AGENDA ITEM 2.

MINUTES OF THE APRIL 3, 2009 AND MAY 7, 2009 MEETINGS

MINUTES OF A MEETING
OF THE
ILLINOIS STUDENT ASSISTANCE COMMISSION

April 3, 2009

Harper College
Palatine, Illinois

COMMISSIONERS PRESENT:	Donald J. McNeil, Chair Dr. Lynda Andre Warren Daniels, Jr. Sean Dauber Dr. Mary Ann Louderback Kelvin Wing
COMMISSIONERS ABSENT:	Sharon Alpi Hugh Van Voorst
STAFF PRESENT:	Andrew Davis, Executive Director Frank Bello, *College Illinois!*SM Chief Investment Officer Frank Berauer, IDAPP Brian Begrowicz, IDAPP Tom Breyer, Senior Policy Advisor Esther J. Cepeda, Chief Marketing & Communications Officer Russ Goeltenbodt, Marketing & Communications Katharine Gricevich, Director, State Relations Susan Kleemann, Director, RPPA Kim Lee, General Counsel Shoba Nandhan, Director, Budget & Finance Sam Nelson, Director, Client Relations Paul Palian, Director, Media Relations Chris Peterson, Chief Program Officer John Sinsheimer, Chief Financial Officer Joanne Tolbert-Wells, Chief of Staff & Administration Debora Calcara, Commission Secretary
PUBLIC ATTENDANCE:	Meegan Bassett, Women Employed Orlando Cabrera, Harper College Mary Feeney, UIC Paul Frank, FIICU John Heroff, UIC Kate Johnson, Harper College Mike Mann, IBHE Walter O'Neill, Roosevelt University Jim Sorensen, Golden Apple Thomas Starshak, Starshak, Welnhofer & Company Leigh Taylor, Robert Morris College Jim Van Horn, Intuition Systems Maria Zambonino, St. Augustine College

Item 1. Announcements

Chairman McNeil called the April 3, 2009 meeting of the Commission to order at 9:10 a.m. and offered his congratulations to Dr. Kenneth Ender on his appointment as the next president of Harper College. He then asked that a roll call vote be taken, which established that a quorum was present.

Continuing, Chairman McNeil stated that the next regular meeting of the Commission is scheduled for Friday, June 26, 2009 at the University of Illinois at Chicago, but noted that there is a possibility that the Commission will need to hold a special meeting prior to the regularly scheduled meeting.

Item 2. Minutes of the January 30, 2009 Meeting

Dr. Louderback **MOVED THAT** the minutes of the January 30, 2009 meeting be approved as submitted. Mr. Dauber seconded the motion, which was approved unanimously.

Item 3. Executive Director's Report

Opening his remarks, Mr. Davis stated that the volatility in the stock market has made it difficult for any programs investing assets in order to meet responsibilities associated with long-term liabilities. He indicated that a new *College Illinois*! Investment Policy will be brought before the Commission at its meeting in June. He stated that the program's fund has outperformed most other prepaid tuition funds and also outperformed the program's own benchmark over the past six to nine months, not by following the policy, but actually deviating from it. He felt it was his responsibility for the fund to perform better financially even if that meant not adhering to the current policy, but that in the long run, the best practice was to bring the policy up-to-date with the changing reality of the financial markets. He stated that there are incredible opportunities for the program to be investing in at this time, so a closer review will be made of the policy to support the creativity and performance that the fund demands.

Continuing, Mr. Davis stated that during his campaign, President Obama made a commitment to eliminate the Federal Family Education Loan Program (FFELP) and in his proposed 2010 budget he is keeping that campaign promise. The President has proposed that by eliminating FFELP, the savings will go to increasing Pell grants, which is good for low-income students, but by eliminating FFELP it also eliminates about 90% of ISAC's revenues that support the work of the agency. He assured the Commissioners that he and his senior staff are taking this proposal by the President very seriously and that the mission of making college accessible and affordable for all Illinois students is still as important as ever and it is staff's task to bring to the Commission a plan that will sustain the agency as it continues its commitment to fulfilling that mission. He stated that it is highly likely that within two years, ISAC will be a very different agency in terms of how its programs, such as outreach and training, financial aid workshops, and initiatives such as the Prairie State Nursing Retention Program, the Illinois College Advising Corps and other programs are funded. He noted that by eliminating FFELP it will force all colleges and universities to use the Federal Direct Loan program, which has a number of schools concerned that the federal government will not be able to adequately service such a large program.

Item 4. Presentation by the University of Illinois at Chicago Department of Public Administration

Mr. John Heroff, an MPA student at the University of Illinois at Chicago, accompanied by Dr. Mary K. Feeney, Faculty Advisor, gave a presentation to the Commission on *A Review of the College Access Literature*, a research paper he prepared for the Commission specifically addressing factors related to college access for high school students from low socio-economic status families, as well as the factors associated with college retention and persistence.

Item 5. Presentation by Golden Apple Scholars of Illinois

Chairman McNeil welcomed Mr. Dominic Belmonte, President and CEO of the Golden Apple Foundation and Mr. Jim Sorensen, Director of the Golden Apple Scholars of Illinois, each of whom provided an overview of the Golden Apple Scholars Program, and its significant growth and development from its beginnings in 1988, to the model program of financial support, mentoring and real-world experience that has so successfully contributed to the size and strength of the corps of teachers in Illinois.

Chairman McNeil then announced a brief recess.

Item 6. *College Illinois*! Prepaid Tuition Program Investment Performance Report

Mr. Bello noted that Marquette Associates had sent to the Commissioners the most recent Investment Performance Analysis, for the periods ending December 31, 2008. As of year-end, the portfolio assets stood at $809 million, a decrease of $185 million from the previous year. He noted that during the quarter ending December 31, 2008, the total program investment performance had outperformed the policy benchmark.

In response to a question from Chairman McNeil, Mr. Bello stated that contracts with a number of underperforming investment managers had been terminated.

Item 7. *College Illinois!* Prepaid Tuition Program Infrastructure Investment Managers

Introducing the agenda item, Mr. Bello stated that on December 17, 2008, a Request for Proposals (RFP) was issued for an infrastructure investment manager. He stated that infrastructure investments such as roads, bridges, communication towers, oil pipelines, etc. tend to be less correlated with traditional equity market investments, and also tend to be less volatile. There were 14 respondents to the RFP, and the top six firms were brought in for interviews, and Mr. Daniels, Mr. Davis, Mr. Breyer and Mr. Egan participated in the interviews, along with himself. As a result of these six interviews, the evaluation committee is recommending that the Commission approve entering into investment management agreements for the infrastructure asset class with one or more of the following firms: Alinda Capital Partners, LLC; Global Infrastructure, LLC; IFM Global Infrastructure (US), L.P.; and Macquarie Capital (USA), Inc. Mr. Bello reminded the Commission that the current investment policy has a five percent allocation for infrastructure.

Responding to Chairman McNeil, Mr. Bello stated that the infrastructure asset class has been in existence for 15 years, starting in Australia and now emerging in the U.S. and is a very attractive asset class.

Mr. Daniels stated that staff and Marquette Associates did an outstanding job in evaluating the proposals. He feels infrastructure is a growing and safe asset class and should prove to be a good investment for the program.

Mr. Dauber **MOVED THAT** the Commission approve the following resolution:

> **"BE IT RESOLVED** that the Illinois Student Assistance Commission (ISAC) authorizes the Executive Director or Chairman and the Chief Investment Officer to execute and deliver Investment Management Agreements with one or more of the following firms: Alinda Capital Partners, LLC, Global Infrastructure, LLC, IFM Global Infrastructure (US), L.P., and Macquarie Capital (USA), Inc. (each an "Infrastructure Investment Manager") on terms and conditions that

the Executive Director or Chairman and the Chief Investment Officer deem in the best interests of ISAC with such terms and conditions that Executive Director or Chairman and the Chief Investment Officer deem in the best interests of ISAC; provided, however, in no event shall the term of any agreement with any one or more of the Infrastructure Investment Managers exceed ten (10) years including renewals and extensions and the fees payable under those agreements in the aggregate shall not exceed $6,000,000;

"BE IT FURTHER RESOLVED that, subject to the limitations set forth in the paragraph above, the Chairman or Executive Director and the Chief Investment Officer are, and each of them is, hereby authorized to do or perform all such acts and to execute all such documents and other instruments as they or any of them deem necessary, convenient or desirable to consummate the transactions contemplated by this Resolution and all of the acts and doings of the Chairman and Executive Director which are in conformity with the intent and purposes of this Resolution, whether heretofore or hereafter taken or done, shall be and are hereby approved, confirmed and ratified."

Mr. Daniels seconded the motion, which was approved unanimously.

Item 8. Custodial Services and Securities Lending Agreement for the *College Illinois*! Prepaid Tuition Trust Fund

Mr. Bello explained that the program utilizes a third party custodian for all assets, which is currently U.S. Bank. He stated that in November of 2008 an RFP was issued to secure a new custodian that could provide better service to the program. He indicated six responses were received as a result of the RFP. The evaluation committee, with the assistance of the program's investment consultant, Marquette Associates, reviewed the proposals and is now recommending that the Commission approve entering into custodial service agreements with one or more of the following firms: The Northern Trust Company, The Bank of New York Mellon Corporation and U.S. Bank, N.A. (for transition purposes only) for a term not to exceed five years, including renewals, and in an aggregate amount not to exceed $1,150,000.

Mr. Davis stated that by having multiple approved custodians it will give the agency the ability to make a change should it prove necessary without going through a new RFP process each time. He also noted that the recommended firms are world-class institutions with a local presence.

Mr. Daniels commented that this is a wise move for the program to have more than one approved custodian considering the current banking environment.

Mr. Daniels **MOVED THAT** the Commission approve the following resolution:

"BE IT RESOLVED that the Illinois Student Assistance Commission (ISAC) authorizes the Executive Director or Chairman and the Chief Investment Officer to execute and deliver one or more agreements to provide custodian services, including management of the *College Illinois*!SM Prepaid Tuition Program (Program) securities lending program with one or more of the following firms (each a "Custodian"): The Northern Trust Company, The Bank of New York Mellon Corporation, and U.S. Bank, N.A. (for transition purposes only)., with such terms and conditions that Executive Director or Chairman and the Chief Investment Officer deem in the best interests of ISAC; provided, however, in no event shall the term of any Custodial Agreement exceed five years including renewals and extensions and the fees payable under the agreements with the Custodians shall not exceed $1,150,000 in total;

"**BE IT FURTHER RESOLVED** that, subject to the limitations set forth in the paragraph above, the Chairman or Executive Director and the Chief Investment Officer are, and each of them is, hereby authorized to do or perform all such acts and to execute all such documents and other instruments as they or any of them deem necessary, convenient or desirable to consummate the transactions contemplated by this Resolution and all of the acts and doings of the Chairman and Executive Director which are in conformity with the intent and purposes of this Resolution, whether heretofore or hereafter taken or done, shall be and are hereby approved, confirmed and ratified."

Dr. Andre seconded the motion, which was approved unanimously.

Item 9. Appointment of *College Illinois*! Prepaid Tuition Program Investment Advisory Panel Member

Ms. Lee stated that it is being recommended that the Commission approve the appointment of Mr. Alexander I. Rorke to serve on the Investment Advisory Panel, noting that Mr. Rorke has over 20 years experience in the financial industry, most recently with UBS Chicago. She stated that with the appointment of Mr. Rorke, there will be two vacancies remaining on the panel, those being appointments to be recommended by the State Comptroller and the Governor's Office of Management and Budget.

Both Chairman McNeil and Mr. Daniels noted that they are acquainted with Mr. Rorke and observed that he would be an excellent addition to the panel. Mr. Davis stated that Mr. Rorke is well versed in the area of investment asset management and he is pleased Mr. Rorke is willing to serve on the panel.

Dr. Louderback **MOVED THAT** the Commission approve the appointment of Mr. Alexander I. Rorke as a member of the *College Illinois!* Investment Advisory Panel, to a term that expires on April 2, 2012.

Mr. Dauber seconded the motion, which was approved unanimously.

Chairman McNeil acknowledged that Mr. Wing had joined the meeting.

Item 10. Issuance of Series 2009 Bonds

Prior to presenting the agenda item, Mr. Sinsheimer introduced Mr. Frank Berauer and Mr. Brian Begrowicz who have joined the senior accounting team for IDAPP. Mr. Sinsheimer noted that for the first time, the financial statements the Commissioners received for *College Illinois*!, IDAPP and the Student Loan Operating Fund are all current and for the same time period, thanks to the efforts of Mr. Berauer and Mr. Begrowicz.

Mr. Sinsheimer also announced that ISAC has received written commitments of over $100 million from 12 credit unions for FFELP lending for academic year 2009-2010, which should meet the financial needs for the next academic year. He anticipates that formal approval for the indenture with the credit unions will be brought to the Commission at its June meeting.

Continuing, Mr. Sinsheimer presented a visual display to the Commission outlining the life of a FFELP loan by a student borrower in default. He explained to the Commission that this bond issue will secure funds for the loan rehabilitation program. ISAC will work with borrowers in default, and once they have made nine consecutive on-time payments, our lending arm, IDAPP, will utilize the funds from this bond issue to purchase the defaulted loans from the U.S. Department of Education. Once the

rehabilitation is complete, the default status can be removed from the borrower's credit report, which will enable them to secure future credit.

Mr. Sinsheimer stated that this presentation was given to members of the General Assembly to educate them on the urgent need for approval of Senate Bill 325 authorizing the sale of tax-exempt, state-guaranteed bonds in the amount of $50 million for ISAC to fund the rehabilitation program. He stated that currently there are over 2,900 residents in the rehabilitation program across the State of Illinois. He indicated that this bond issue is necessary as a result of the last remaining national lender, SunTrust Bank, discontinuing their participation in the program. This has left all guarantee agencies nationally looking for funding of their rehabilitation loan programs. He explained that without the revenue from the rehabilitation loan program, ISAC is losing $1.3 million in operating revenue each month.

Mr. Sinsheimer stated that this bond issue will be secured with four levels of credit support: each loan will be at least 97% guaranteed by the federal government; ISAC will have a 4% cash reserve, which is a $2 million reserve for a $50 million bond issue; the bonds are guaranteed by the State of Illinois; and Assured Guaranty will issue an insurance policy guarantying the State's performance and insuring the prompt and full payment of the bonds. He also indicated that the office of Governor Quinn has approved this issue to be offered as tax-exempt and fixed-rate.

Mr. Sinsheimer stated that once the bill is approved by the General Assembly and signed by the Governor, the bond issuance will be brought to the Commission for approval and then the bonds will be offered for sale. He anticipates that this $50 million bond issue will give the rehabilitation loan program as much as 24 months of funding for the purchase of loans.

Responding to Dr. Louderback, Ms. Lee indicated that this agenda item today will allow staff to start the preliminary preparations necessary for the bond sale which will expedite the process once the legislation is approved by the General Assembly and the Governor. She stated that final approval for the bond sale will be brought to the Commission.

Chairman McNeil stated that this bill passed the Senate 56-0, which speaks well of the proposal and the way this complex rehabilitation loan program was communicated to the General Assembly.

Mr. Davis indicated that nationally, 18 of the 34 guaranty agencies will be out of funds and may need to close their doors within the next 12 months if this problem is not addressed on a national level. ISAC is not in a position to wait for a national solution, but instead is being proactive in working with the General Assembly and the Governor's office in bringing forth this bond issue. He thanked Ms. Gricevich for her work in guiding him and Mr. Sinsheimer through the legislative process and gaining access to those legislators and thanked Mr. Sinsheimer for his ability to make this complex program coherent for legislators to understand. He also thanked Mr. Edward Duffy, a very talented and industrious lobbyist, who serves on ISAC's behalf.

Mr. Daniels suggested staff include an additional financial advisor and underwriters for this transaction and stated that it is a well-structured issue and having the state guarantee is very attractive.

Mr. Sinsheimer informed the Commission that this is the first guarantee issued by the state for a state agency debt, the first pure rehabilitation loan portfolio ever issued in the industry and it is the first tax-exempt issue that ISAC has done in at least seven years.

Chairman McNeil reiterated the creativity and diligence of staff to find a solution to a major credit crisis facing the agency. He then asked for a motion to approve the resolution.

Mr. Dauber **MOVED THAT** the Commission adopt the Resolution authorizing the preparation for the issuance of not to exceed $50,000,000 aggregate principal amount of Student Loan Revenue Bonds, Series 2009 of the Illinois Student Assistance Commission; the holding of a public hearing and obtaining of various approvals; the preparation and delivery of a Preliminary Official Statement; and related matters.

Mr. Wing seconded the motion, which was approved unanimously.

Item 11. Monetary Award Program 2+2 Pilot Program

In opening the agenda item, Mr. Davis stated the MAP 2+2 program combines the best practices of the academic research of what works with what turns both taxpayer and student family dollars into degrees while rationing scarce resources.

Ms. Kleemann noted that with the Commission's approval, a new pilot program will begin this fall called MAP 2+2. She indicated approval is needed due to the procedural changes needed in the current administration of MAP. The MAP 2+2 is designed to help students complete four years of college at a lower cost and with less debt.

She stated this new program will look at aid from a four-year perspective rather than from year to year. Currently, fully-eligible MAP recipients receive about $20,000 in aid over four years of full-time college attendance. Average tuition and fees for an Illinois four year university is about $39,700, and adding other costs brings the average four year total cost to $77,684. With full Pell and MAP grants, fully eligible students' total aid would be over $10,000 per year for a total of $41,272 for four years. They would still need about $36,000 after grant aid to meet their costs. Stafford loans can cover about $27,000 of those costs, leaving students to come up with an additional $9,000.

She stated that the proposed MAP 2+2 will have a student attend a community college for the first two years and then a four-year institution for the second two years, but the MAP aid would be based on the student attending a four-year institution for the entire four years. The difference in grant aid dollars needed would be reserved for the student to help reduce remaining need at the four-year institution. The students' costs are reduced two ways – the total cost of attendance falls from about $78,000 to about $56,000 but grant aid is not reduced – fully-eligible (based on the costs at a four-year school) students would still receive $41,000 in grant aid. The residual costs not covered by grant aid are reduced to about $15,000, which can be covered with Stafford Loans. Loan debt is significantly reduced.

Most students would not have to take out loans during the first two years of school. Should that student drop out after one or two years, not only does the student leave without debt, but the state has not spent as many aid dollars on a student who will not complete.

Ms. Kleemann indicated that this program is dependent on a very tight articulation agreement between the community colleges and four-year institutions. Currently, Western Illinois University has articulation agreements with Black Hawk College and Carl Sandburg College, which will work well for a MAP 2+2 pilot program. Staff will be working with additional schools to participate in the pilot.

Ms. Kleemann stated that the MAP 2+2 program will not put additional demands on the MAP appropriation, but will use MAP dollars more efficiently and will help to reduce student debt significantly.

Mr. Davis noted that not only does this program improve the delivery of services and financial aid to students, but it also helps to get the most out of taxpayer dollars that have been appropriated for MAP by seeing a degree as a result of the aid received.

Dr. Andre **MOVED THAT** the Commission approve two procedural changes to administering MAP to allow the MAP 2+2 program to be implemented. For the pilot program only, MAP payments would be calculated based on the costs of the four-year school that will be attended during the junior and senior years instead of the costs at the community college attended during the freshman and sophomore years. MAP grant dollars not used during the first two years at the community college would be used during the final two years at a four-year school. Staff asks that the Commission approve the procedure changes necessary to allow a variation in the calculation of eligibility and the timing of grant payment for students participating in this pilot program.

Dr. Louderback seconded the motion, which was approved unanimously.

Item 12. Proposed Rules Amendments

Ms. Peterson indicated that these rules have been published for the 45-day public comment period and upon approval today, will be sent to the Joint Committee on Administrative Rules (JCAR) for the final 45-day review period.

Dr. Louderback **MOVED THAT** the Commission approve the following resolution:

> **"BE IT RESOLVED** that the Commission accepts the proposed rules amendments, as modified thus far during the rulemaking process, for submission to the Joint Committee on Administrative Rules."

Mr. Daniels seconded the motion, which was approved unanimously.

Item 13. FY10 Monetary Award Program (MAP) and Silas Purnell Illinois Incentive for Access (IIA) Application Volume Update and Request for Authority to Suspend

Mr. Davis stated that the reality is that once all appropriated funds have been allocated, the Commission has no other option than to suspend the announcement of additional awards. Outreach efforts have been made to encourage students to apply early for financial aid and the push to increase FAFSA completion has resulted in an increase in application volume so it is with mixed emotion that earlier than normal this agenda item is being brought to the Commission.

Ms. Kleemann then confirmed that this agenda item is normally brought to the Commission at its June meeting but unfortunately, appropriated funds will have been allocated before then so it is being brought to the Commission today. She indicated that the application volume this year is unprecedented and reflects the current state of the economy with more people going back to school to complete their education. She stated that the volume of eligible applications is up 28%, with eligible independent student applications up 34%, and eligible community college applications up 45%. She also stated that for IIA, for zero EFC students, applications are up 44% for dependent students and 85% for independent students for an overall increase in application of 58%.

She noted that part of this increase is caused by the federal government's change in automatic zero from $20,000 to $30,000, which means that if you have an adjusted gross income of less than $30,000, you now have an automatic zero EFC, resulting in more students being eligible for IIA.

Ms. Kleemann said that with the application volume at this rate, she anticipates announcement of MAP awards needing to be cut off in mid-June and IIA awards cut off as early as sometime in May. Although these cut-off dates are much earlier than normal, she noted that the same number of students will be receiving awards and possibly more students should they attend a community college. It is anticipated that the program will help between 145,000 to 150,000 students to attend school, but ISAC will be suspending roughly 60,000 applications, and it could be as high as 100,000.

Chairman McNeil introduced Meegan Bassett, Senior Policy Associate at Women Employed.

Ms. Bassett reminded the Commission that it is Women Employed's mission to improve the economic status of women and remove barriers to economic equity. She stated that traditionally, Women Employed opposes early suspension for MAP and IIA, since early suspension disproportionately impacts those students with the least resources. However, she stated that Women Employed supports the decision to suspend award announcements since the appropriation will cover the changes in EFC.

Chairman McNeil thanked Ms. Bassett and Women Employed for their continued support.

Dr. Louderback **MOVED THAT** the Commission authorize staff to suspend FY2010 award announcements for MAP and IIA when it becomes necessary to avoid the risk of overcommitting the appropriations.

Dr. Andre seconded the motion, which was approved unanimously.

Seeing no further business, Chairman McNeil stated that while the Open Meetings Act of Illinois generally requires that public bodies such as this Commission conduct their business at meetings that are open to the public, the ct also provides various exceptions for matters to be discussed in closed session – such as the Executive Session on today's agenda. For the Executive Session today, there are two applicable exceptions under subsection 2(c) of the Open Meetings Act:

1. Under exception "1" of subsection 2(c)…the closed session will concern the appointment, employment, compensation, discipline, performance, or dismissal of specific employees of the public body;

2. Under exception "7" of subsection 2(c)…the closed session will concern the sale or purchase of securities, investments or investment contracts.

Dr. Louderback **MOVED THAT** the Commission adjourn into closed session. Mr. Wing seconded the motion, which was approved unanimously. The Commission then adjourned into closed session at 11:35 a.m.

The Commission returned into open session at 12:10 p.m. Chairman McNeil asked for a motion to approve the execution and delivery by him of an amended and restated Employment Agreement with Andrew Davis, with such changes and modifications as the Chairman deems advisable, provided, however, the Chairman shall not increase the salary payable to the Executive Director from the amount set forth in the Agreement.

Mr. Wing **SO MOVED**. Dr. Louderback seconded the motion, which was approved unanimously.

Dr. Louderback **MOVED THAT** the April 3, 2009 meeting be adjourned. Mr. Daniels seconded the motion, which was approved unanimously. The meeting adjourned at 12:11 p.m.

Respectfully submitted,

Debora A. Calcara
Secretary to the Commission

MINUTES OF A VIDEO CONFERENCE MEETING
OF THE
ILLINOIS STUDENT ASSISTANCE COMMISSION

May 7, 2009

James R. Thompson Center
14th Floor
100 W. Randolph St.
Chicago, Illinois

Central Management Services
Capital City Center
Room 104
130 W. Mason Street
Springfield, Illinois

COMMISSIONERS PRESENT AT JAMES R. THOMPSON CENTER:	Donald J. McNeil, Chair Warren Daniels, Jr. Sean Dauber Dr. Mary Ann Louderback Kelvin Wing
COMMISSIONERS PRESENT AT CAPITAL CITY CENTER:	Sharon Alpi
COMMISSIONERS ABSENT:	Dr. Lynda Andre Hugh Van Voorst
STAFF PRESENT:	Andrew Davis, Executive Director Esther J. Cepeda, Chief Marketing & Communications Officer Katharine Gricevich, Director, State Relations Clifton Kyle, Chief Information Officer Kim Lee, General Counsel Paul Palian, Director, Media Relations John Sinsheimer, Chief Financial Officer Karen Salas, Deputy General Counsel Joanne Tolbert-Wells, Chief of Staff & Administration Debora Calcara, Commission Secretary
PUBLIC ATTENDANCE:	Dave Able, William Blair & Company Alvin Boutte, Grigsby & Associates William Corbin, Perkins Coie LLP Julia Harris, Scott Balice Strategies Lynnae Kapp, Commission on Governmental Forecasting & Accountability Brian King, Cabrera Capital Markets David M. Reicher, Foley & Lardner LLP Nicole Rogers, IBHE Thomas Starshak, Starshak, Welnhofer & Company Larry White, Chapman & Cutler LLP

At 1:13 p.m. Chairman McNeil asked that a roll call be taken of the Commissioners present for today's Commission meeting via interactive video conference, simultaneously using the two meeting locations, one at the James R. Thompson Center facility in Chicago, Illinois, and the other at the Central Management Services facility, at Capital City Center, in Springfield, Illinois.

The Secretary to the Commission thereupon called the roll and reported that six Commissioners were present, that one of the six, Commissioner Alpi, was present in the Springfield location, and that Commissioners Daniels, Dauber, Louderback, and Wing, and Chairman McNeil, were present in the Chicago location.

Chairman McNeil noted that a quorum was present and brought the meeting to order at 1:15 p.m. He noted that public notice of the meeting had been given for the meeting to be held via interactive video conference simultaneously at two locations open to the public, one being the James R. Thompson Center facility in Chicago and the other being the Central Management Services facility, at Capital City Center, in Springfield. Chairman McNeil indicated that by using the interactive video conference, the Open Meetings Act permits attendance by Commissioners at both locations to be used to establish a quorum.

Chairman McNeil noted that, having properly determined the presence of a quorum, and today's Commission meeting having been properly noticed and arranged, today's Commission meeting will be fully compliant with the Commission's rules and the Open Meetings Act.

Chairman McNeil reminded the Commissioners that, in order to aid the proper taking of minutes and recording of Commissioner participation, each Commissioner should be sure to announce any time at which he or she would be leaving the meeting or returning to the meeting.

Item 1. Series 2009 Bonds: Student Loan Financing (State Guaranteed)

Mr. Sinsheimer stated that Commissioners have received the documents pertaining to this bond issue the week prior, but he will be explaining the documents in detail due to their complexity. He then introduced the advisors and counsel that the Commission has retained to work on this bond issue who are in attendance today. Those include: financial advisor, Julia Harris, Scott Balice and Associates; co-managing underwriters Cabrera Capital represented by Brian King and William Blair represented by Dave Abel; co-manager Grigsby and Associates is represented by Alvin Boutte,; Foley & Lardner, bond counsel represented by David Reicher; underwriters counsel , Perkins Coie represented by Bill Corbin, and Chapman and Cutler issuer's counsel represented by Larry White.

Continuing, Mr. Sinsheimer stated that the purpose of this bond issue was presented to the Commission at its April 3 meeting. He reminded the Commission that this is a $50 million bond issue which will be tax exempt from both the federal and state government and the alternative minimum tax, the bonds will be fixed rate and with a bullet maturity, which means all the principal will be due on May 1, 2014. He did note that the bonds are not callable for one year, but callable at par anytime after May 1, 2010.

Mr. Sinsheimer stated the bonds will be used to buy Illinois nexus rehabilitated student loans under the Federal Family Education Loan Program (FFELP). He explained that Illinois nexus is being defined as any student who has a current residency of the state of Illinois or a student who was an Illinois resident at the time the loan was originated or whose loan originated within the state of Illinois.

The bonds will be supported by a series of collateral and guarantees. The initial support will be a 97% guarantee by ISAC through the guarantee loan program under FFELP with reinsurance issue by the U. S. Department of Education (DOE). There will be a 4% debt service reserve in cash which is equal to

$2 million. He stated that of the $2 million, $1.5 million will be funded out of bond proceeds and IDAPP, ISAC's lending arm, will contribute $500,000 from its cash into the debt service reserve. In addition, Assured Guaranty is insuring the payment of principal and interest on the bonds through the issuance of a bond insurance policy.

He noted that just prior to the meeting today, Governor Quinn signed into law Senate Bill 325 which allows these bonds to be guaranteed by the state of Illinois. He also confirmed that there will be bond insurance through Assured Guaranty, which will wrap its policy around the state's guaranty to essentially have four layers of support to protect the bond holders.

He stated that cash flow from the underlying student loans will be used to support interest payment, principal payments and under certain conditions, released back to the Commission. Cash coming in will first be used to fund a rebate fund if needed; second it will be used to fund the interest account up to two succeeding interest payments; third, it will be used to fund the principal account when the bonds come due May 1, 2014; fourth, it will be used to refill the debt service reserve account should the debt service account for any reason fall below the 4% limit and fifth, it will be used to redeem bonds early if we want to redeem bonds again at par, anytime after May 1, 2010.

Explaining the state guaranty, Mr. Sinsheimer stated that the guaranty is an irrevocable, general obligation full faith and credit guarantee of both principal and interest on the bonds. He stated that no earlier than at its November meeting and no later than its January meeting, the Commission will be asked to evaluate the cash needs that the bonds may require to pay debt service in the succeeding fiscal year. In January of 2010 staff will work with the Commission to evaluate the cash needs for FY2011 and continue each year thereafter. Should that analysis indicate that no cash is needed, the Commission will adopt a resolution so indicating, but should that analysis indicate that cash will be needed, the Commission must adopt a resolution instructing the Chairman to so notify the Governor to include in a budget request for FY2011 and each year thereafter. Should the budget request for any reason be denied by the General Assembly, there is a continuing appropriate language contained in the law which will allow the Governor, at that point in time, to simply direct the Treasurer and Comptroller to release funds to the Commission to honor its obligations. Additionally, Assured Guaranty has requested that the Commission consult with them prior to the meeting of January 2013 to ensure that a request be made to honor any obligations pending when the bonds come due on May 1, 2014.

Responding to Mr. Daniels, Mr. Sinsheimer stated that the insurance from Assured Guaranty helped to increase the bond rating on the issue.

Mr. Sinsheimer stated that through Intuitive Analytics, cash flow on this portfolio was completed to analyze the performance. Although this type of portfolio is the first in its kind, all types of variable assumptions were made to ensure it would meet its obligations. He indicated that normal Illinois nexus rehabilitation loans run about $30 million per year and it is anticipated that this $50 million issue will provide enough funds for the next 18 to 24 months.

Mr. Sinsheimer anticipates that once approved by the Commission, the Preliminary Official Statement should be released to the banks on Monday, May 11 and then pricing completed within days. He is projecting the bond sale closing date around May 27. He expects to purchase approximately $7 million in rehabilitated loans immediately following the bond sale.

Noting that final documents both clean and black lined have been given to the Commissioners, Ms. Lee indicated that slight language changes were made to the Resolution, which is brought to the Commission today for adoption.

Responding to Mr. Dauber, Mr. Sinsheimer briefly explained the rehabilitation loan process and how ISAC receives a fee as guarantor when a loan is rehabilitated. He also explained that this bond sale is creating the capability for ISAC to continue the rehabilitation loan program, the willingness was always there with IDAPP to be a purchaser of the loans, but without the state guarantee, the capital available would not make the indenture cost effective. Now IDAPP will be able to purchase the loans from the DOE directly, ISAC as guarantor will receive the fee from DOE for the rehabilitated loan, and the defaulted borrower will have restored their credit and will now be able to borrow money for mortgages, cars and even receive additional financial aid.

Ms. Lee clarified items on the disclosure and the authorization and ratification for Dr. Louderback.

Mr. Daniels commented on the creativity and innovative way in which to get liquidity in the marketplace while helping borrowers to restore their credit and the fact that staff was able to receive the general obligation from the legislature is extraordinary, he was impressed and enthusiastically in support of the issue.

Mr. Sinsheimer thanked Ms. Gricevich, Director of State Relations, for her help in meeting with legislators and staff to present the bond issue proposal.

Seeing no other comments, Chairman McNeil asked for a motion to approve the resolution that was distributed today and which is attached to theses minutes as **Exhibit A**, which was revised version of the resolution presented in the agenda book.

Dr. Louderback **SO MOVED**. Mr. Wing seconded the motion. Chairman McNeil asked that a roll call vote be taken, which passed unanimously.

Item 2. Approval of Policy for Federal Trade Commission "Red Flag Rules" Identity Theft Prevention and Address Discrepancy Program

Ms. Lee stated that the Federal Trade Commission issues red flag rules requiring financial institutions, such as ISAC and *College Illinois*!, to develop a written program that identifies and detects relevant warning signs. She indicated this written program essentially allows the Executive Staff level personnel at ISAC to go into the respective divisions and have refined guidelines and red flag programs tailored to each particular program within the various divisions. She indicated that due to the language in the Federal Trade Commission red flag rules, the policy is being brought to the Commission today for approval.

Mr. Daniels **MOVED THAT** the Commission approve the following resolution:

"BE IT RESOLVED the Illinois Student Assistance Commission (the "Commission") hereby approves and adopts the Identity Theft Prevention and Address Discrepancy Program policy (the "Program") pursuant to Federal Trade Commission's Red Flag Rule and Address Discrepancy Rule, a copy of which is attached hereto.

"**BE IT FURTHER RESOLVED** that the Commission authorizes the Executive Director to modify the Program from time to time, as necessary.

Mr. Dauber seconded the motion, which was approved unanimously.

Chairman McNeil reminded the Commission that the next regularly scheduled meeting will be held on June 26, 2009 at the University of Illinois at Chicago and that there will be a Governor's formal press signing of Senate Bill 325 tomorrow, May 8, 2009 at 1:30 at the James R. Thompson Center that all members of the Commission are invited to attend.

Dr. Louderback **MOVED THAT** the May 7, 2009 special meeting of the Commission be adjourned. Mr. Dauber seconded the motion, which was approved unanimously. The meeting adjourned at 1:45 p.m.

Respectfully submitted,

Debora A. Calcara
Secretary to the Commission