

AGENDA ITEM 5.

**ISSUANCE OF TAXABLE EDUCATION LOAN REVENUE NOTES
SENIOR SERIES 11A, SENIOR SERIES 11B AND SENIOR SUBORDINATE SERIES 12**

Submitted for: Action

Summary: Staff has taken the preliminary steps necessary for the issuance of Taxable Education Loan Revenue Notes to provide funds to accomplish one or more of the following purposes: (i) acquire Eligible Loans; (ii) fund certain Funds and Accounts created under the Resolution authorizing such Notes; and (iii) pay the costs of issuance of the Notes. Having completed all of the necessary preliminary steps, staff is prepared to recommend the issuance of not to exceed \$200,000,000 of Notes. The 2002 Supplemental Resolution and related documents were sent to Commissioners under separate cover.

Action requested: That the Commission approve the following resolution:

“BE IT RESOLVED that the Illinois Student Assistance Commission approve the 2002 Supplemental Resolution providing for the sale and issue of Education Loan Revenue Notes of the Illinois Student Assistance Commission and authorizing the execution and delivery of a Note Purchase Agreement, an Official Statement and certain other agreements in connection therewith.”

“BE IT RESOLVED that the Commission further delegates the ability to take certain actions and to make certain determinations as provided in such 2002 Supplemental Resolution with respect to such documents, to the Chairman of the Commission or, if so designated in writing by said Chairman with respect to any or all of the actions or determinations described herein, the Executive Director of the Commission; and

“BE IT FURTHER RESOLVED that this Resolution authorizes the issuance of Notes not to exceed \$200,000,000.”

ILLINOIS STUDENT ASSISTANCE COMMISSION

ISSUANCE OF TAXABLE EDUCATION LOAN REVENUE NOTES
SENIOR SERIES 11A, SENIOR SERIES 11B AND SENIOR SUBORDINATE SERIES 12

Background

The following paragraphs set forth a brief description of the documents to be approved and the rationale for the proposed new note issue. As of November 1, the total of all existing indebtedness authorized and outstanding by the Commission is \$2,851,124,000 including tax-exempt bonds, tax-exempt notes, taxable bonds and taxable notes, compared with a limit of \$3,500,000,000 of note authority.

The proposed transaction assumes a taxable issuance of not to exceed \$200,000,000 for the purpose of acquiring (which includes purchasing or originating) Eligible Loans, funding certain Funds and Accounts created under the Resolution authorizing such Notes, and paying costs of issuance. The proposed transaction will finance FFELP loans that contain a low-cost borrower benefit component and may also finance non-FFELP Alternative loans and Institution loans, as discussed with the Commission at previous meetings.

Brief Description of the Documents to be Approved

Supplemental Resolution - The Supplemental Resolution is a supplement to the General Resolution providing for the issuance of particular series of Notes of the Commission and contains specific terms relating to the proposed Notes. The Supplemental Resolution, together with the General Resolution, serves as the contract between the Commission and bondholders who purchase these series of Notes.

Official Statement - The Official Statement is the disclosure statement prepared by staff and the financing team and used by the Underwriters to market the Notes. It describes in depth all material provisions of the Notes and discloses general information about the Commission and certain potential risks associated with the purchase of the Notes.

Note Purchase Agreement - The Note Purchase Agreement is an agreement between the Commission and the Underwriters pursuant to which the Underwriters purchase the Notes. It is signed in advance of the note closing at the time the Notes are sold. The Agreement contains the pricing terms relating to the Notes and certain conditions that must be met by the Commission to obligate the Underwriters to purchase the Notes.

Continuing Disclosure Undertaking - The Continuing Disclosure Undertaking, which is an exhibit to the Official Statement, is an agreement signed by the Commission to provide annual updates and periodic "material event" updates to certain central information repositories pursuant to federal securities laws.

Actions to be Taken

For each financing, it is necessary for the staff to perform a sequence of seven actions, as follows:

- Select a financing team of counsel and underwriters;

- Explore financing alternatives and structures;
- Seek a Commission resolution delegating the responsibility to finalize the offering terms (requested as part of this agenda item);
- Seek ratings by major bond rating agencies (currently working with the rating agencies to secure the ratings);
- Seek necessary state approval of the financing (presently awaiting Governor's office approval);
- Produce an Official Statement for the proposed note issue (requested as part of this agenda item); and
- Seek Commission approval of the sale of securities (requested as part of this agenda item).

Proceeding with the Financing

Based upon the need to fund autumn and winter disbursements, staff is seeking authority to conclude the proposed financing as expeditiously as possible.

The Underwriting Team

Consistent with prior actions of the Commission, the team for this particular financing consists of the following members:

Managing Underwriter:	Salomon Smith Barney
Co - Managing Underwriter:	to be determined
Bond Counsel:	Foley & Lardner
Underwriters' Counsel:	Alzheimer & Gray

Explore Financial Alternatives and Structures

Staff is confident that this financing can be concluded on a timely basis, and believes that it is sound business practice to proceed with the approval of the issuance and sale of the Notes at the time of the November 8, 2002 meeting. Based upon the projected need for funds, staff anticipates that the Notes will be issued in the amount of not to exceed \$200,000,000 during November 2002.

Seek Rating of the Notes

The Commission's note issue will need to be rated by agencies experienced in providing ratings for education loan revenue notes to assure the lowest possible borrowing cost. Through their participation in regular meetings with student loan officials across the country, Fitch Inc., Moody's Investors Service, and Standard & Poor's Group have developed significant expertise with respect to education loan revenue note issues. It is the recommendation of staff and the financing team that these notes be rated by two of the firms listed above.