

AGENDA ITEM 13.

IDAPP INVESTMENT POLICY AND QUARTERLY REPORT

Submitted for: Action

Summary: The Statement of Investment Policy for the Illinois Designated Account Purchase Program (IDAPP) was originally approved by the Commission on November 15, 1999, and was most recently reaffirmed on November 17, 2006 (Investment Policy). The Commission is being asked to approve revisions the Investment Policy at this time. The changes from the version of the Investment Policy adopted by the Commission on November 17, 2006 are noted in the attached version of the Investment Policy. The required quarterly investment report is also presented as part of this Agenda Item.

Action requested: That the Commission approve the following resolution:

“BE IT RESOLVED that the Illinois Student Assistance Commission approves the Statement of Investment Policy for the Illinois Designated Account Purchase Program (IDAPP) as attached, and directs all investment decisions for IDAPP be consistent with provisions set forth in the Illinois Student Assistance Commission – IDAPP Statement of Investment Policy.”

ILLINOIS STUDENT ASSISTANCE COMMISSION - IDAPP

STATEMENT OF INVESTMENT POLICY

Background

~~The~~This document represents the Statement of Investment Policy (the “Policy” or “Investment Policy”) for the Illinois Designated Account Purchase Program (“IDAPP”)~~—administers the investment of funds in the various student loan revenue bond issues of the Illinois Student Assistance Commission. In accordance with the Commission’s enabling Act, these bonds have been sold to purchase or originate student loans. Statutorily, (the “Commission”).~~ IDAPP’s goal is to facilitate access to postsecondary education, primarily by maintaining on-going access to student loans. As a secondary market, IDAPP achieves this ~~both~~ by working with financial institutions to ensure that they have the liquidity needed to continue making such loans, ~~and more recently,~~ by working with postsecondary institutions and lenders to ensure ~~alternative~~ loan programs are available to students whose needs are not being sufficiently served by existing financial aid programs and by lending to qualified students.

Pursuant to authority contained in the Higher Education Student Assistance Act, 110 ILCS 947/1 et seq. (the “Act”), ISAC issues bonds to enable IDAPP to make and acquire federally guaranteed student loans and private student loans (“ISAC Bonds”). See 110 ILCS 947/145

~~When the Commission issues bonds, there is typically a period between the bond closing and the time that loans are purchased. During the life of a bond issue, there are delays between when the students make loans payments and the date when principal and interest payments are due. IDAPP staff directs the investment of funds during these temporary time periods in accordance with the directions given by the bond documents. ——— Bond documents such as Trust Indentures or Liquidity Agreements place strict~~the proceeds of ISAC Bonds and other cash (“IDAPP Funds”) that are not immediately utilized by IDAPP to make or acquire loans in accordance with the provisions of the applicable ISAC Bond documents and the Public Funds Investment Act, 30 ILCS 235/1 et seq. (the “Investment Act”). The limitations on the type of investments that can be made by IDAPP.~~These limitations are~~ set forth under the ISAC Bond documents are generally established by the rating agencies supplying ratings to ISAC Bonds and ~~by~~ the institutions ~~providing third party guarantees~~that provide liquidity or credit support, such as bond insurance or ~~bank~~ letters of credit. The limitations vary ~~slightly~~ from issue to issue, but in general they restrict investments to direct obligations of the federal government and government agencies, ~~investment agreements, repurchase agreements, bank certificates of deposit, and~~ money market funds ~~and highly rated commercial paper and municipal bonds.~~ The Public Funds Investment Act also restricts the investment of funds under the control of IDAPP.~~These restrictions apply to any funds, which are not restricted by the terms of a bond document.~~ Investments made by IDAPP are also subject to oversight by the ~~Trustee~~trustee for each bond issue and by the Auditor General of the State of Illinois.

~~The Illinois Public Funds Investment Act requires that all public agencies have a written investment policy in effect prior to January 1, 2000. Although IDAPP has had an investment policy in effect, it is necessary at this time to reaffirm the policy, which was originally adopted on November 15, 1999 and most recently reaffirmed on November 18, 2005. Investment Policy document was originally adopted by the Commission on November 15, 2006 and prior to the revisions adopted by the Commission on November 21, 2008, was last revised on as on November 17, 2006.~~

ILLINOIS DESIGNATED ACCOUNT PURCHASE PROGRAM
STATEMENT OF INVESTMENT POLICY

1.0 Policy: It is the policy of the Illinois Designated Account Purchase Program (IDAPP) to invest its funds in a manner ~~which will provide the highest investment return with a minimum amount of risk while at the same time meeting that meets~~ the cash flow needs of the IDAPP ~~and while~~ conforming to ~~all~~ state statutes governing the investment of funds, including without limitation the Investment Act and all requirements/limitations of the various bond documents applicable to bonds and other securities issued by the Commission (ISAC Bonds).

2.0 Scope: This ~~investment policy~~ Investment Policy applies to all ~~locally~~ funds held by IDAPP (IDAPP Funds) of the IDAPP. These funds, including without limitation, any proceeds of ISAC Bonds, or escrowed funds held under any trust indenture or bond resolution. These IDAPP Funds are accounted for in IDAPP's assets as shown on IDAPP's annual financial statements. ~~The term Funds specifically includes, and this investment policy shall apply to, any revenue bond proceeds or escrowed funds held under any trust indenture or bond resolution.~~

3.0 Standard of Care: Investments shall be made with reasonable judgment and care, with reasonableness being determined under the circumstances then prevailing and the standard of care being that which persons of prudence, discretion and intelligence exercise in the management of their own affairs, ~~not as speculators but as conservative investors concerned with the probable safety of their capital as well as the probable income to be derived.~~

3.1 Prudence: The standard of prudence to be used when investing funds shall be the "prudent person" standard, which standard shall be applied in the context of managing an overall portfolio. Officials acting in accordance with this ~~investment policy~~ Investment Policy and exercising prudence shall be relieved of personal

responsibility for an individual security's credit risk or market price changes.

4.0 Objectives: The primary objectives, in priority order, of IDAPP's investment activities shall be:

4.1 Safety: Safety of principal is the foremost objective of the investment program. Investments of IDAPP Funds shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

4.2 Liquidity: IDAPP's investment portfolio should remain sufficiently liquid to enable IDAPP to pay all obligations as they come due.

4.3 Diversification. IDAPP will diversify its investments by security type and institution. With the exception of the obligations set forth in Sections 5.1 or 5.2 or investments fully collateralized by these obligations, no more than 5% of IDAPP's total investment portfolio shall be invested in the obligations of a single issuer.

~~**4.3 Return on Investments:** IDAPP's investment portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles commensurate with IDAPP's investment risk constraints, state law limitations and the cash flow characteristics of the portfolio.~~

4.4 Return on Investments. IDAPP's shall be made to earn rates of return consistent with the guidelines set forth in Section 4.1, 4.2 and 4.3. With the approval of the Executive Director and Chief Financial Officer, the Investment Committee shall select a benchmark return against which investments may be evaluated. Investments shall be evaluated against the performance of the benchmark quarterly or at such other times as requested by the Commission.

4.4 Simplicity: IDAPP's investment portfolio shall be designed to simplify

administration of IDAPP's investments to minimize oversight and accounting costs.

5.0 Authority to Invest - Limitation on Investment Selection: ~~IDAPP, ISAC's~~ ISAC's ~~power~~ authority to invest ~~its~~ IDAPP Funds is derived from Section 2 of the ~~Public Funds Investment Act (30 ILCS 235/2)~~, which allows ~~IDAPP~~ ISAC to invest ~~its~~ IDAPP Funds in the ~~following types of securities~~ investments permitted therein, including without limitation:

~~5.1 Direct Federal Obligations.~~ 5.1 Direct United States Obligations. ~~Direct obligations of the United States of America or any agency or instrumentality of the United States of America.~~ Direct obligations of the United States of America or any agency or instrumentality of the United States of America.

~~5.1 5.2 Federal Guaranteed Obligations.~~ 5.2 Federal Guaranteed Obligations. ~~Obligations on which the timely payment of principal and interest is fully guaranteed by~~ United States Obligations, Bonds, notes, certificates of indebtedness, treasury bills or other securities now or hereafter issued, which are guaranteed by the full faith and credit of the United States of America or any agency or instrumentality of the United States of America ~~as to principal and interest.~~ as to principal and interest.

~~5.3 Participation Interest in Federal Obligations.~~ 5.3 Participation Interest in Federal Obligations. ~~Evidences of a direct ownership interest in amounts payable upon any of the obligations set forth in 5.1 or 5.2 of this Section.~~ Evidences of a direct ownership interest in amounts payable upon any of the obligations set forth in 5.1 or 5.2 of this Section.

~~5.4 Federal Affiliated Institutions.~~ 5.4 Federal Affiliated Institutions. ~~Obligations of the Federal Intermediate Credit Banks, Federal Banks for Cooperatives, Federal Land Banks, Federal Home Loan Banks, Federal National Mortgage Association or similar government agencies.~~ 5.2 Direct United States Obligations. ~~Bonds, notes, debentures, or other similar obligations of the United States of America or its agencies.~~ Bonds, notes, debentures, or other similar obligations of the United States of America or its agencies.

~~5.5 5.3 Savings Accounts and Certificates of Deposit.~~ 5.3 Savings Accounts and Certificates of Deposit. ~~Certificates~~ Interest-bearing savings accounts, interest-bearing certificates of deposit, ~~or interest-bearing time deposits,~~ or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act, ~~provided, that investments may be made only in those certificates of deposit or time deposits which are fully ensured by the Federal Deposit Insurance Corporation or similar federal agency or which are fully collateralized by obligations described in 5.1 or 5.2 of this Section.~~ provided, that investments may be made only in those certificates of deposit or time deposits which are fully ensured by the Federal Deposit Insurance Corporation or similar federal agency or which are fully collateralized by obligations described in 5.1 or 5.2 of this Section.

~~5.6 Savings and Loan Securities.~~ 5.6 Savings and Loan Securities. ~~Shares, securities, withdrawable capital accounts or deposits of State or federal chartered savings and loan associations which are fully insured by the Federal Deposit Insurance Corporation or similar federal agency or which are fully collateralized by obligations described in 5.1 or 5.2 of this Section.~~ Shares, securities, withdrawable capital accounts or deposits of State or federal chartered savings and loan associations which are fully insured by the Federal Deposit Insurance Corporation or similar federal agency or which are fully collateralized by obligations described in 5.1 or 5.2 of this Section.

~~5.4 Short Term Obligations.~~ 5.4 Short Term Obligations. ~~Short term obligations of corporations organized in the United States with assets exceeding \$500,000,000 if (i) such obligations are rated at the time of purchase at one of the 3 highest classifications established by at least 2 standard rating services and which mature not later than 180 days from the date of purchase, (ii) such purchases do not exceed 10% of the corporation's outstanding obligations and (iii) no more than one-third of IDAPP's funds may be invested in short term obligations of corporations.~~ Short term obligations of corporations organized in the United States with assets exceeding \$500,000,000 if (i) such obligations are rated at the time of purchase at one of the 3 highest classifications established by at least 2 standard rating services and which mature not later than 180 days from the date of purchase, (ii) such purchases do not exceed 10% of the corporation's outstanding obligations and (iii) no more than one-third of IDAPP's funds may be invested in short term obligations of corporations.

~~5.5 5.7 Money Market Funds.~~ 5.7 Money Market Funds. ~~Markets.~~ Markets. ~~Money market mutual funds registered under the Investment Company Act of 1940, provided that the portfolio of investments of any such money market mutual fund is limited to obligations described in 5.1 or 5.2 of this Section and to agreements to repurchase those obligations.~~ Money market mutual funds registered under the Investment Company Act of 1940, provided that the portfolio of investments of any such money market mutual fund is limited to obligations described in 5.1 or 5.2 of this Section.

~~5.8 Repurchase Agreements.~~ 5.8 Repurchase Agreements. ~~Repurchase agreements of government securities having the meaning set out in the Government Securities~~ Repurchase agreements of government securities having the meaning set out in the Government Securities

Act of 1986 subject to the provisions of that Act and the regulations issued thereunder.

~~5.9 Investment Agreements.~~ Investment agreements with financial institutions, provided, that the agreements are fully collateralized by obligations described in 5.1 or 5.2 of this Section.

~~5.10 Commercial paper.~~ Commercial paper rated, at the time of purchase, Prime 1 by Moody's Investors Service or A 1 by Standard & Poor's Ratings Services.

~~5.11 State or municipal bonds.~~ State or municipal bonds rated by Moody's Investors Service or Standard & Poor's Ratings Services in one of the two highest rating categories assigned by such agencies.

5.6 Credit Unions. Dividend-bearing share accounts, share certificate accounts or class of share accounts of a credit union chartered under the laws of this State or the laws of the United States; provided, however, the principal office of any such credit union must be located within the State of Illinois. Investments may be made only in those credit unions the accounts of which are insured by applicable law.

~~5.12 Bankers acceptances.~~ Bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured, and unguaranteed obligation rating of A or AA3 or better by Moody's Investors Service and AA-1 or AA or better by Standard & Poor's Ratings Services.

5.7 Public Treasurers Investment Pool. A Public Treasurers' Investment Pool created under Section 17 of the State Treasurer Act. A fund managed, operated, and administered by a bank, subsidiary of a bank, or subsidiary of a bank holding company or use the services of such an entity to hold and invest or advise regarding the investment of any IDAPP Funds.

6.0 Delegation of Investment Authority: ~~Investment decisions and directives may only be made by the persons holding the position of Director of IDAPP or Financial Officer.~~ Primary ~~management~~ responsibility for the

investment ~~program~~ of IDAPP Funds is hereby delegated to the ~~Financial Officer, who shall serve as IDAPP's chief investment officer. No IDAPP official may engage in an investment transaction except as provided under~~ Chief Investment Officer of ISAC or his designee. ~~Investment decisions and directives may only be made by the Chief Investment Officer of ISAC or his designee, in accordance with~~ the terms of this Investment Policy.

7.0 Investment Committee and Review of Investment Transactions. IDAPP's Investment Committee consists of ISAC's Chief Investment Officer, ISAC's Director of Business and Finance Division and IDAPP's Director of Accounting and Finance. ISAC's Chief Investment Officer shall chair the Investment Committee. The Investment Committee shall report to the Executive Director and Chief Financial Officer.

~~8.0 7.0~~ Review of Investment Transactions: ~~All investment transactions undertaken shall be~~ Internal Controls. The Chief Investment Officer shall establish a system of internal controls, which shall be documented and reviewed by ~~IDAPP's~~ the Investment Committee ~~as part of IDAPP's ongoing internal control review activities to assure compliance with this Investment Policy and.~~ The controls shall be designed to prevent losses of funds that might arise IDAPP Funds arising from fraud, ~~officer~~ employee error, and misrepresentation by third parties, or imprudent actions by ~~officials.~~ IDAPP's Financial Officer shall immediately disclose any reportable event to the Director of IDAPP, and/or the Executive Director or Chairman of the Commission. ~~The IDAPP Investment Committee consists of the IDAPP Director, Financial Officer, and IDAPP's Financial Advisor~~ employees.

9.0 8.0 Ethics and Conflicts of Interest: ~~Officials involved in the investment process shall.~~ ISAC employees and any other persons authorized to make investment decisions of any IDAPP Funds must (1) comply with all obligations and requirements of ISAC's Ethics Policy, the Illinois Governmental Ethics Act, the Investment Act and all other applicable laws

pertaining to ethics, prohibited acts or gift bans and (2) refrain from personal business activity that could conflict with proper execution of the investment process, or which could this Investment Policy or impair their ability to make impartial investment decisions. Officials and persons responsible for internal controls shall disclose to the Executive Director or Chairman of the Commission as appropriate any material financial interests in financial institutions that conduct business with IDAPP, and they shall further disclose any large personal financial/investment positions that could be related to the performance of IDAPP's investments, particularly with regard to the timing of purchases and sales decisions. Under no circumstances shall ISAC personnel involved in the investment process receive any type of financial gain, either directly or indirectly, from the investment of any IDAPP Funds, or from an account of the administration of the program. Any real or potential conflict of interest must be reported to the Chief Financial Officer.

No person may engage in an investment transaction except as provided under the terms of this Investment Policy and the procedures established by the Chief Investment Officer.

9.010.0 Authorized Financial Dealers and Institutions: Funds of IDAPP may be invested with federal and state financial institutions, or any of their subsidiaries, (provided such institutions have been authorized to conduct business in the State of Illinois and have been specifically approved by IDAPP/ISAC to receive and hold IDAPP Funds). Commission approval may be granted only if the selection complies with applicable state law, including, without limitation, the ~~Public Funds Investment Act (30 ILCS 235/1 et seq.)~~.

9.1 List of Authorized Financial Institutions. Those institutions which IDAPP has approved for the deposit of public funds and the provision of investment services as of the date of the adoption or last amendment of this policy are JPMorgan Chase, The Bank of New York, LaSalle National Bank, The Northern Trust Company, Fifth Third Bank, Bank of America, Albany Bank, Guaranty Bank, and US

~~Bank, or their successors. IDAPP has also authorized the purchase of qualified investments under Section 5 of this Investment Policy. Such investments may be recommended by, purchased by or held in safekeeping accounts with any of the above institutions or their successors.~~

9.210.1 Annual Review. An annual review of the financial condition and qualifications of approved financial dealers and institutions will be conducted by the ~~Financial~~ Chief Investment Officer who shall bring any material change in the financial status of such institutions to the attention of ~~IDAPP members at their next meeting~~ the Investment Committee

10.011.0 Collateralization: Collateralization will be required on cash deposits in any institution to the extent the deposit is not fully insured by the ~~United States of America or any agency or instrumentality of the United States of America~~ Federal Deposit Insurance Corporation or National Credit Unions Administration or other approved share insurer. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 102% of market value of principal and accrued interest. The type of investments which may be pledged as collateral shall be limited to cash and ~~those investments set forth in any classes of securities authorized by~~ Section 56(d) of this the Investment Policy Act (30 ILCS 235). Evidence of the pledge of collateral (safekeeping receipt) must be supplied to IDAPP. Collateral may be substituted by the depository institution provided the substituted collateral qualifies in all respects with the provisions of Section 510 of this Investment Policy.

11.012.0 Safekeeping and Custody: All ~~security~~ securities transactions, ~~including collateral for repurchase agreements,~~ entered into by IDAPP shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by one of the third party custodians designated in Section 9 and evidenced by safekeeping receipts.

~~12.0 **Diversification:** IDAPP will diversify its investments by security type and institution. With the exception of the obligations set forth in section 5.1, 5.2, or 5.4 or investments fully collateralized by these obligations, no more than 5% of IDAPP's total investment portfolio will be invested in the obligations of a single issuer.~~

Investment Policy may only be made by a majority of the Commission members.

~~13.0 **Maximum Maturities:** To the extent possible, IDAPP will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, IDAPP will not directly invest in securities maturing more than two (2) years from the date of purchase.~~

~~Reserve funds may be invested in securities exceeding two (2) years if the maturity of such investments are made to coincide as nearly as practicable with the expected use of the funds.~~
~~14.0 **Internal Control: Audits.** The Auditor General shall review the investments made by IDAPP as part of the annual financial and compliance audits of IDAPP and, consequently, no additional Additional internal or external ~~audit will~~audits may be required except for the review by IDAPP's Financial Officer under Section 7 of this Investment Policy.~~

~~15.0 **Performance Standards:** The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles commensurate with the investment risk constraints and the cash flow needs.~~

~~16.0~~14.0 **Reporting:** The ~~Financial~~Chief Investment Officer is charged with the responsibility of preparing a written market report on investment activity for the quarterly report to the Commission: ~~and Executive Director.~~

~~17.0~~15.0 **Investment Policy Adoption:** This investment policy has been adopted by resolution of the Commission on November ~~21, 2008.~~ 17, 2006. The policy shall be reviewed annually by IDAPP. Modifications to this

ILLINOIS STUDENT ASSISTANCE COMMISSION
ILLINOIS DESIGNATED ACCOUNT PURCHASE PROGRAM
STATEMENT OF INVESTMENT POLICY

Background

This document represents the Statement of Investment Policy (the “Policy” or “Investment Policy”) for the Illinois Designated Account Purchase Program (“IDAPP”) of the Illinois Student Assistance Commission (the “Commission”). IDAPP’s goal is to facilitate access to postsecondary education, primarily by maintaining on-going access to student loans. As a secondary market, IDAPP achieves this by working with financial institutions to ensure that they have the liquidity needed to continue making such loans, by working with postsecondary institutions and lenders to ensure loan programs are available to students whose needs are not being sufficiently served by existing financial aid programs and by lending to qualified students.

Pursuant to authority contained in the Higher Education Student Assistance Act, 110 ILCS 947/1 *et seq.* (the “Act”), ISAC issues bonds to enable IDAPP to make and acquire federally guaranteed student loans and private student loans (“ISAC Bonds”). See 110 ILCS 947/145

IDAPP staff directs the investment of the proceeds of ISAC Bonds and other cash (“IDAPP Funds”) that are not immediately utilized by IDAPP to make or acquire loans in accordance with the provisions of the applicable ISAC Bond documents and the Public Funds Investment Act, 30 ILCS 235/1 *et seq.* (the “Investment Act”). The limitations on the type of investments that can be made by IDAPP set forth under the ISAC Bond documents are generally established by the rating agencies supplying ratings to ISAC Bonds and the institutions that provide liquidity or credit support, such as bond insurance or letters of credit. The limitations vary from issue to issue, but in general they restrict investments to direct obligations of the federal government and government agencies, bank certificates of deposit and money market funds. The Public Funds Investment Act also restricts the investment of funds under the control of IDAPP. Investments made by IDAPP are also subject to oversight by the trustee for each bond issue and by the Auditor General of the State of Illinois.

The Investment Policy document was originally adopted by the Commission on November 15, 2006 and prior to the revisions adopted by the Commission on November 21, 2008, was last revised on as on November 17, 2006.

**ILLINOIS DESIGNATED ACCOUNT PURCHASE PROGRAM
STATEMENT OF INVESTMENT POLICY**

1.0 Policy. It is the policy of the Illinois Designated Account Purchase Program (IDAPP) to invest its funds in a manner that meets the cash flow needs of IDAPP while conforming to state statutes governing the investment of funds, including without limitation the Investment Act and all requirements/limitations of the various bond documents applicable to bonds and other securities issued by the Commission (ISAC Bonds).

2.0 Scope. This Investment Policy applies to all funds held by IDAPP (IDAPP Funds), including without limitation, any proceeds of ISAC Bonds, or escrowed funds held under any trust indenture or bond resolution. These IDAPP Funds are accounted for in IDAPP's assets as shown on IDAPP's annual financial statements.

3.0 Standard of Care. Investments shall be made with reasonable judgment and care, with reasonableness being determined under the circumstances then prevailing and the standard of care being that which persons of prudence, discretion and intelligence exercise in the management of their own affairs.

3.1 Prudence. The standard of prudence to be used when investing funds shall be the "prudent person" standard, which standard shall be applied in the context of managing an overall portfolio. Officials acting in accordance with this Investment Policy and exercising prudence shall be relieved of personal responsibility for an individual security's credit risk or market price changes.

4.0 Objectives. The primary objectives, in priority order, of IDAPP's investment activities shall be:

4.1 Safety. Safety of principal is the foremost objective of the investment program. Investments of IDAPP Funds shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

4.2 Liquidity. IDAPP's investment portfolio should remain sufficiently liquid to enable IDAPP to pay all obligations as they come due.

4.4 Diversification. IDAPP will diversify its investments by security type and institution. With the exception of the obligations set forth in Sections 5.1 or 5.2 or investments fully collateralized by these obligations, no more than 5% of IDAPP's total investment portfolio shall be invested in the obligations of a single issuer.

4.4 Return on Investments. IDAPP's shall be made to earn rates of return consistent with the guidelines set forth in Section 4.1, 4.2 and 4.3. With the approval of the Executive Director and Chief Financial Officer, the Investment Committee shall select a benchmark return against which investments may be evaluated. Investments shall be evaluated against the performance of the benchmark quarterly or at such other times as requested by the Commission.

4.4 Simplicity. IDAPP's investment portfolio shall be designed to simplify administration of IDAPP's investments to minimize oversight and accounting costs.

5.0 Authority to Invest - Limitation on Investment Selection. ISAC's authority to invest IDAPP Funds is derived from Section 2 of the Investment Act (30 ILCS 235/2), which allows ISAC to invest IDAPP Funds in the investments permitted therein, including without limitation:

5.2 United States Obligations. Bonds, notes, certificates of indebtedness, treasury bills or other securities now or hereafter issued, which are guaranteed by the full faith and credit of the United States of America as to principal and interest.

5.2 Direct United States Obligations. Bonds, notes, debentures, or other similar obligations of the United States of America or its agencies.

5.3 Savings Accounts and Certificates of Deposit. Interest-bearing savings accounts, interest-bearing certificates of deposit, or interest-bearing time deposits or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act.

5.4 Short Term Obligations. Short term obligations of corporations organized in the United States with assets exceeding \$500,000,000 if (i) such obligations are rated at the time of purchase at one of the 3 highest classifications established by at least 2 standard rating services and which mature not later than 180 days from the date of purchase, (ii) such purchases do not exceed 10% of the corporation's outstanding obligations and (iii) no more than one-third of IDAPP's funds may be invested in short term obligations of corporations.

5.7 Money Markets. Money market mutual funds registered under the Investment Company Act of 1940, provided that the portfolio of investments of any such money market mutual fund is limited to obligations described in 5.1 or 5.2 of this Section.

5.8 Credit Unions. Dividend-bearing share accounts, share certificate accounts or class of share accounts of a credit union chartered under the laws of this State or the laws of the United States; provided, however, the principal office of any such credit union must be located within the State of Illinois. Investments may be made only in those credit unions the accounts of which are insured by applicable law.

5.7 Public Treasurers Investment Pool. A Public Treasurers' Investment Pool created under Section 17 of the State Treasurer Act. A fund managed, operated, and administered by a bank, subsidiary of a bank, or subsidiary of a bank holding company or use the services of such an entity to hold and invest or advise regarding the investment of any IDAPP Funds.

6.0 Delegation of Investment Authority. Primary responsibility for the investment of IDAPP Funds is hereby delegated to the Chief

Investment Officer of ISAC or his designee. Investment decisions and directives may only be made by the Chief Investment Officer of ISAC or his designee, in accordance with the terms of this Investment Policy.

10.0 Investment Committee and Review of Investment Transactions. IDAPP's Investment Committee consists of ISAC's Chief Investment Officer, ISAC's Director of Business and Finance Division and IDAPP's Director of Accounting and Finance. ISAC's Chief Investment Officer shall chair the Investment Committee. The Investment Committee shall report to the Executive Director and Chief Financial Officer.

11.0 Internal Controls. The Chief Investment Officer shall establish a system of internal controls, which shall be documented and reviewed by the Investment Committee. The controls shall be designed to prevent losses of IDAPP Funds arising from fraud, employee error, and misrepresentation by third parties, or imprudent actions by employees.

12.0 Ethics and Conflicts of Interest. ISAC employees and any other persons authorized to make investment decisions of any IDAPP Funds must (1) comply with all obligations and requirements of ISAC's Ethics Policy, the Illinois Governmental Ethics Act, the Investment Act and all other applicable laws pertaining to ethics, prohibited acts or gift bans and (2) refrain from personal business activity that conflicts with proper execution of this Investment Policy or impair their ability to make impartial decisions. Under no circumstances shall ISAC personnel involved in the investment process receive any type of financial gain, either directly or indirectly, from the investment of any IDAPP Funds, or from an account of the administration of the program. Any real or potential conflict of interest must be reported to the Chief Financial Officer.

No person may engage in an investment transaction except as provided under the terms of this Investment Policy and the procedures established by the Chief Investment Officer.

10.0 Authorized Financial Dealers and Institutions. Funds of IDAPP may be invested with federal and state financial institutions, or any of their subsidiaries, (provided such institutions have been authorized to conduct business in the State of Illinois and have been specifically approved by ISAC to receive and hold IDAPP Funds). Commission approval may be granted only if the selection complies with applicable state law, including, without limitation, the Investment Act.

10.1 Annual Review. An annual review of the financial condition and qualifications of approved financial dealers and institutions will be conducted by the Chief Investment Officer who shall bring any material change in the financial status of such institutions to the attention the Investment Committee

11.0 Collateralization. Collateralization will be required on cash deposits in any institution to the extent the deposit is not fully insured by the Federal Deposit Insurance Corporation or National Credit Unions Administration or other approved share insurer. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 102% of market value of principal and accrued interest. The type of investments which may be pledged as collateral shall be limited to cash and any classes of securities authorized by Section 6(d) of the Investment Act (30 ILCS 235). Evidence of the pledge of collateral (safekeeping receipt) must be supplied to IDAPP. Collateral may be substituted by the depository institution provided the substituted collateral qualifies in all respects with the provisions of Section 10 of this Investment Policy.

12.0 Safekeeping and Custody. All securities transactions entered into by IDAPP shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by one of the third party custodians designated in Section 9 and evidenced by safekeeping receipts.

13.0 Audits. The Auditor General shall review the investments made by IDAPP as part of the annual financial and compliance audits of

IDAPP. Additional internal or external audits may be required.

14.0 Reporting: The Chief Investment Officer is charged with the responsibility of preparing a written market report on investment activity for the quarterly report to the Commission and Executive Director.

15.0 Investment Policy Adoption: This investment policy has been adopted by resolution of the Commission on November 21, 2008. The policy shall be reviewed annually by IDAPP. Modifications to this Investment Policy may only be made by a majority of the Commission members.

ILLINOIS STUDENT ASSISTANCE COMMISSION

ILLINOIS DESIGNATED ACCOUNT PURCHASE PROGRAM QUARTERLY INVESTMENT REPORT

Introduction

The Illinois Designated Account Purchase Program (IDAPP) administers the investment of funds in the various student loan revenue bond issues of the Illinois Student Assistance Commission. These funds are held pending the origination and purchase of student loans or prior to payment of interest or principal or pursuant to certain terms of the bond documents. In accordance with the Illinois Public Funds Investment Act, the investment of these funds is restricted to investment grade securities and is further restricted to only the highest grade securities by the bond documents themselves. IDAPP Funds are typically invested in the following categories: money market funds, U.S. Treasury Securities, U.S. Agencies and savings accounts.

Money Market Funds refer to trustee money market funds which invest only in high-quality, short-term securities that are issued or guaranteed by the U. S. government or by U.S. government agencies. IDAPP uses money market funds as an investment vehicle to meet day-to-day originations, purchase commitments and to meet debt service requirements.

U.S. Treasury Securities refer to direct obligations of the U.S. government, backed by the “full faith and credit” of the government.

U.S. Agencies refer to obligations issued by divisions of the U.S. government and by government-sponsored enterprises, created by Congress to fund certain groups of borrowers such as homeowners and farmers. Examples of U.S. Agencies are federal home loan banks, the federal home loan mortgage corporation and entities authorized to issue debt obligations under the Farm Credit Act.

Savings accounts refer to savings accounts at commercial banks, which are insured up to \$100,000 or such other amount in excess thereof announced by the Federal Deposit Insurance Corporation (“FDIC”).

The market value of the investments reflects changes in the value of the investments from the par or purchase value due to changes in market interest rates relative to the coupon rates. The market values can be larger or smaller than the par values but do not materially impact IDAPP because the investments are normally held until maturity and thus not sold at the market value.

Below is a summary of IDAPP's investments as of June 30, 2008.

Summary

	<u>Par Value</u>	<u>Market Value</u>	<u>%</u>	<u>Yield</u>	
				<u>LTM</u>	<u>Current</u>
Dreyfus Treasury Prime Cash Management	\$14,884,301	\$14,884,301	27.50	2.51	1.28
Goldman Sachs Financial Square Treasury	\$15,479,104	\$15,479,104	28.60	2.65	1.15
Bank of America Columbia Treasury Reserves - Advisor D Class Shares	\$4,988,120	\$4,988,120	9.22	2.85	1.30
JP Morgan US Treasury Money Market Funs 677	\$13,102,986	\$13,102,986	24.21	2.62	1.11
LaSalle Bank - Commercial Paper	\$5,612,565	\$5,612,565	10.37	2.53	2.00
GNMA	\$52,432	\$59,724	0.10	12.00	12.00
U.S. Agencies	\$ - #	\$ -	-		
Savings	-	\$-	=		
	<u>54,119,508</u>	<u>\$54,126,800</u>	<u>100.00</u>		

	<u>Due < one year</u>	<u>Due > one year & < five years</u>	<u>Due > five years & < ten years</u>
Dreyfus Treasury Prime Cash Management	\$14,884,301	-	-
Goldman Sachs Financial Square Treasury	\$15,479,104		
Bank of America Columbia Treasury Reserves - Advisor D Class Shares	\$4,988,120		
JP Morgan US Treasury Money	\$		
Market Funds 677	13,102,986		
	\$		
LaSalle Bank - Commercial Paper	5,612,565		
GNMA	-	-	59,724
	\$		
U.S. Agencies	-	-	-
	\$		
Savings	=	=	=
	<u>54,067,076</u>	<u>-</u>	<u>59,724</u>
	<u>\$ 54,126,800</u>		