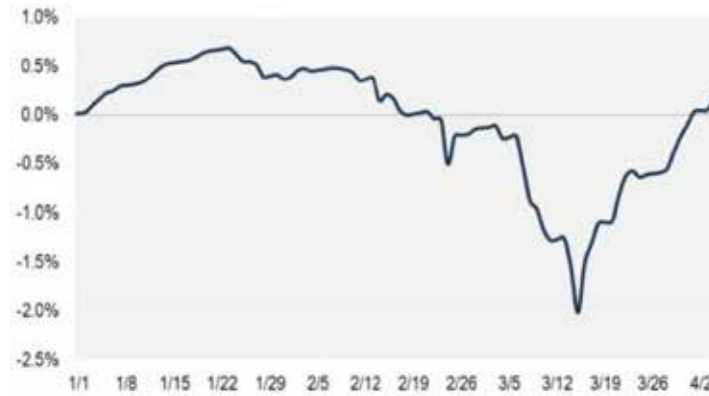


Source: Bloomberg





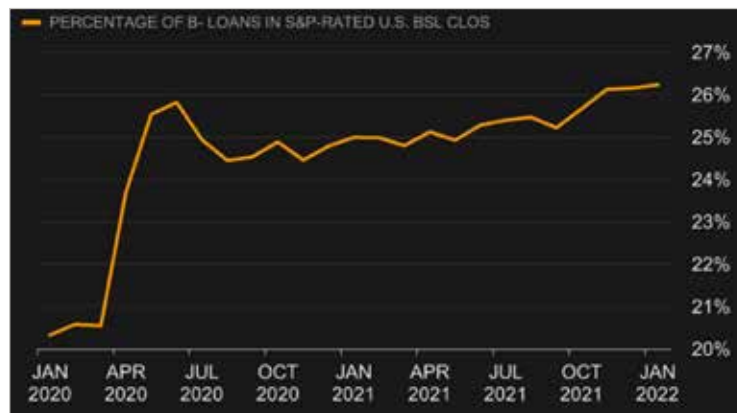
## U.S. Leveraged Loan Cumulative Return for 2022



Sources: Leveraged Loan Commentary & Data, S&P/LSTA Leveraged Loan Index (date through April 4, 2022)



## Leveraged Loans with B- Rating Surge

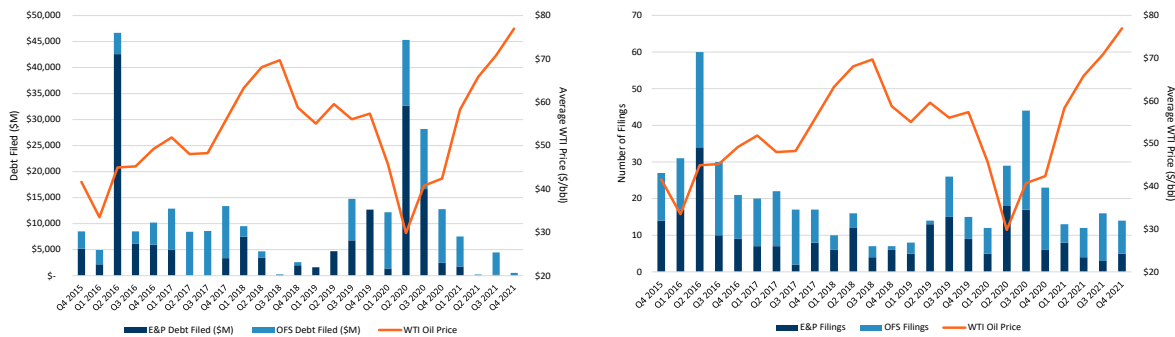


Source: S&P Global Ratings



## Bankruptcy Filings: Oil & Gas

Since January 1, 2015, there have been 567 bankruptcy filings in the energy sector (E&P and OFS) representing approximately \$298.5 billion. There were 274 bankruptcies in the E&P space and 293 bankruptcies in the OFS space.

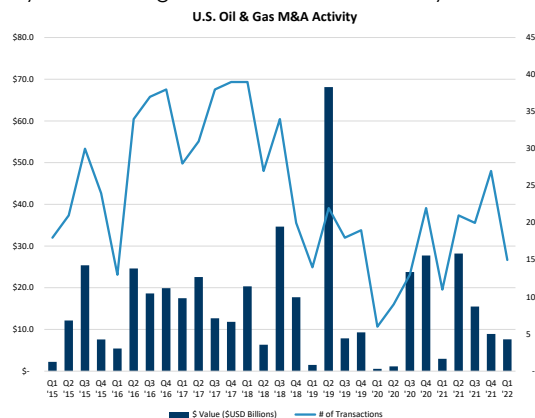


Source: Haynes & Boone E&P and OFS Bankruptcy Monitor (as of January 31, 2022)



## Oil and Gas M&A Activity

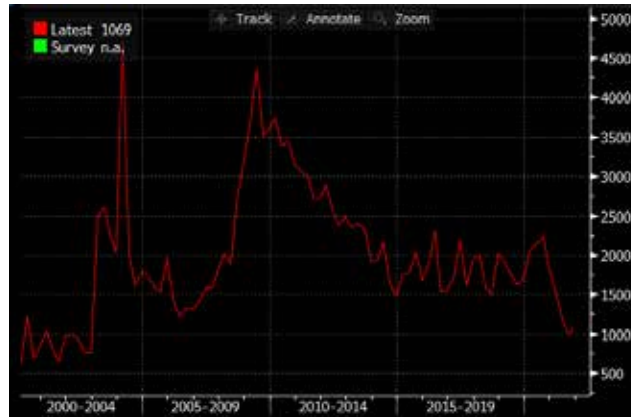
Increased capital markets activity in Q2 through Q4 2021 was followed by decreased transactions during Q1 2022.



Sources: Cap IQ (excluding transactions < \$25 million)



## U.S. Total Chapter 11 Filings (1995-2021)



Source: Administrative  
Office of the U.S. Courts  
Statistical Division)

# Faculty

**Pauline Chow** is a director with Birch Lake Associates, LLC in Chicago and focuses on the firm's strategic, operational and value-creation process through identifying new portfolio opportunities and helping lead the disciplined due diligence and execution of business opportunities. She is also responsible for leveraging and fortifying relationships and communications with the firm's strategic alliances, operating partners, referral sources and vendors. For two decades, Ms. Chow supported the partnership at Skadden, Arps, Slate, Meagher & Flom LLP in its design and implementation of strategic corporate intelligence, marketing and business development initiatives. She is active in the women-led investment community as a member of the Private Equity Women Investor Network (PEWIN), Women's Association of Venture & Equity (WAVE) and Women Investment Professionals (WIP). She also is a member of the Association for Corporate Growth and Turnaround Management Association and their respective women's networks. Ms. Chow holds FINRA 7, 63 and 79 licenses. She received her B.A. in political science from the University of Illinois at Urbana-Champaign and studied at American University Washington, D.C., and The London School of Economics and Political Science.

**Andrew Feng** is president of Quaestor Strategic Advisors in New York and has specialized in portfolio company operations and value-creation for more than a decade. His operations experience spans many industries and company stages. Before joining QSA as founding president in 2020, Mr. Feng was senior vice president for portfolio operations at MacAndrews & Forbes, a firm that operates an array of businesses ranging from global leaders in cosmetics to biotechnology and military equipment. Before that, he was managing director and head of North America Portfolio Operations at Värde Partners, a \$16B global alternative investment firm, where he focused on specialty finance, commercial real estate servicing, residential mortgage and natural resources companies, and was a board member of many of these companies. Prior to that, he was senior principal at Kohlberg Kravis Roberts (KKR) Capstone Asia, where he led business and operations transformation at portfolio companies in the consumer, industrial manufacturing, retail and media sectors. Before turning to private-equity operations, Mr. Feng held operating leadership roles with General Electric, Danaher Corp., UnitedHealth Group and Summit Global Group, where he was CFO and COO. He received his B.A. in business administration from Beloit College and his M.B.A. from Harvard Business School.

**Bradley Foxman** is a Restructuring & Reorganization partner with Vinson & Elkins LLP in Dallas, where his primary area of practice includes all aspects of restructuring and reorganization, including the representation of lenders, buyers, debtors, creditors and trustees. He has experience advising clients on all aspects of financial distress, including liability management transactions, corporate workouts and restructurings, distressed-asset acquisitions and divestitures, bankruptcy litigation, counterparty risk, and reorganization and insolvency proceedings. Mr. Foxman has worked with banks, syndicated bank groups and agents, private-equity funds, public companies, portfolio companies, nonbank lenders, strategic buyers, debtors and chapter 7 trustees, among others. He has experience in the energy industry, including both onshore and offshore upstream, midstream, downstream, services and power. Additionally, he has represented clients in a range of other industries, including real estate, retail, manufacturing, technology and agriculture. Mr. Foxman's experience in complex

chapter 11 cases covers all phases, including case-preparation, DIP and exit financing, merger and acquisition transactions, § 363 sales and stalking-horse bids, plans of reorganization, post-emergence trusts and bankruptcy litigation, and he has experience with prepackaged, pre-arranged and traditional bankruptcies. His practice also includes a substantial amount of consulting and advisory work related to counterparty risks in connection with financings, mergers and acquisitions, joint ventures and other transactions. Mr. Foxman received his B.B.A. with distinction in 2005 from the University of Michigan Steven M. Ross School of Business and his J.D. with honors in 2008 from the University of Texas School of Law.

**Michael Katzenstein** is leader of the Interim Management Practice at FTI Consulting, Inc. in New York. He specializes in in-court and out-of-court restructurings and has led engagements across many industries including traditional and new media, entertainment, technology, biotechnology, telecommunications, and other subscriber-based businesses and investment funds and fund liquidations. He has decades of cross-border restructuring experience and is called upon to advise in many of the largest and most complex situations. Mr. Katzenstein is regularly called upon to lead and assist in implementing strategy for companies in financial or operating distress or transition. His clients include large and mid-sized corporations and many major financial institutions and hedge funds. Mr. Katzenstein served as chairman of the board of directors at Caribbean Asset Holdings, cable television, ILEC and competitive wireless operations in the U.S. Virgin Islands, British Virgin Islands and St. Maartin. He also served as chairman of the board of directors and member of the executive and audit committees at RCN, a business/enterprise CLEC and broadband services provider in major U.S. markets. In addition, he served on the board of directors and audit committee at Sun-Times Media Group, which owned and operated more than 30 newspaper titles in the greater Chicago market, and the board of directors at GSI Group. Mr. Katzenstein is a post-effective liquidating trustee for the Sun-Times estate and serves as monitor for the benefit of claimant trusts in the first St Vincent's hospital restructuring. On many occasions, he has served as a consulting or testifying witness on industry and corporate governance issues, and he has significant testimony experience, including in his capacity as CRO or financial advisor in restructuring proceedings. He began his career as a mergers and acquisitions and securities lawyer and was a partner in a New York law firm. Mr. Katzenstein received his B.A. in political science from the State University of New York at Binghamton and his J.D. from Boston University School of Law.

**Melissa S. Kibler, CPA, CIRA, CTP, CFF and CDBV** is a senior managing director in the Chicago office of Accordion Partners, which acquired Mackinac Partners, her previous firm, in May 2021. She has 30 years of experience providing financial advisory, restructuring and turnaround management services to Fortune 500 and mid-sized companies and their stakeholders. Ms. Kibler recently served as an expert on feasibility in the Boy Scouts of America matter; CRO in the bankruptcies of Rubio's Restaurants, a 170-unit Mexican coastal grill, and Juno, previously the third-largest ride-hailing company in New York; and as the CFO of Edmentum, a leading provider of K-12 online learning solutions. She also has extensive investigative, litigation and valuation experience, including insolvency-related litigation, avoidance actions, fraud investigations, merger and acquisition disputes, director and officer claims, and other commercial litigation support. Ms. Kibler was previously a senior managing director in the Chicago office and an executive committee member of Mesirow Financial Consulting following its 2004 acquisition of the corporate recovery practice of KPMG LLP, where she had served as partner-in-charge of the Midwest Corporate Recovery practice and the Pacific Northwest Corporate Recovery and Forensic & Litigation Services practices since

1999 after starting her career at PricewaterhouseCoopers. Ms. Kibler currently chairs the American College of Bankruptcy, and her prior leadership roles in professional associations include ABI President and Chair, director of INSOL International and chair of the AICPA Bankruptcy Task Force. She received the 2022 Global M&A Network USA Women Dealmakers DEI Award and the 2021 Global M&A Network's Women's Leadership Award, and she was named the Chicago Chapter Turnaround Management Association's 2021 CTP of the Year, *Consulting Magazine's* 2013 Women Leader in Consulting, Illinois CPA Society's 2011 Women to Watch, the IWIRC 2010 Woman of the Year in Restructuring, *Crain's Chicago Business's* 2004 40 Under 40, and the 2003 CIRA Gold Medal Winner. Ms. Kibler received her B.A. in accounting *summa cum laude* from Texas A&M University and her M.B.A. from Southern Methodist University, graduating first in her class.