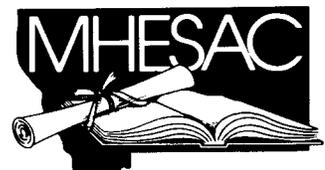




2010-11  
ANNUAL REPORT  
Serving Montana  
Students for 28 years



MONTANA HIGHER EDUCATION  
STUDENT ASSISTANCE CORPORATION

# LETTER FROM THE CHAIR

It seems like nothing is simple in today's financial markets or the landscape of the student lending industry, but one thing holds true for the Montana Higher Education Student Assistance Corporation (MHESAC) – our satisfied customers are our most prized asset.

In Fiscal Year 2010-11, MHESAC had the privilege of delivering \$2.3 million in public benefits to its borrowers, while its business manager, Student Assistance Foundation, continued to provide the superior service to which MHESAC borrowers have become accustomed.

We were proud to provide continued support to our Montana lender partners as the Federal Family Education Loan (FFEL) Program wound to a close by purchasing numerous loans they originated on behalf of Montana students.

In an effort to ensure that MHESAC will be able to honor our commitments to our borrowers well into the future, the company took firm measures to trim its debt. MHESAC redeemed its remaining variable rate demand obligations (VRDOs) resulting in significant savings, and took more than \$100 million in debt out of circulation by redeeming or buying back and retiring bonds. In addition, the company sold more than \$50 million in loans to the U.S. Department of Education.

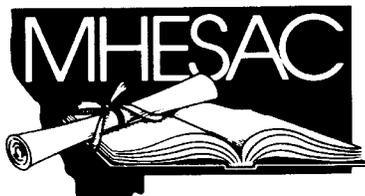
In all, Fiscal Year 2010-11 was marked by a bolstering of financial stability and rewarding the borrowers we serve. We believe this is the platform from which MHESAC will stride into the future.

*Mike Green*

Mike Green,

Board Chairman

Montana Higher Education Student Assistance Corporation



# CONTINUING TO REWARD BORROWERS, GAIN FINANCIAL GROUND

Following the turmoil that rocked the student loan industry and financial markets in recent years, the Montana Higher Education Student Assistance Corporation (MHESAC) worked diligently to gain financial ground in Fiscal Year 2010-11 while delivering more than \$2 million in public benefits.

MHESAC was pleased to provide \$2.3 million in public benefits including interest rate reductions, principal reductions and rebates as borrowers met their payment obligations and positioned themselves to take advantage of the benefits associated with their student loans. Since 1995, MHESAC has delivered \$44 million in borrower benefits.

In addition, the company purchased \$32.1 million in student loans from its Montana lender partners as the Federal Family Education Loan (FFEL) Program wound down.

Under the direction of its board of directors, MHESAC focused its efforts on reducing its debt.

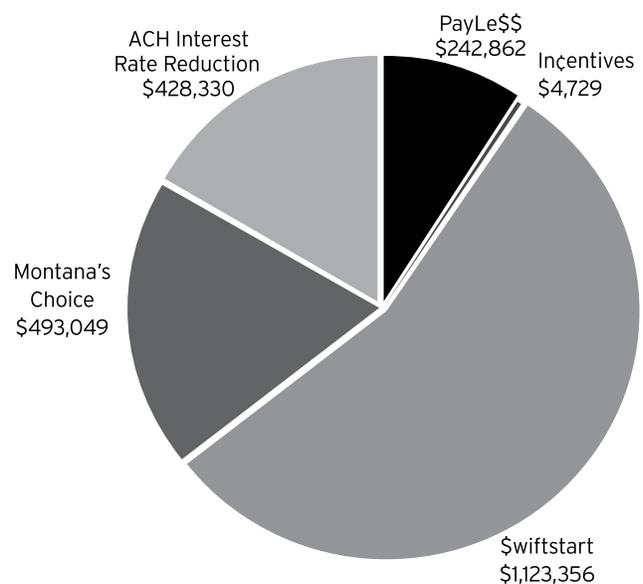
Early in Fiscal Year 2010-11, the company redeemed what remained of its variable rate demand obligations (VRDOs), resulting in a savings of about \$5.5 million per year in bond interest expense at the interest rate level at that time.

MHESAC took more than \$109 million in debt out of circulation by redeeming or buying back and retiring bonds.

In addition, it sold \$54.8 million in loans to the U.S. Department of Education as allowed through the Ensuring Continued Access to Student Loans Act (ECASLA).

Overall, MHESAC reported that its operating income was positive. In part, that accomplishment was thanks to the low interest rate environment that applied to the company's remaining auction bonds and floating rate notes.

At the end of Fiscal Year 2010-11, MHESAC's loan portfolio was at \$1.4 billion, comprised of loans belonging to 75,585 borrowers.



Borrower benefits delivered to  
Montana students by program  
for FY 2010-11

**MONTANA HIGHER EDUCATION  
STUDENT ASSISTANCE CORPORATION  
CONDENSED BALANCE SHEET**

June 30, 2011 and comparative totals for 2010

(expressed in thousands)

	<b>2011</b>	2010
<b>ASSETS</b>		
CURRENT ASSETS	\$ 5,907	\$ 4,620
RESTRICTED ASSETS	1,527,340	1,624,781
OTHER ASSETS	<u>15,603</u>	<u>17,043</u>
TOTAL ASSETS	<u>\$ 1,548,850</u>	<u>\$ 1,646,444</u>
 <b>LIABILITIES AND NET FUND ASSETS</b>		
CURRENT LIABILITIES	\$ 74,193	\$ 76,546
LONG-TERM DEBT	1,428,907	1,537,209
OTHER LIABILITIES	<u>4,895</u>	<u>6,726</u>
TOTAL LIABILITIES	<u>1,507,995</u>	<u>1,620,481</u>
 FUND NET ASSETS	 <u>40,855</u>	 <u>25,963</u>
TOTAL LIABILITIES AND FUND ASSETS	<u>\$ 1,548,850</u>	<u>\$ 1,646,444</u>

**MONTANA HIGHER EDUCATION  
STUDENT ASSISTANCE CORPORATION  
STATEMENTS OF REVENUE, EXPENSE AND CHANGES  
IN FUND NET ASSETS**

Year ended June 30, 2011 and comparative totals for 2010

(expressed in thousands)

	<b>2011</b>	2010
TOTAL OPERATING REVENUE	\$ 54,010	\$ 57,372
TOTAL OPERATING EXPENSE	<u>40,510</u>	<u>51,801</u>
OPERATING INCOME (LOSS)	13,500	5,571
NONOPERATING REVENUES (EXPENSES)	<u>1,392</u>	<u>(1,336)</u>
INCREASE (DECREASE) IN NET ASSETS	14,892	4,235
FUND NET ASSETS, BEGINNING OF YEAR	<u>25,963</u>	<u>21,728</u>
FUND NET ASSETS, END OF YEAR	<u>\$ 40,855</u>	<u>\$ 25,963</u>

MHESAC BOARD  
OF DIRECTORS

MIKE GREEN,  
BOARD CHAIRMAN FROM 2/2011 - PRESENT  
HELENA

FRED FLANDERS,  
BOARD CHAIRMAN FROM 7/2010-2/2011  
HELENA

TERESA BORRENPOHL,  
BILLINGS

GEORGE OLSEN,  
HELENA

JIM PENNER,  
HELENA

LILA TAYLOR,  
BUSBY

BILL THOMAS,  
GREAT FALLS

OFFICERS

SHEILA STEARNS,  
PRESIDENT UNTIL 4/2011  
HELENA

MIKE GREEN,  
PRESIDENT FROM 4/2011 - PRESENT  
HELENA

MICK ROBINSON,  
VICE PRESIDENT/SECRETARY  
HELENA

BRUCE MARKS,  
TREASURER  
HELENA



2500 Broadway  
Helena, MT 59601-4901  
mhesac.org

For general information  
call MHESAC's business manager,  
Student Assistance Foundation:  
(406) 495-7800

MONTANA HIGHER  
EDUCATION STUDENT  
ASSISTANCE CORPORATION  
(MHESAC) IS A MONTANA  
PRIVATE, NONPROFIT  
CORPORATION ORGANIZED  
UNDER SECTION 150(d) OF  
THE U.S. TAX CODE TO  
PROVIDE MONTANA  
CITIZENS WITH FINANCIAL  
ACCESS TO HIGHER EDUCATION.