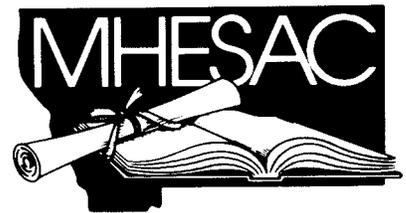


2011-12  
ANNUAL REPORT  
Serving Montana  
Students for 29 Years



MONTANA HIGHER EDUCATION  
STUDENT ASSISTANCE CORPORATION



# LETTER FROM THE CHAIR

It's no secret that the last two years have been challenging for the Montana Higher Education Student Assistance Corporation (MHESAC), but in Fiscal Year 2011-12, the company officially turned the corner, logging the best year in its history.

MHESAC's board is particularly proud of the financial restructuring accomplished in Fiscal Year 2011-12 that benefitted MHESAC bond holders, while preserving our ability to continue providing borrower benefits well into the future. We appreciate the time and work of all those who advised us and helped us carry out our historic restructuring efforts.

These efforts translated to an increase in net assets of more than \$94 million of which \$91.8 million was considered profit from its operations, and the company closed the fiscal year with a loan portfolio of \$1.4 billion.

Our allegiance to our borrowers remained steadfast as we provided \$2.4 million in public benefits through borrower benefits that included interest rate reductions, principal reductions and rebates, bringing our total of borrower benefits delivered since 1995 to \$46.5 million.

Dedication to fiscal responsibility; follow-through for our valued customers; and a commitment to providing the finest service possible to Montanans is MHESAC's pledge, past, present and future.

*Mike Green*

Mike Green,  
Board Chairman



# MHESAC: A BANNER YEAR FOR BORROWERS AND BONDHOLDERS

Hard work and dedication on the part of the Montana Higher Education Student Assistance Corporation's business managers proved to be a winning equation for the company, its borrowers and its bondholders in Fiscal Year 2011-12.

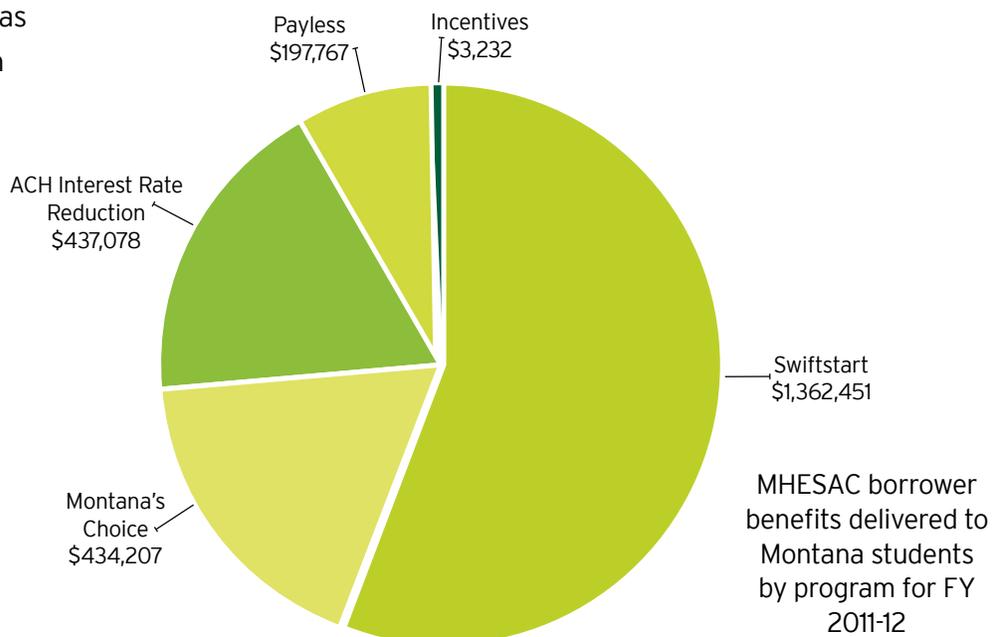
During the year, MHESAC successfully restructured its outstanding debt, including the redemption or retirement of more than \$1 billion in outstanding bonds. All auction bonds that had been illiquid since 2008 were retired either through acquisition or refunding.

As part of this transaction, MHESAC acquired an additional portfolio of \$182.6 million in loans, and issued new bonds totaling \$1.16 billion. These new bonds are floating rate notes indexed to the one-month LIBOR rate which results in a highly effective match between the mechanisms for yield on the bonds and yield on the student loan assets securing the bonds.

Overall, MHESAC booked an increase in net assets of more than \$94 million of which \$91.8 million was considered profit from its operations. At the end of the fiscal year, MHESAC's loan portfolio was at \$1.4 billion, comprised of loans to 73,229 borrowers.

All of this work was accomplished at the same time as MHESAC provided \$2.4 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 \$46.5 million in borrower benefits.



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

June 30, 2012 and comparative totals for 2011

(expressed in thousands)

	<b>2012</b>	2011 Restated
<b>ASSETS</b>		
CURRENT ASSETS	\$ 7,546	\$ 5,785
RESTRICTED ASSETS	1,462,192	1,508,223
OTHER ASSETS	<u>7,019</u>	<u>6,409</u>
TOTAL ASSETS	<u>\$ 1,476,757</u>	<u>\$ 1,520,417</u>
 <b>LIABILITIES AND NET FUND ASSETS</b>		
CURRENT LIABILITIES	\$ 310,890	\$ 74,193
LONG-TERM DEBT	1,057,156	1,428,907
OTHER LIABILITIES	<u>2,020</u>	<u>4,895</u>
TOTAL LIABILITIES	<u>1,370,066</u>	<u>1,507,995</u>
 FUND NET ASSETS	 <u>106,691</u>	 <u>12,422</u>
TOTAL LIABILITIES AND FUND ASSETS	<u>\$ 1,476,757</u>	<u>\$ 1,520,417</u>

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

Year ended June 30, 2012 and comparative totals for 2011

(expressed in thousands)

	<b>2012</b>	2011 Restated
TOTAL OPERATING REVENUE	\$ 119,404	\$ 54,010
TOTAL OPERATING EXPENSE	<u>27,624</u>	<u>35,471</u>
OPERATING INCOME (LOSS)	91,780	18,539
NONOPERATING REVENUES (EXPENSES)	<u>2,489</u>	<u>1,392</u>
INCREASE (DECREASE) IN NET ASSETS	94,269	19,931
FUND NET ASSETS, BEGINNING OF YEAR	<u>12,422</u>	<u>(7,509)</u>
 FUND NET ASSETS, END OF YEAR	 <u>\$ 106,691</u>	 <u>\$ 12,422</u>

MHESAC BOARD  
OF DIRECTORS

MIKE GREEN,  
BOARD CHAIRMAN  
HELENA

BILL THOMAS,  
VICE CHAIRMAN  
GREAT FALLS

FRED FLANDERS,  
HELENA

GEORGE OLSEN,  
HELENA

JIM PENNER,  
HELENA

LILA TAYLOR,  
BUSBY

OFFICERS

MIKE GREEN,  
PRESIDENT  
HELENA

JIM PENNER,  
VICE PRESIDENT  
HELENA

GEORGE OLSON,  
SECRETARY/TREASURER  
HELENA

SHARON ESLICK,  
ASSISTANT SECRETARY,  
HELENA

JOLENE SELBY,  
ASSISTANT 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.