

A Brief Primer on the Current Status of Restructuring Sovereign & US Municipal Debt

Bill Brandt

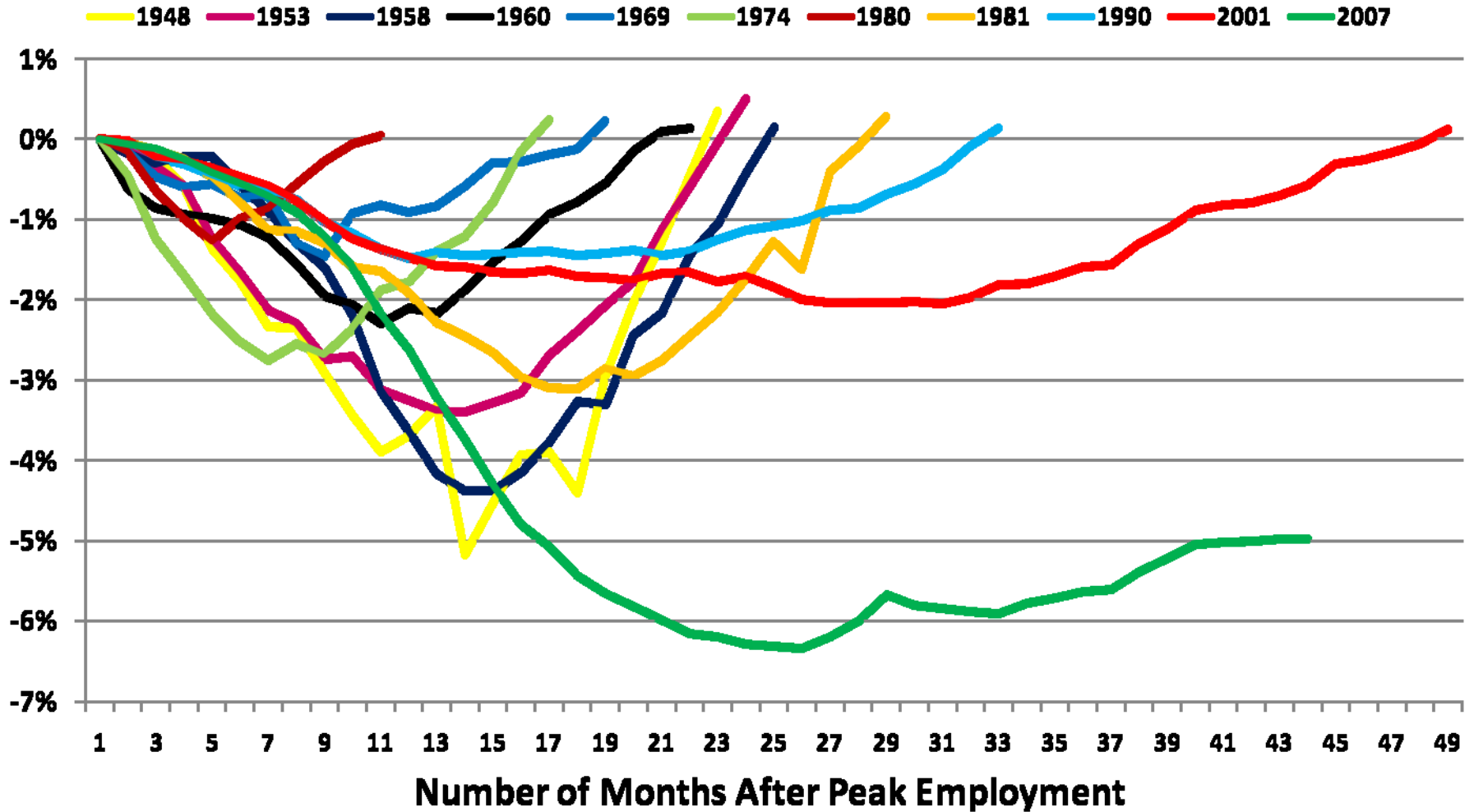
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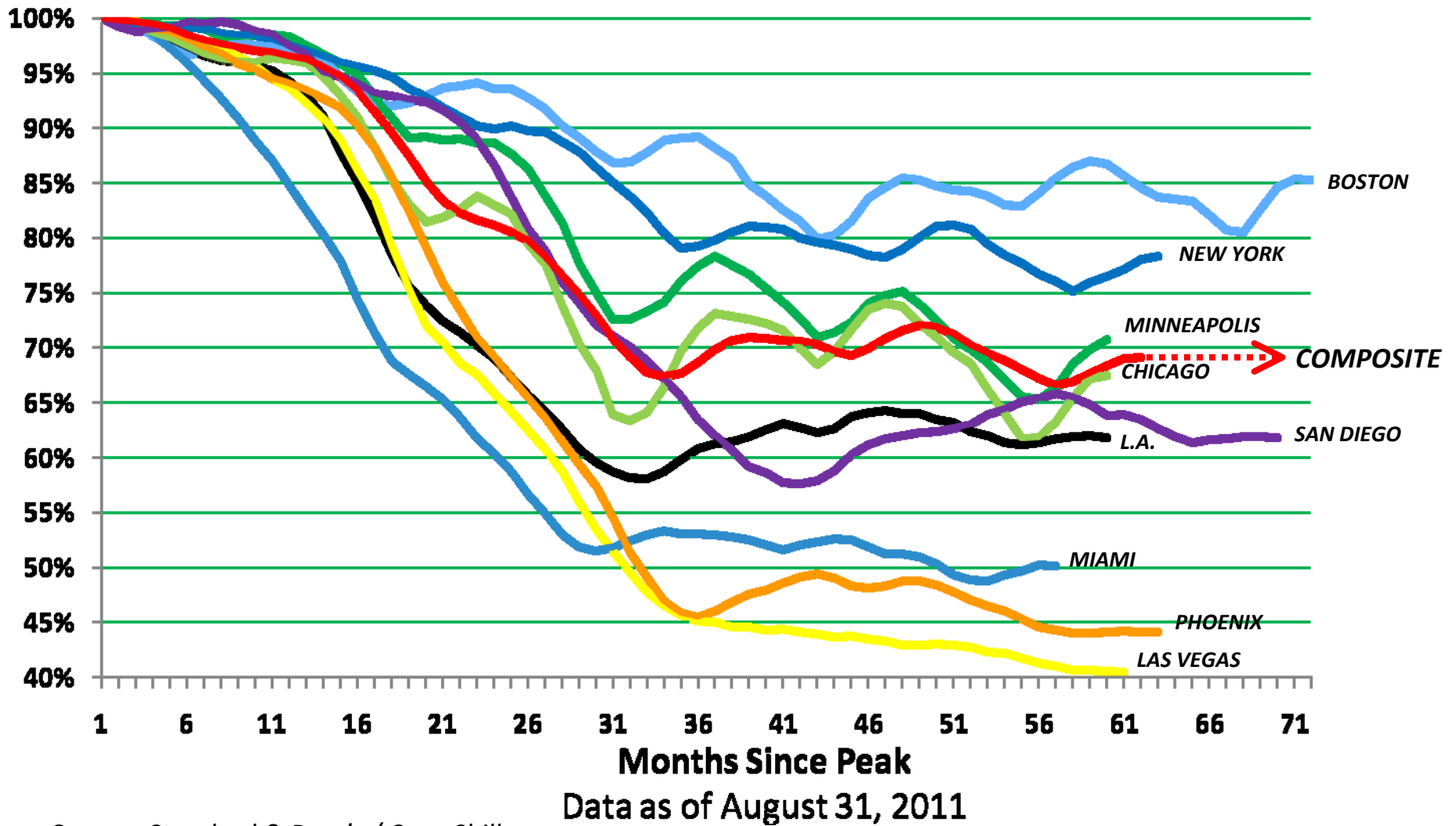
% Job Losses in Post WWII Recessions



Source: *Data360*

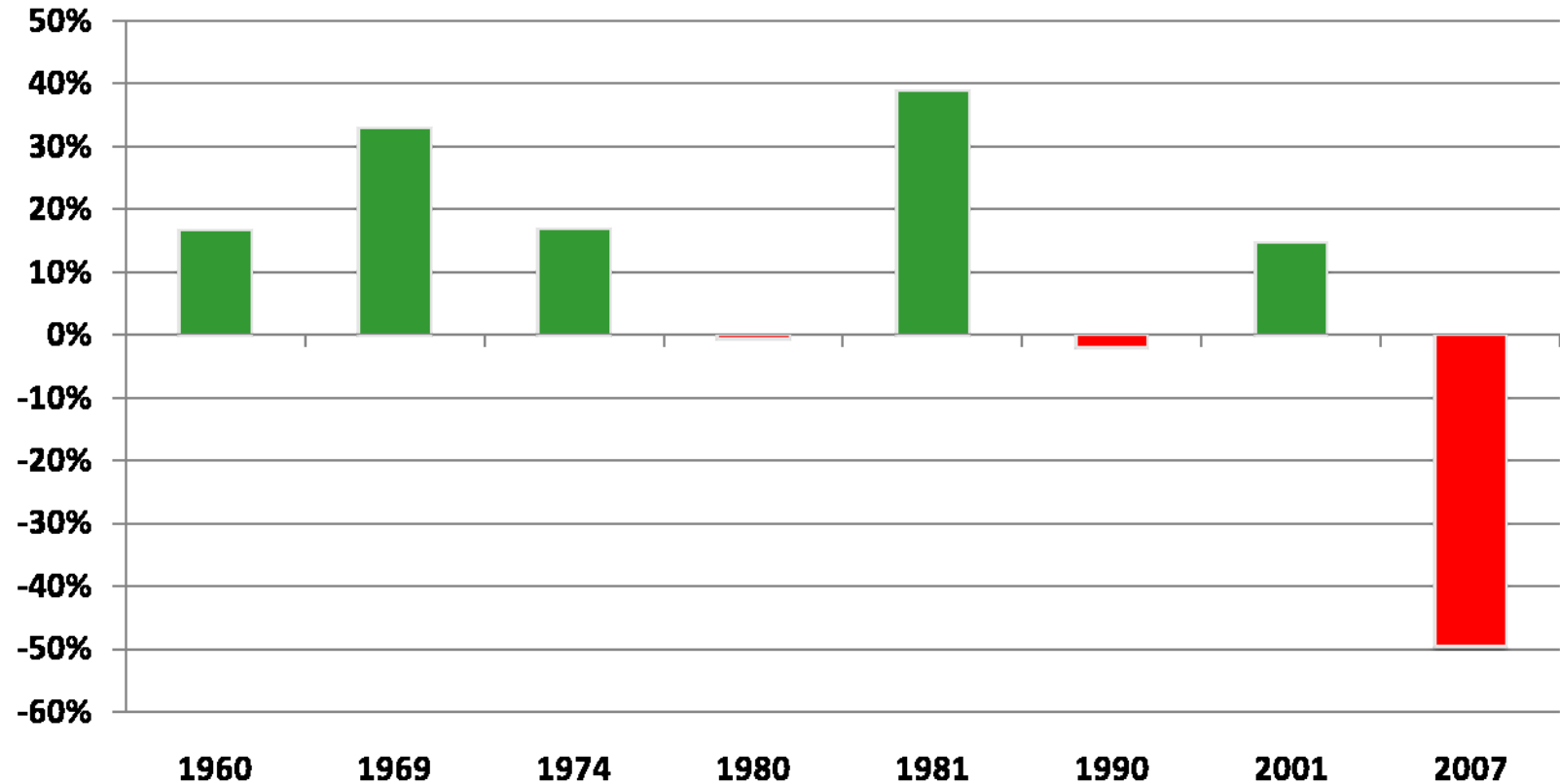
Data as of June 30, 2011

Home Price Index-Decline from Peak



Source: Standard & Poor's / Case-Shiller

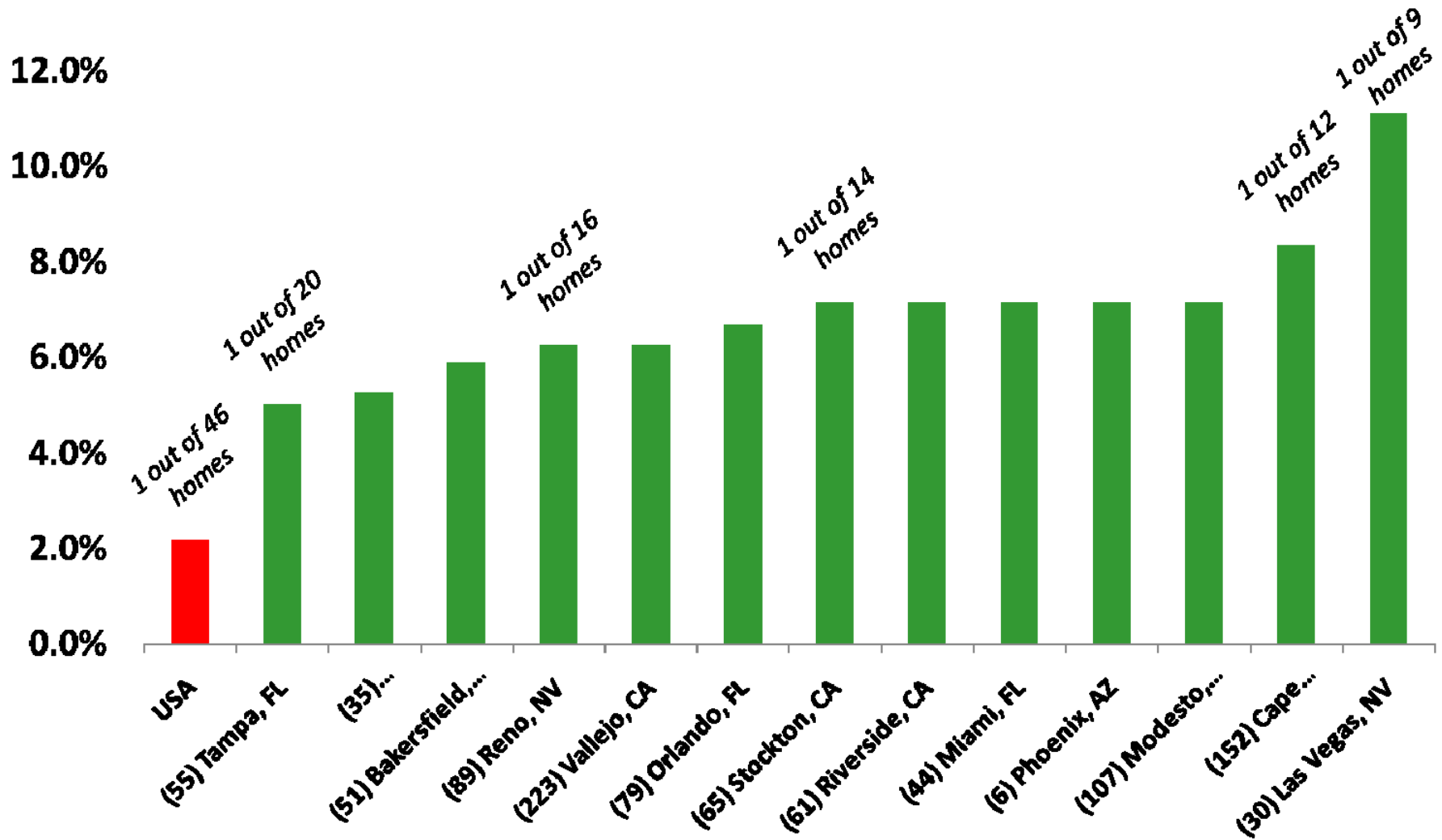
New Privately Owned Housing Units Started



% Change in Housing Starts Following the Beginning of a Recession
(3-Year Post-Recession Average)

Source: U.S. Census Bureau

Foreclosed Homes in 2010



Source: RealtyTrac.com

Lag Effect

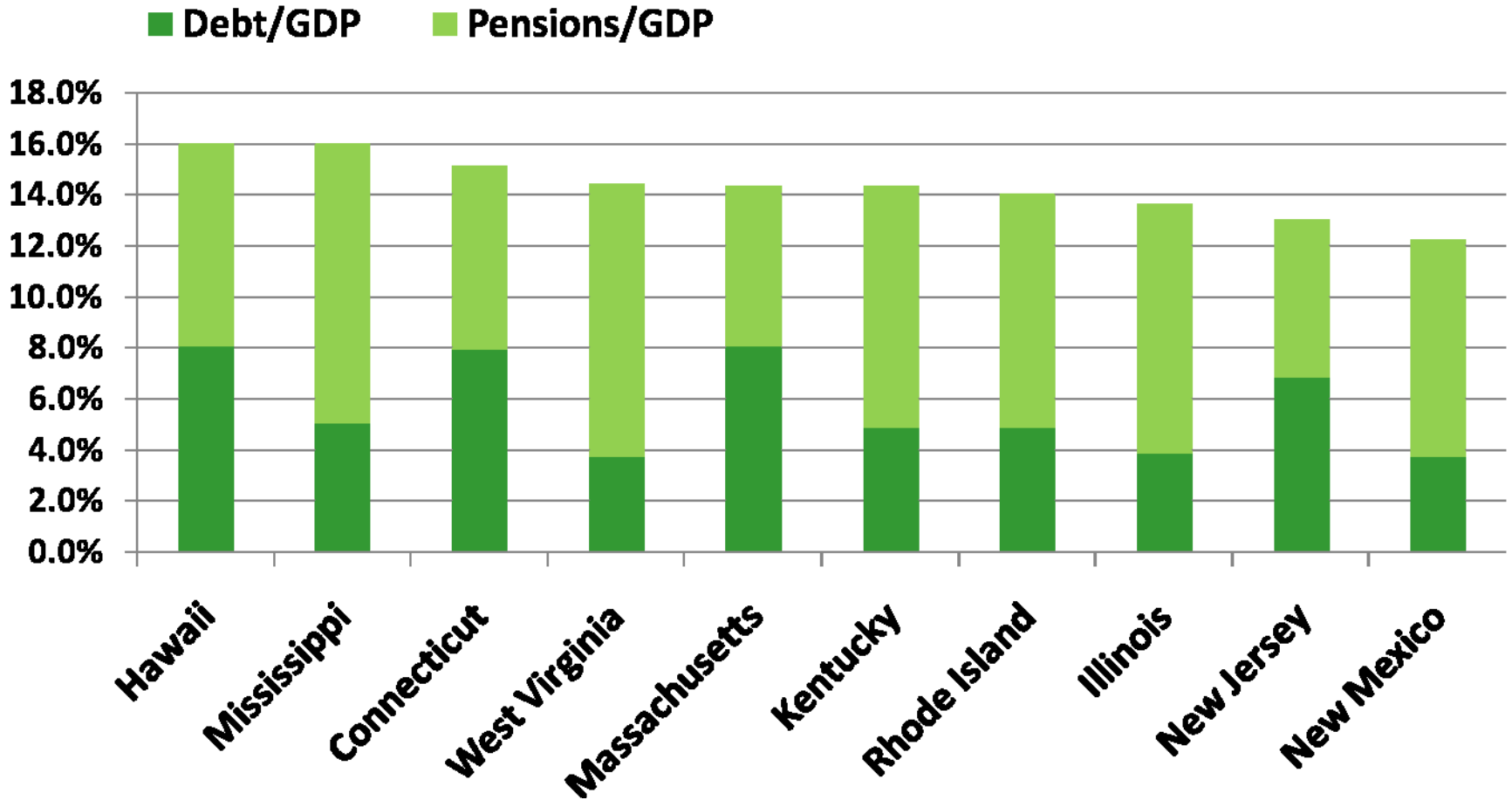
Fiscal 2011 Property Tax Revenues Based on 2008-09 Market Values

Collection Year	Levy Year	Value Calculated As Of	Based on the Market Period
2006	2005	July 1, 2004	January 1, 2003 to June 30, 2004
2007	2006	July 1, 2005	January 1, 2004 to June 30, 2005
2008	2007	July 1, 2006	January 1, 2005 to June 30, 2006
2009	2008	July 1, 2007	January 1, 2006 to June 30, 2007
2010	2009	July 1, 2008	January 1, 2007 to June 30, 2008
2011	2010	July 1, 2009	January 1, 2008 to June 30, 2009
2012	2011	July 1, 2010	January 1, 2009 to June 30, 2010

Example from the notes of the audited financial report of a Colorado school district

Source: *Moody's*

Combined Liabilities as Share of GDP Top 10 States



Source: Moody's Investors Service

Numbers/Facts

Among the 50 states, there are:

- 218 separate state pension plans
- 2,332 local pension systems

State of Delaware

- Pension system is nearly fully funded
- Credit rating is AAA

State of Indiana

- Public Employees Retirement System is 94% funded
- Teacher Plan is 43% funded

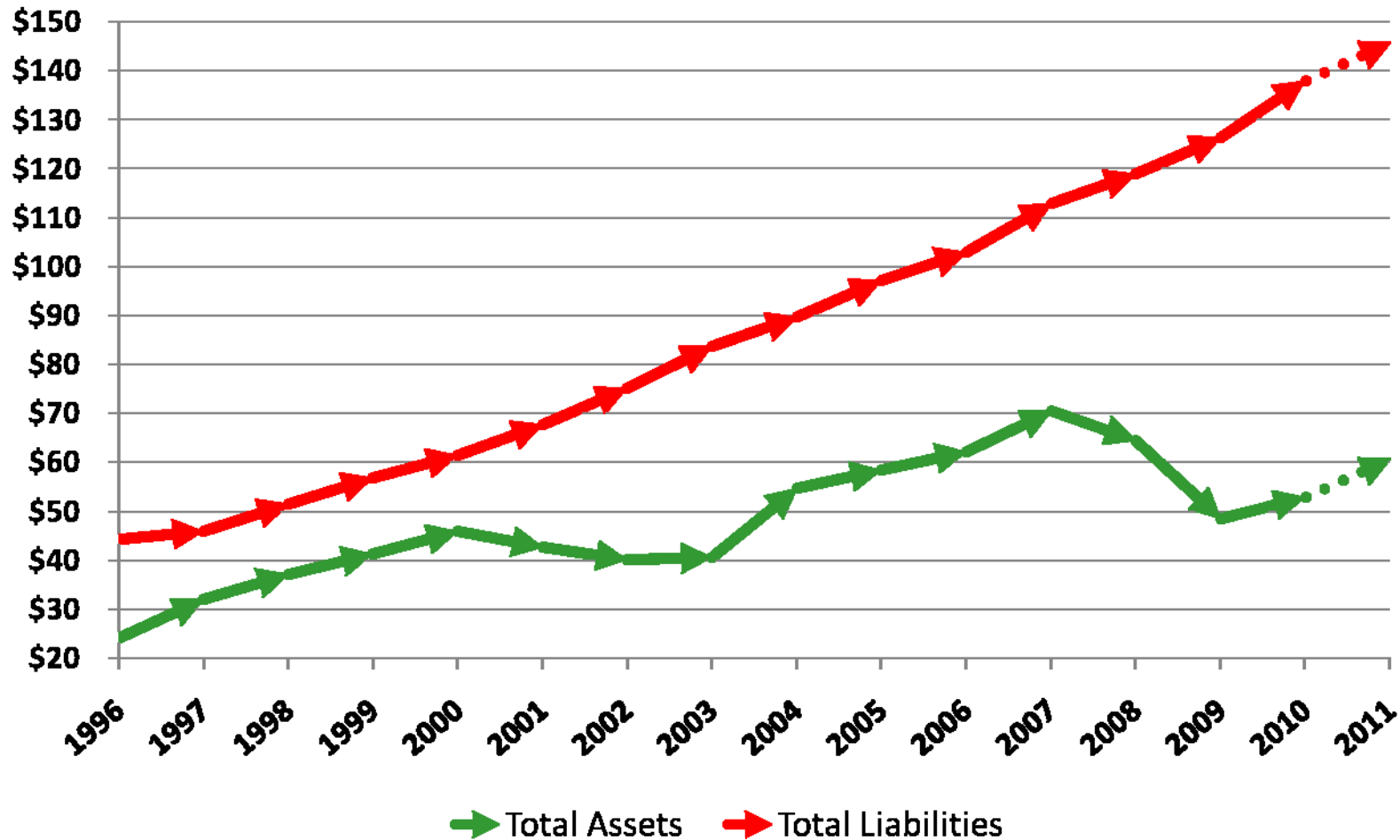
State of New Jersey

- Public Employees Fund is 56% funded
- Local Fund is 71% funded
- Teacher Plan is 64% funded

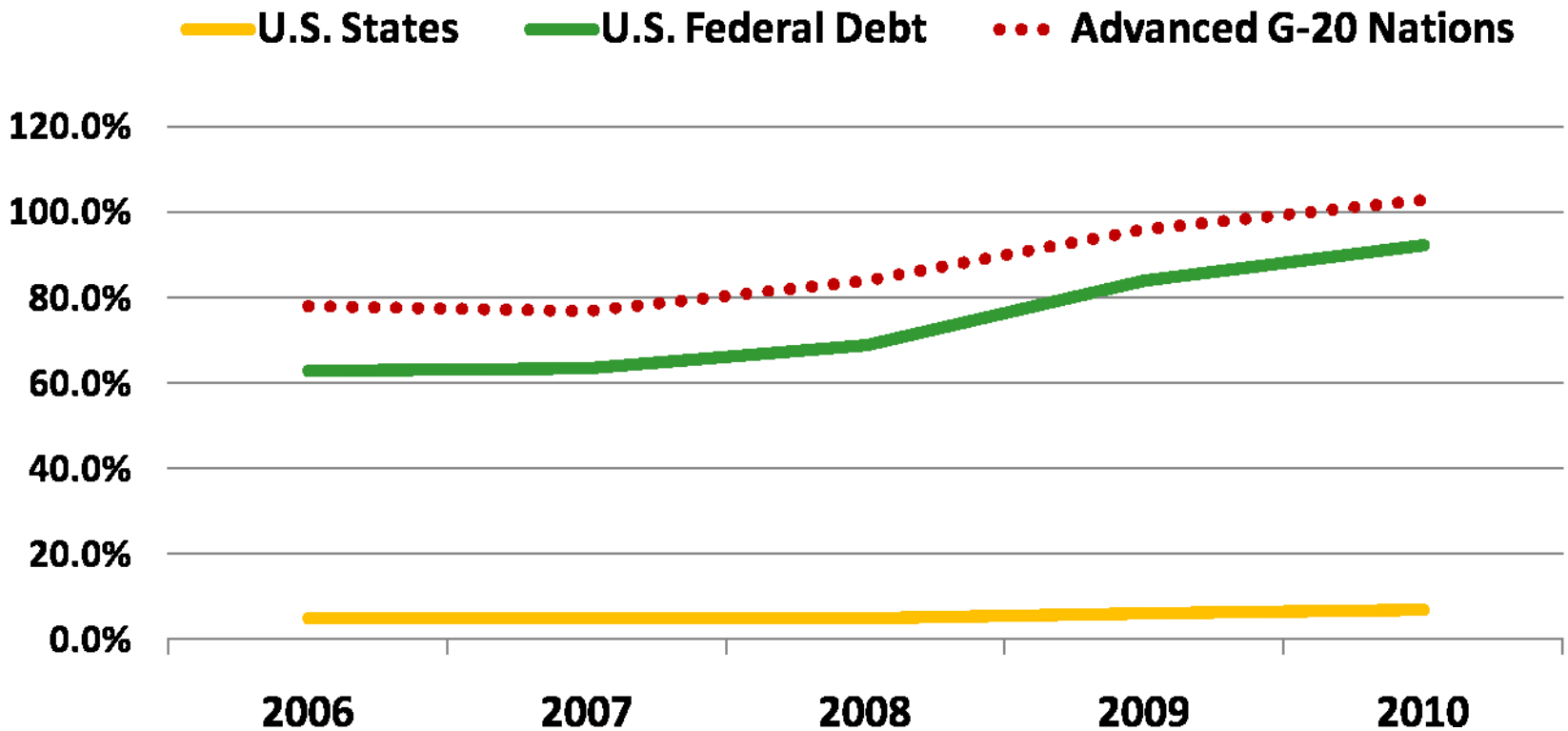
Source: Kotok, David. (2011). *Munilan and Pensions. Cumberland Advisors.*

Financial Condition of the State Retirement Systems

(Dollars in Billions)



Net Tax-Supported Debt & Unfunded Pension Liabilities as % of GDP: U.S. States Compared to Advanced G-20 Nations



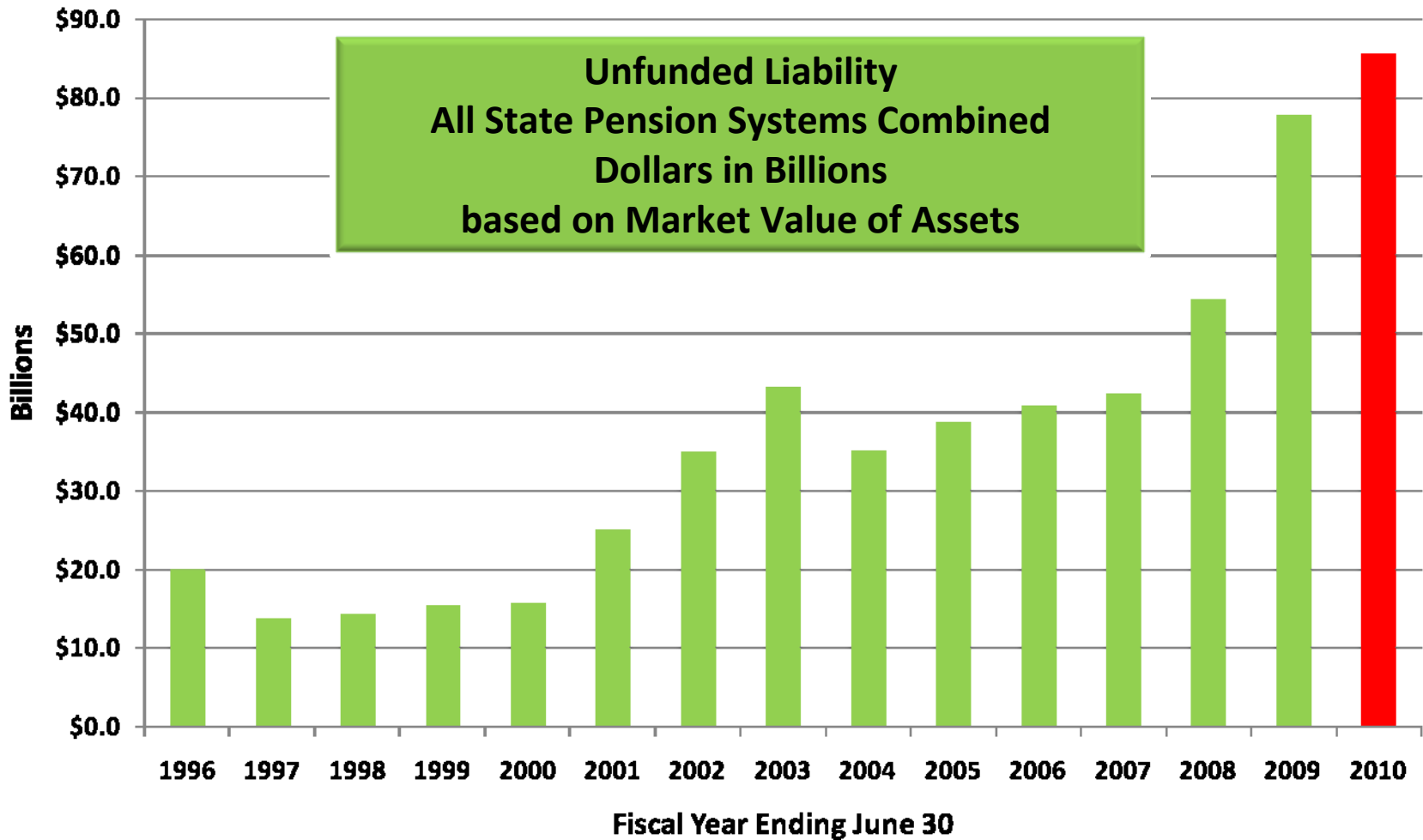
Source: Moody's Investors Service & International Monetary Fund

Teachers in Illinois: 2001 to 2010

	2001	2010	% increase
# of Annuitants	65,000	98,000	51%
Benefits Paid	\$1.6B	\$4.1B	156%
Average Salaries	\$50,000	\$66,000	32%

State of Illinois Pension Plans

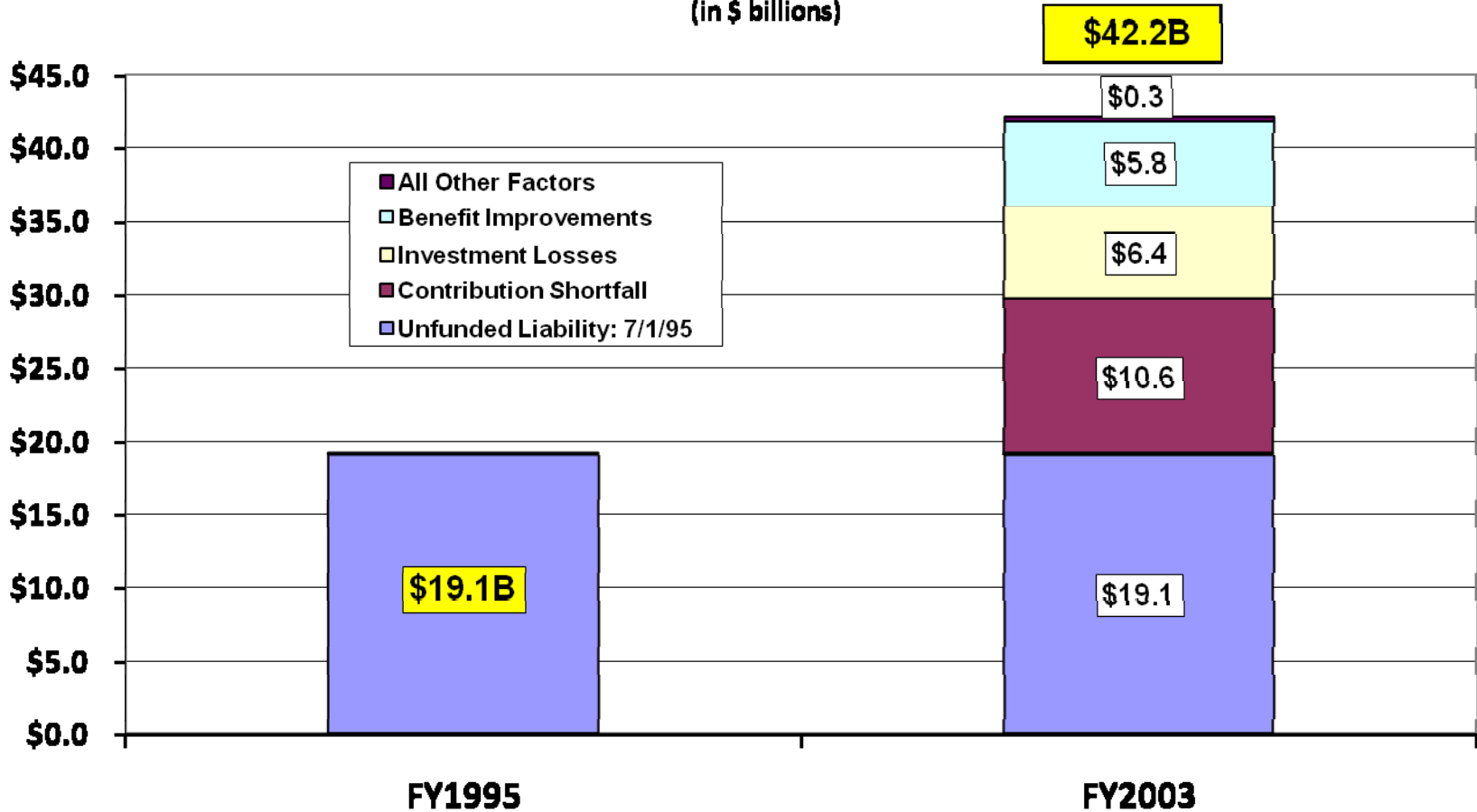
Unfunded Actuarial Accrued Liability



Source: 6/30/09 CGFA Report

What caused the Change in the Unfunded Pension Liability?

UNFUNDED PENSION LIABILITY
FY1995 VS. FY2003
(in \$ billions)



BILL BRANDT

BILL BRANDT has been in the business of workout, turnaround and insolvency consulting for more than thirty years and is widely recognized as one of the foremost practitioners in the field. He is President and CEO of Development Specialists, Inc. (“DSI”), a firm specializing in the provision of management, consulting and turnaround assistance to troubled or reorganizing enterprises. Mr. Brandt and his firm continue to be involved with some of the more celebrated financial restructuring cases in the nation’s history, including Mercury Finance Company, Southeast Banking Corporation, Malden Mills, the Keck, Mahin & Cate law firm, the Coudert Brothers law firm, the Ohio “Coin Fund” scandal, and the Bernie Ebbers Settlement Trust.

Mr. Brandt has advised Congress on matters of insolvency and bankruptcy policy, and in that capacity was the principal author of the amendment to the Bankruptcy Code permitting the election of Trustees in Chapter 11 cases. He was also involved in drafting several amendments to the Bankruptcy Code enacted into law in April 2005 as part of the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005, which substantially rewrote the nation’s bankruptcy laws. During the Clinton administration, he served as a member of the President’s National Finance Board as well as serving as a delegate from the State of Florida to the 1996 Democratic National Convention. During that decade as well, and upon the invitation of both business and political leaders in the People’s Republic of China, Mr. Brandt worked with various public policy, law and banking leaders in that country on approaches to the reorganization and restructuring of some of China’s state-owned industries. In 2000, he served as a member of the Democratic Party’s National Convention Platform Committee. In 2002, he served on the Illinois Gubernatorial Transition Team as well as on the State of California’s Business Delegation dispatched to Cuba to discuss politics, business and trade. In 2008, Mr. Brandt served as a delegate from the State of Illinois to the Democratic National Convention.

By Gubernatorial appointment, Mr. Brandt is serving his second consecutive term as Chair of the Illinois Finance Authority, having been first appointed in 2007 and then reappointed in 2010. The IFA is one of the nation’s largest self-financed entities principally engaged in issuing taxable and tax-exempt bonds, making loans, and investing capital for businesses, non-profit organizations and local government. The Governor has also appointed Mr. Brandt to the Illinois Broadband Deployment Council, which works to ensure that advanced telecommunications services are available to all the citizens of Illinois. He serves as a member of the National Advisory Council for the Institute of Governmental Studies at the University of California at Berkeley, while also serving as a member of the Board of Trustees of Loyola University Chicago, and is a life trustee of Fenwick High School in Oak Park, Illinois. Additionally, he was also featured in *What Happened*, a documentary film humorously chronicling the dot-com “bust,” which premiered at the New York City Film Festival.

BILL BRANDT

Mr. Brandt has written for publications that span a broad spectrum of thought, ranging from *Maclean's*, Canada's Weekly Newsmagazine, to *Directors & Boards*, *Corporate Board Magazine*, the *Florida Real Estate Journal*, and the *American Bankruptcy Institute's Law Review*, published in conjunction with St. John's University School of Law. He is the co-author of the "Due Diligence" chapter in the 2nd edition of *Bankruptcy Business Acquisitions* published by the American Bankruptcy Institute. He is a frequent lecturer and speaker on topics of corporate restructuring, bankruptcy and related public policy issues and regularly appears on CNN, CNBC, CNNfn, Bloomberg, and Canada's BNN, as well as the CBS Radio and National Public Radio networks. He has been profiled and interviewed in a wide array of periodicals including, among others, *The Wall Street Journal*, *The New York Times*, *The International Herald Tribune*, *Business Week*, *The Miami Herald*, *The Chicago Tribune*, *The Boston Globe*, *Billboard Magazine* and *Bank Bailout Litigation News*.

He served several terms as a member of the Board of Directors of the American Bankruptcy Institute, as well as also serving several terms on the Advisory Board for that organization's *Law Review*. He served for almost 20 years as a member of the private Panel of Trustees for the United States Bankruptcy Court for the Northern District of Illinois and briefly served as a member of the same panel for the Bankruptcy Court in the Southern District of Florida in the late 1980s. He is a member of the Executive Committee of the Bankruptcy Section of the Commercial Law League of America and serves on their National Government Affairs Committee. Mr. Brandt is a member of the Board of Advisors for the American Bankruptcy Institute's Bankruptcy Battleground West seminar held annually in Los Angeles and is also currently serving his third consecutive three-year term as a member of the Board of Directors of the San Francisco Bay Area Bankruptcy Forum. In addition to the Commercial Law League of America and the American Bankruptcy Institute, he holds memberships in the National Association of Bankruptcy Trustees, the International Council of Shopping Centers and the Urban Land Institute.

His biography appears in a number of reference works including *Who's Who in America*, *Who's Who in Finance and Industry*, and *Who's Who in American Law*. For well more than a dozen years, his firm, Development Specialists, Inc., has been rated as one of the outstanding turnaround firms in the world by the publication *Turnarounds & Workouts*. Mr. Brandt has also been routinely listed in the K & A Restructuring Register, an annual roster of the country's top 100 restructuring advisors. He received his B.A. from St. Louis University and his M.A. from the University of Chicago, where he also completed further post-graduate work toward a doctoral degree.

About Us

DSI Civic specializes in government financial restructuring and reorganization; debt restructuring; forensic auditing; and negotiations - including vendors, bargaining units, regulatory bodies, investors and financial institutions.

DSI Civic has been a leading provider of management, consulting, and financial advisory services for more than thirty-five years, successfully crafting and executing strategies for government officials, corporations, regulatory agencies, not-for-profit organizations, and court-sanctioned committees protecting the rights of retirees and pension holders.

DSI Civic recognizes the dramatic differences between realigning government bureaucracies and realigning commercial enterprises. We understand the complex and fundamentally different rules and regulations, and the political and communication imperatives associated with any difficult change.



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