

MINUTES OF A MEETING
OF THE
ILLINOIS STUDENT ASSISTANCE COMMISSION

July 8, 2011

James R. Thompson Center
Suite 2-025
100 W. Randolph Street
Chicago, Illinois

COMMISSIONERS PRESENT: Kym Hubbard, Chair
Miguel del Valle
Mark Donovan
Marina Faz-Huppert
Kendall Griffin
Verett Mims
Kim Savage

COMMISSIONERS ABSENT: Sharon Alpi

STAFF PRESENT: Andrew Davis, Executive Director
Shoba Nandhan, Chief Financial Officer
Annie Pike, General Counsel
Karen Salas, Deputy General Counsel

PUBLIC ATTENDANCE: Mary Patricia Burns, Burke Burns & Pinelli

CLOSED SESSION

The Chair stated that one purpose of the closed session today was for the Chief Financial Officer to review the budgets with the Commission because they include personnel issues. She asked that they review them on their own time and then return at a later date for action.

Outside Counsel informed the Commission that when they are in closed session all information they are given or that is discussed is to be kept confidential. She stated that by law they are required to maintain a verbatim record of the proceedings from which the minutes are derived. She stated that they are allowed by the Open Meetings Act to have a closed session to discuss a number of issues, including personnel and investment matters which gives them the opportunity to have a free discussion amongst themselves before going back into open session.

The Executive Director and Chief Financial Officer then joined the closed session. The Chief Financial Officer provided the Commission with a handout which gave a brief overview of how the agency funds its outreach program as well as the administration of the scholarships and grants. She also provided an overview of three of the arms of the agency: the Illinois Designated Account Purchase Program (IDAPP); ISAC as guarantor of the Federal Family Education Loan Program (FFELP); and College Illinois! Prepaid Tuition Program.

The Executive Director and Chief Financial Officer discussed the various sources of revenue for the agency.

The Executive Director explained that they are bringing the budgets to the Commission in closed session due to the fact that the budget proposes a 10 percent headcount reduction. He informed the Commission that to date, ISAC's headcount has been reduced from 520 employees down to 290. He stated that when he became Executive Director it was clear the agency was overstaffed.

The Chief Financial officer then gave an overview of the recommended budget for the College Illinois! Prepaid Tuition Program as well as the recommended budget for the Illinois Designated Account Purchasing Program.

After the Executive Director and Chief Financial Officer left the room, Outside Counsel for the Commission began instructing them at length on the various ethics laws that they must follow. Next, a discussion was held concerning the various investigations that involved the agency, including one by the Secretary of State's Department of Securities which also involved monitoring by the Illinois Attorney General's Office. The Commissioners were given legal advice concerning their right to representation should they be contacted about these investigations. Information about the agency's insurance coverage for official acts was also provided.

Outside Counsel stated there is also a lot of interest regarding the investment practices of the College Illinois! Prepaid Tuition Program and she provided an overview of that inquiry. She reviewed with the Commission the investments that were made or being considered by the Executive Director where he had a prior relationship with the owners.

Outside Counsel informed the Commission there is an inquiry from House Republicans, who have requested information related to the College Illinois! Prepaid Tuition Program. She also indicated that the agency has been responding to FOIA requests from the press.

Commissioner Savage asked and received legal advice concerning the fact that she lived in the congressional district of Representative Durkin, one of the leaders of the Republican task force.

The Chair informed the Commissioners that she had reached out to Representative Durkin about the schedule of the proposed hearings on the prepaid tuition program and that they were hoping to work together to resolve any issues.

A discussion was then held about three investments for the prepaid tuition program that were approved but not yet funded by the prior Commission. The specific investments discussed were GEO Investor Renewable Infrastructure Fund I, LLP, the Endowment Office Clipper Partners, L.P. and Sanborn Kilcollin Partners, LLC, which are all a type of hedge fund or real estate investment. A recommendation to rescind the funding of these investments was made and the reasons for the recommendation discussed. Further discussion was held concerning the advisability of reviewing all of the prepaid tuition investments.

Further discussion was held concerning revisions to the Commission's investment policy and the desire to initiate a search for a new investment consultant.

Outside Counsel briefed the Commission on additional factors that prompted the request to conduct an overall review of all the investments in the prepaid tuition fund.

A discussion was held concerning the need to send a cease and desist letter to a former employee. A discussion was then held concerning a proposed resolution to have a comprehensive financial and compliance review of the prepaid tuition program and possibly all of ISAC's programs so that the new members of the Commission will be secure in the future actions they will be asked to make.

Next a discussion was held concerning a proposed resolution to provide for a direct reporting relationship between the Commission and the positions of Chief Investment Officer, General Counsel and Internal Auditor.

Information was then provided concerning the current Executive Director's employment contract and the recommendation to place him on administrative leave while counsel explores the possibility of negotiating a separation agreement. The discussion then focused on the appointment and salary of an interim executive director while a search for a permanent executive director was conducted.

The Commission also discussed the proposed termination of other specific employees.

The seven proposed motions that the Commissioner were to vote on in open session as a result of the closed minutes were then reviewed. The Commission was informed that although the Internal Auditor had intended to present to them today, that agenda item was continued until pending legislation allowing such matters to be discussed in closed session became effective.

Printed materials were provided to the Commission from the Internal Auditor for a later discussion.

Ms. Savage **SO MOVED** that the Commission return to open session. Ms. Faz-Huppert seconded the motion, which was approved unanimously. The Commission returned to open session at 1:10 p.m.

Respectfully submitted,

A handwritten signature in cursive script that reads "Debora A. Calcara". The signature is written in black ink on a light-colored background.

Debora A. Calcara
Secretary to the Commission