

**MINUTES OF A SESSION
OF THE
ILLINOIS STUDENT ASSISTANCE COMMISSION**

August 6, 2008

**Michael A. Bilandic Building
Room N-502
160 N. LaSalle St.
Chicago, Illinois**

COMMISSIONERS PRESENT: Donald J. McNeil, Chair
Warren Daniels
Sean Dauber
Dr. Mary Ann Louderback
David Vaught
Hugh Van Voorst
Kelvin Wing

COMMISSIONERS ABSENT: Sharon Alpi
Dr. Lynda Andre

STAFF PRESENT: Andrew Davis, Executive Director
Frank Bello, Chief Investment Officer
Kim Lee, General Counsel
John Sinsheimer, Chief Financial Officer
Debora Calcara, Commission Secretary

PUBLIC ATTENDANCE: Alvin Boutte, Jr., Grigsby & Associates, Inc.
Kevin Slaughter, Dykema Gossett

CLOSED SESSION

Item 5. College Illinois! Prepaid Tuition Program Direct Investment Consideration

Mr. Bello discussed the Executive Summary distributed to the Commissioners setting forth the proposed direct investment in ShoreBank. Mr. Bello further discussed the extent of negotiations with ShoreBank to secure the presented proposal of an investment of \$12.8 million of preferred and common stock, and how these negotiations helped secure the preferred stock offering which will provide ISAC with immediate income. Mr. Bello stated that the expected return on investment associated with the proposed investment in ShoreBank is between 11% and 22% annually.

Mr. Bello then spoke about the exit strategy of the proposed investment and the historic liquidity ShoreBank has provided its shareholders. Mr. Bello stated that the ShoreBank Board of Director's have told management to make sure that they provide liquidity to the investors by the year 2011, which indicates they will explore every avenue to provide an exit strategy to investors. He stated that the investment being proposed today meets his return investment criteria as well as the investment policy criteria.

Mr. Daniels discussed the due diligence he and Ms. Alpi performed on whether the ShoreBank investment will provide investment returns, and that they feel ShoreBank is a “strong and viable vehicle”. Mr. Daniels concluded that he and Ms. Alpi think this is a sound investment.

Mr. Davis then addressed the Commissioners regarding Ms. Alpi’s absence from the meeting, stating that she apologized for not being able to attend, but asked Mr. Davis to communicate to you the Commission that she had finished reviewing this matter and she was comfortable with it and certainly respects Mr. Daniels representation for the Committee and that she was on board with the investment.

Chairman McNeil then spoke briefly about why he is impressed by the way in which this bank lends money.

Mr. Van Voorst stated that he has reviewed information on ShoreBank and feels this investment is too speculative for him to vote on positively right now, especially the industry it is in, bleeding red ink and with record losses. He respects what staff is doing, but does not agree with this investment at this time.

Dr. Louderback then asked how the idea for this investment initially came about. Mr. Davis responded that he had read an article in Crain’s that ShoreBank was doing a capital raise, and then initiated contact with the bank. Mr. Davis continued by discussing the extent of negotiations resulting in the deal being offered ISAC.

Dr. Louderback then asked what over government funds has ShoreBank approached. Mr. Bello responded that he was unaware of any other government funds, but was aware of various private sector institutions which were approached.

Dr. Louderback inquired about how many other investments have been placed without a RFP. Chairman McNeil noted that this would be the first investment under the policy that allows for the type of private equity investment this is. Dr. Louderback expressed her concerns over the timing of the changes in the Investment Policy to allow direct investments and bringing this investment proposal to the Commission. Ms. Lee clarified that the changes in the Investment Policy were already in the process to allow the hiring of a Chief Investment Officer (CIO) and absent the hiring of the CIO the agency would not be in a position to offer an investment of this type.

Mr. Vaught then stated that the ShoreBank offering is open not just to us but others.

Mr. Vaught expressed his concerns about timing and synergies. Stating that he feels it is important that we do this right, especially the first time and he does not feel we are quite there yet. Mr. Davis responded that the investment is brought forth purely on its financial merits. He also suggested that it is important to approve the investment as soon as possible as another investor may come in if ISAC does not act quickly. Mr. Davis then suggested that synergies with ShoreBank are likely, but not part of the written investment opportunity. Mr. Davis stated that he would be deeply disappointed if they missed the opportunity to make this investment and feels the time is right, the due diligence has been done and that staff have negotiated an outstanding deal.

Chairman McNeil agreed that exploring synergies with ShoreBank is a good idea, but not one that should be tied to the investment.

Mr. Vaught then asked if ISAC would have a representative on ShoreBank’s Board of Directors. Ms. Lee responded that she is not yet comfortable making a legal recommendation to the Commission

that we commit to a board seat on a bank without fully understanding the import of that issue. Mr. Van Voorst expressed that he does not feel that the Commission should be sitting on a board of a bank.

Mr. Dauber asks for confirmation that an investment in ShoreBank is within the Investment Policy's approved amount to private equity. Mr. Davis confirmed that this investment would be \$12 million of the \$50 million approved for Private Equity investments in the Investment Policy.

McNeil asks if there are any other comments and questions regarding this agenda item.

Item 6. Financial Update

Mr. Sinsheimer updated the Commission on the status of financing of the FFELP loan program noting that there are three paths of financing they are looking into. First, is with the Department of Education, secondly a line of credit with Citibank, and third a \$100 million bond sale through Illinois Credit Unions.

To clarify the bond sale, Mr. Davis stated that they have been in discussion with the League of Illinois Credit Unions, which includes Caterpillar employees, United Airlines, State of Illinois employees to name a few.

Mr. Sinsheimer discussed the timing and history behind the three options staff are looking into to finance the 2009 production of FFELLP loans.

Seeing no further discussions needed in closed session, Chairman McNeil asked for a motion to return to open session. Mr. Daniels **MOVED THAT** they return to open session. Chairman McNeil seconded the motion which, was approved unanimously.

Respectfully submitted,



Debora A. Calcara
Secretary to the Commission