MINUTES OF A MEETING
OF THE
ILLINOIS STUDENT ASSISTANCE COMMISSION

February 9, 2011

Videoconference Locations

James R. Thompson Center              Southern Illinois University
100 W. Randolph St.                   Office of Educational Outreach
Room 9-036                            Founders Hall, Room 0301
Chicago, Illinois                     Edwardsville, Illinois

COMMISSIONERS PRESENT:                
Donald J. McNeil, Chair
Dr. Lynda Andre
Sean Dauber
Dr. Mary Ann Louderback

COMMISSIONERS ABSENT:                 
Sharon Alpi
Hugh Van Voorst
Johnathan Wilson

STAFF PRESENT:                        
Andrew Davis, Executive Director
Brian Begrowicz, Deputy Chief Financial Officer
Anita Geter, Internal Auditor
Kim Lee, General Counsel
Shoba Nandhan, Interim Chief Financial Officer
Larry Zeller, Director, Portfolio Management
Debora Calcara, Commission Secretary

PUBLIC ATTENDANCE:                    
William Fitzgerald, Global Infrastructure Asset Management
Clay Norrbom, Global Infrastructure Asset Management
CLOSED SESSION

12. Executive Session Minutes and Report of Determination Regarding Confidentiality

Ms. Lee informed the Commission that the Open Meetings Act requires all closed sessions to be audio taped and minutes of those sessions be prepared and brought to the Commission for approval and a decision made if those minutes can now be opened to the public or kept closed due to the discussion of confidential matters. She then indicated that it has been determined that minutes from closed meetings starting in December of 2006 need to be brought to the Commission for approval, and that those closed meeting minutes will be brought to the Commission over the next several meetings until all minutes have been acted on. Ms. Lee informed the Commission that when the closed meeting minutes are brought to them they will be asked to not only approve the minutes of the meeting, but also if those minutes are to be kept closed or open to the public.

Ms. Lee reviewed for the Commission the minutes being brought to them for approval today and her recommendation on whether or not they should be released to the public.

13. College Illinois! Prepaid Tuition Program Hedge Funds Additional Subscription

Mr. Davis stated that the next five agenda items represent an enormous amount of work and due diligence on the part of Mr. Bello, Mr. O’Keefe and Mr. Zeller with a significant amount of work from outside lawyers and bankers who have developed the due diligence work. It represents high quality due diligence and physical site visits by Mr. Bello, Mr. O’Keefe, Mr. Zeller as well as himself.

Mr. Bello stated that this is an existing money manager in Chicago, Reynoso Fund which was initially allocated $10 million, and the investment staff is now requesting an additional $15 million to bring the total allowable funding level to $25 million. Mr. Bello confirmed for Dr. Louderback that this asset class has an allocation of 13.8 percent as of the end of December, 2010. He also confirmed that in the last seven months the Fund has had a return of nine percent. He also stated that while this is a hedge fund, they are 100 percent restricted to exchange-traded instruments, which is, therefore, a highly liquid fund should ISAC wish to withdraw from the Fund it can be done within 48 hours. Mr. Davis then stated that the Reynoso group has had an uncorrelated rate of return as when the stock market has been down, their results have been positive.

Item 14. College Illinois! Prepaid Tuition Program Private Equity Co-Investment

Mr. Bello stated that this fund, Camelot Acquisitions Secondary Opportunities Fund is an existing money manager which had an initial approval for an allocation of $15 million in January of 2010 which included the right to co-invest in certain investments that they may present to us. Mr. Bello then explained the potential investment in Fisker to the Commission. Mr. Davis confirmed that the due diligence has been extensive on this fund.
Item 15. College Illinois! Prepaid Tuition Program Hedge Funds Investment

Mr. Bello stated that as a result of an RFP issued in June 2011, they selected four firms under the Manager of Managers RFP. He explained that this Manager of Managers would essentially be allocated a portion of ISAC’s total portfolio, and then further allocate funds to other money managers. Mr. Bello explained that this manager, Clipper Partners, has managed monies for hospitals and is currently managing a $660 million portfolio for them. Mr. Davis stated that this manager resides in Colorado.

Mr. Bello confirmed for Mr. Dauber that the principal of Clipper Partners is currently managing money for a hospital on a non-discretionary basis.

Mr. Davis stated that this firm was number one by a considerable breadth in the RFP for a Manager of Manager, meaning they were first in terms of score by the panel.

Mr. Bello confirmed for Mr. Dauber that an allocation of 5% of the total portfolio to this fund will bring the total portfolio close to maximum allocation allowed for the hedge fund asset class. Dr. Louderback felt this percentage is still too high in hedge funds.

Item 16. College Illinois! Prepaid Tuition Program Infrastructure Investment

Mr. Bello reminded the Commission that in April 2009 they approved managers in the infrastructure space. He noted that an allocation has already been made to one of those managers, Alinda Capital and now the other manager, Global Infrastructure is coming to the Commission for a specific fund called Renewable Infrastructure Fund I. He noted that this fund will be making Mezzanine loans to companies within the renewable energy space, and that the loans would derive income in two ways: One, from the loan interest; and two, from selling the renewable energy credits.

Mr. Davis then introduced Mr. Fitzgerald and Mr. Norrbom, the founders of Global Infrastructure. Mr. Fitzgerald and Mr. Norrbom then provided the commission with their background information and outlined the investment strategy and return targets. Mr. Davis and Mr. Bello confirmed the investment would be $30 million.

Item 17. College Illinois! Prepaid Tuition Program Real Estate Investment

Mr. Bello stated that the investment is in a company called LARP, Lyrical-Antheus Realty Partners III. He and Mr. Davis explained the type of real estate investments the company is involved in. Mr. Bello indicated the maximum allocation would be up to $30 million. Mr. Davis stated that there were two layers of due diligence on this project with a large portion being legal due diligence internally. He stated that Mr. Zeller made physical visits to prospective sites as well as Mr. Bello. Mr. Davis indicated that they engaged the services of Mesirow Financial to perform top-to-bottom review, which resulted in a list of questions which since have been addressed.
Chairman McNeil expressed his concern about the importance the St. Louis market had on the success of the Fund, and that the Fund has had no history in the St. Louis market. Mr. Zeller clarified that the investment in St. Louis would be no more than 20 percent of the total Fund and confirmed that it is a new market for the firm. Mr. Zeller further stated that, as a result of the physical due diligence provided by Mesirow, Mesirow found the market to be solid and a good fit overall. Reviewing the due diligence list point by point, Mr. Zeller indicated that the no-fault termination clause is the only piece that has not been agreed to by Lyrical and was the least of concerns for Mesirow Financial.

Mr. Davis briefed the Commission on the real estate that is being purchased with this Fund.

Chairman McNeil inquired if there was a sense that the Fund II may not have gone the way they expected. He stated there was concern that they were behind in terms of when they expected to start having a return for their investors. Mr. Zeller stated that the vintage years for Fund II were 2006, 2007 and 2008, which were tough times, and in order to return capital back to their investors they were able to refinance the properties in order to setup a return stream going forward.

**Item 18. Audit Update**

The audit discussion with the Commission was held with only the internal auditor, Anita Geter, present in the room with the Commissioners. Ms. Geter indicated that the Commissioners approved 10 audits to be performed during the coming year. She indicated that she has completed four or five of the audits and have reports available on two of those audits she performed. The first audit was for payroll and personnel services, she then outlined any findings as a result of that audit. The second audit she performed was for travel expenses and vehicle usage. She then outlined any findings as a result of that audit. Ms. Geter indicated she hopes to complete all the audits during this fiscal year.

**Item 19. Executive Director Performance Assessment and Agreement**

The discussion on the Executive Director was done with only the General Counsel, Kim Lee, present in the room with the Commission. Commissioners discussed the productivity of Mr. Davis over the past four years and Chairman McNeil suggested giving him a 10 percent salary increase as he has not received an increase in the four years he has been in his position. A discussion was held on the perception of giving the increase during the difficult fiscal situation in the state.

Dr. Louderback **MOVED THAT** the Commission return to open session. Mr. Dauber seconded the motion, which was approved unanimously. The open session resumed at 12:16 p.m.

Respectfully submitted,

Debora A. Calcar
Secretary to the Commission