Financial statements and reports of independent certified public accountants

Oklahoma Student Loan Authority

June 30, 2008 and 2007

Contents

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Report of Independent Certified Public Accountants

Trustees
Oklahoma Student Loan Authority

We have audited the accompanying balance sheets of the Oklahoma Student Loan Authority (the Authority), a component unit of the State of Oklahoma, as of June 30, 2008 and 2007, and the related statements of revenues, expenses and changes in fund equity and cash flows for the years then ended, which collectively comprise the Authority's basic financial statements. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Oklahoma Student Loan Authority as of June 30, 2008 and 2007, and changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2008 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages five through eleven is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Grant Thornton LLP

Oklahoma City, Oklahoma
October 27, 2008

Oklahoma Student Loan Authority
Management's Discussion and Analysis

The Oklahoma Student Loan Authority (Authority) functions as a secondary market for the purchase of student loans from other lenders, as an originating lender for Federal Family Education Loans (FFEL) Program loans and as a servicer of student loans. As a servicer of student loans, the Authority services its own student loans and provides origination and pre-acquisition interim servicing for 44 other eligible lenders during the fiscal year ending June 30, 2008, which are members of the OSLA Student Lending Network. Given the reduced margins on FFEL Program loans originated since October 1, 2007, and capital market uncertainties, 17 eligible lenders that were in the OSLA Student Lending Network have made the decision to exit the FFEL Program. In addition, one major lender decided to centralize its origination of FFEL Program loans, including those serviced by the Authority, through another servicer. Due to the exiting lenders and management's decision not to seek or accept new lenders, the Authority had 27 active eligible lenders in the OSLA Student Lending Network at June 30, 2008. In addition, the Authority provides and supports its in-house loan servicing system for remote use by other eligible lenders. As members of the OSLA Student Lending Network, the remote servicing lenders are responsible for their own origination and interim servicing of their student loans.

The loan servicing work performed by the Authority is done under the registered trade name "OSLA Student Loan Servicing™". Each member of the OSLA Student Lending Network is required to sell its student loans to the Authority before repayment of the loans begins (subject to the Authority's available finances to fund acquisitions).

The Authority was designated as an Exceptional Performer effective January 1, 2006 by the U.S. Department of Education in recognition of its exceptional level of performance in servicing student loans. As a result of this designation, the Authority received 100% reimbursement on all eligible default claims submitted since the effective date of the Exceptional Performer designation. The reimbursement rate on default claims for non-Exceptional Performers was 98%. Federal legislation changed these reimbursement rates effective July 1, 2006 to 99% for Exceptional Performers and 97% for non-Exceptional Performers. Effective October 1, 2007, the exceptional performer designation was eliminated.

This section of the Authority's annual financial report presents a discussion and analysis of the Authority's financial performance for the fiscal year ended June 30, 2008. Please read it in conjunction with the Authority's financial statements and the notes to the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS:

- The Authority's total assets at June 30, 2008 were approximately $1,310,417,000, which is an increase of approximately $179,703,000 or 16% over June 30, 2007.

- The Authority's net student loans at June 30, 2008 were approximately $1,258,035,000, which is an increase of approximately $192,357,000 or 18% over June 30, 2007.

- The Authority's total operating revenue was approximately $60,391,000 and interest expense was approximately $57,003,000 for the fiscal year ended June 30, 2008, resulting in a net interest margin of approximately $3,388,000. This is a decrease of approximately $15,951,000 or 82% from the fiscal year ended June 30, 2007.

- The Authority's total other operating expenses (see page 9) for the fiscal year ended June 30, 2008 were approximately $9,703,000, which is an increase of $1,550,000 or 19% over the fiscal year ended June 30, 2007.

- The Authority's change in fund equity for the fiscal year ended June 30, 2008 was approximately $(6,316,000), which is a decrease of approximately $17,502,000 or 156% from the change in fund equity for the fiscal year ended June 30, 2007.

OVERVIEW OF THE FINANCIAL STATEMENTS:

In accordance with accounting principles generally accepted in the United States of America (US GAAP) and the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 20, the Authority applies all relevant GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred. The format of the Authority's financial statements is presented in conformity with GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments".

CRITICAL ACCOUNTING POLICIES:

US GAAP requires Authority management to make estimates and assumptions and use judgments that affect reported income, expenses, assets and liabilities and disclosure of contingent assets and liabilities during reporting periods; accordingly, actual results could differ from these estimates.

The Authority generates most of its Operating Revenues from borrower interest, and subsidized interest and special allowance from the U.S. Department of Education (USDE), on its student loan portfolio. Certain Authority policies affect the generation of Operating Revenues.

The Authority offers the following incentive programs to our borrowers:

> TOP Interest Rate Reduction – Most of the Authority's Stafford Loan and PLUS borrowers, including borrowers of loans that the Authority services for the OSLA Student Lending Network and will purchase in the future, can earn a 1.5% interest rate reduction by making their first twelve payments on time. The reduced interest rate will apply for the life of the loan after it has been earned. The Authority eliminated this interest rate reduction incentive program for loans with first disbursement dates on or after July 1, 2008 so that loans from the Authority and members of the OSLA Student Lending Network would be in compliance with the requirements of the USDE's Participation and Put Programs as authorized by the Ensuring Continued Access to Student Loan Act (ECASLA) (Public Law 110-227).
>
> EZ PAY Interest Rate Reduction – Borrowers can earn a 1.0% interest rate reduction by using the Authority's electronic debit for making their monthly payments. The reduced interest rate will apply as long as the borrower uses OSLA's electronic debit, EZ PAY, for making monthly payments. The Authority increased the interest rate reduction for using EZ PAY from 0.33% to 1.0% effective June 20, 2007. The Authority decreased this interest rate reduction incentive program from 1.0% to 0.25% for loans with first disbursement dates on or after July 1, 2008 so that loans from the Authority and members of the OSLA Student Lending Network would be in compliance with the requirements of the USDE's Participation and Put Programs as authorized by ECASLA.
>
> TOP Principal Reduction – Most of the Authority's Stafford Loan and PLUS borrowers can earn a 1% reduction in the principal amount of their loans by making their first three payments on time. The Authority eliminated this loan principal reduction incentive program for loans with first disbursement dates on or after July 1, 2008 so that loans from the Authority and members of the OSLA Student Lending Network would be in compliance with the requirements of the USDE's Participation and Put Programs as authorized by ECASLA.
>
> Consolidation Loan Principal Reduction – Consolidation loan borrowers can earn a 1% reduction in the principal amount of their loan by making their first six payments on time. The Authority discontinued our consolidation loan program effective July 1, 2008.

CRITICAL ACCOUNTING POLICIES CONTINUED:

Lender Paid Origination Fees – The Authority and certain members of our Lending Network began paying the origination fees for Stafford Loans on March 1, 2006 or later that are normally withheld from the loan disbursements. Participation in this incentive program is at the discretion of the member of OSLA Lending Network. The Authority will reimburse participating members of OSLA Lending Network 50% of the lender paid origination fees. The Authority has committed to this incentive program at least through June 30, 2009.

Default Fee Payment Program – The Authority began paying the 1% Federal Default fee when the loans' guarantors are charging this fee for Stafford and PLUS loans guaranteed on or after July 1, 2006. The Authority has committed to this incentive program through June 30, 2009.

The achievement of the TOP and EZ PAY Interest Rate Reduction programs and participation in the Authority's Lender Paid Origination Fee and Default Fee Payment programs results in a reduction, and will result in a future reduction, in Operating Revenues received and in the average yield for the total student loan portfolio.

The Authority expenses the cost associated with the TOP and Consolidation Loan Principal Reduction programs in the period the incentive was earned as a reduction to loan interest income from borrowers.

The Authority capitalizes various out-of-pocket costs and amortizes these costs over an estimated life. These capitalized costs include:

Premiums on Loan Acquisitions – Premiums are amortized as a reduction to loan interest from borrowers over the estimated life of the loans, not to exceed 72 months.

Capitalized Loan Origination Costs – The direct costs associated with originating the loans are amortized as a reduction to loan interest from borrowers over the estimated life of the loans based on loan types, not to exceed 72 months.

Deferred Loan Fees – Federal Default and Guarantee Fees paid to guarantors and the cost related to the Authority's Lender Paid Origination Fee incentive program are amortized as a reduction to loan interest from borrowers over the estimated life of the loans, not to exceed 72 months.

Deferred Financing Costs – The cost associated with the issuance of the Authority's bonds and notes payable are amortized over the estimated life of the debt issue, not to exceed 72 months.

The Authority maintains an Allowance for Loan Losses to provide for estimated future losses in the loan portfolio. The Authority will write off loans as uncollectible when that determination is made and has written off or will write off the applicable percentage (0%, 2% or 3%) of principal balance upon payment of default claims filed with guarantors. The balance of the Allowance for Loan Losses is an estimate of future losses in the Authority's current portfolio of student loans. The Authority updates the balance of the Allowance for Loan Losses by periodic expenses through the Provision for Loan Losses.

FINANCIAL ANALYSIS OF THE AUTHORITY:

The Authority's total fund equity at June 30, 2008 was approximately $85,995,000, which is a decrease of approximately $6,316,000 or 7% over June 30, 2007. Components of the Authority's balance sheet are as follows as of June 30:

	2008	2007
Assets		
Current assets	$ 3,092,417	$ 6,122,435
Capital assets	815,914	677,919
Other noncurrent assets	50,047,498	46,520,876
Restricted assets	1,256,461,664	1,077,392,869
Total Assets	$1,310,417,493	$1,130,714,099
Liabilities		
Current liabilities	$ 420,305	$ 463,197
Current liabilities payable from restricted assets	171,719,665	28,822,422
Noncurrent liabilities payable from restricted assets	1,052,282,517	1,009,117,729
Total Liabilities	1,224,422,487	1,038,403,348
Fund equity		
Invested in capital assets	815,914	677,919
Restricted	32,459,482	39,452,718
Unrestricted	52,719,610	52,180,114
Total Fund Equity	85,995,006	92,310,751
Total Liabilities and Fund Equity	$1,310,417,493	$1,130,714,099

The growth in the Authority's total assets is the continuation of a trend of significant growth in prior years. Net student loans grew from approximately $1,065,678,000 at June 30, 2007 to approximately $1,258,035,000 at June 30, 2008. The growth in liabilities over the past year relates to net draws on the Series 1993L line of credit and Series 2005B note payable totaling $93,000,000 and $94,792,406, respectively. The reduction noted in the Authority's Fund Equity is due to increased debt service costs and a reduction in special allowance payments from the USDE.

For the fiscal year ended June 30, 2008, the Authority acquired or originated student loans with a principal balance of approximately $328,013,000. This was a 17% decrease compared to the $395,463,000 acquired or originated in the fiscal year ended June 30, 2007. This decrease was due primarily to decreased origination of Consolidation Loans because under the Deficit Reduction Act, as of July 1, 2006, students that are in in-school status are no longer able to apply for a Consolidation Loan. At June 30, 2008, consolidation loans represented approximately 42% of our total portfolio of student loans compared to 48% at June 30, 2007. Beginning July 1, 2008, the Authority has discontinued the origination of all Consolidation Loans.

FINANCIAL ANALYSIS OF THE AUTHORITY - CONTINUED:

The Authority's change in fund equity for the fiscal year ended June 30, 2008 was approximately $(6,316,000), which is a decrease of approximately $17,502,000 or 156% from the change in fund equity for the fiscal year ended June 30, 2007. Components of the statement of revenues, expenses and changes in fund equity for the fiscal years ending are as follows at June 30:

	2008	2007
Loan interest income, net of consolidation rebate fees	$59,216,963	$61,645,648
Investment interest income	1,173,639	3,683,235
Operating revenue	60,390,602	65,328,883
Less: Interest expense	57,003,410	45,990,112
Net interest margin	3,387,192	19,338,771
Less: Other operating expenses:		
General administration	6,553,069	5,895,572
External loan servicing	435,253	409,342
Professional fees	523,115	572,074
Provision for loan losses	2,191,500	1,276,200
Total other operating expenses	9,702,937	8,153,188
Change in fund equity	$ (6,315,745)	$11,185,583

The Change in Fund Equity of approximately $(6,316,000) for the year ended June 30, 2008 relates to both the Authority's debt service funds (which serve as collateral on outstanding bonds and notes) and to the Authority's general funds.

The decrease in loan interest income for the fiscal year ended June 30, 2008 is related to the decrease in Special Allowance Payments from the Department of Education (USDE) on loans first disbursed on or after October 1, 2007 and the requirement for repayment to the USDE of interest on student loans in excess of the quarterly lenders' yield for loans first disbursed on or after April 1, 2006 and increases in consolidation loan rebate fees. The variable interest rates on student loans are reset annually on July 1st. The variable rates for the fiscal year ended June 30, 2008 ranged from 6.62% to 8.02% and the variable rates for the fiscal year ended June 30, 2007 ranged from 6.54% to 7.94%. The fixed rates for loans first disbursed on or after July 1, 2006 ranged from 6.8% to 8.5%. See Footnote D, Loans and Allowance for Loan Losses, for explanation of the quarterly lenders' yield and its relationship with the loans' stated variable or fixed interest rates.

The Authority funds the origination or acquisition of student loans by periodically issuing bonds and notes and by reinvesting principal payments received on existing loans. The increase in interest expense for the fiscal year ended June 30, 2008 is related to increasing interest rates for the fiscal year ended June 30, 2008 and the increase of approximately $187,792,000 principal amount in bonds and notes outstanding during the fiscal year ended June 30, 2008.

Net Interest Margin for the fiscal year ended June 30, 2008 was approximately $3,387,000 which is a decrease of approximately $15,952,000 or 82% from the fiscal year ended June 30, 2007.

FINANCIAL ANALYSIS OF THE AUTHORITY - CONTINUED:

The Authority's interest expense increased significantly due to adverse conditions in the credit market during the fiscal year ending June 30, 2008. Bond insurers experienced downgrades due to exposure to the sub prime mortgage crisis and resulting lack of investor confidence. This resulted in increased interest expense on the Authority's Insured debt to rates as high as 11% during the fiscal year ending June 30, 2008. Additionally, failed auctions on the Authority's Auctions Rate Securities resulted in interest rates as high as 17% for taxable and 12% for tax-exempt debt during the fiscal year ending June 30, 2008.

The increase in provision for loan losses is related to the growth in the Authority's student loan notes receivable and the projected loan losses based on historical trends over the life of the related student loans.

The Authority's other operating expenses for the fiscal year ended June 30, 2008 grew by 19% over the previous fiscal year. The increase in other operating expenses was related to increased expenses related to the growth in our loan servicing activities such as postage, telecommunications, professional fees and personnel costs. The Authority prepares an annual operating budget that is used as a management tool for tracking the various operating expenses. There were no significant variances between the budget and actual operating expenses for the fiscal year ended June 30, 2008.

DEBT ADMINISTRATION:

The Authority funds student loan notes receivable by issuing tax-exempt and taxable bonds and notes. The bonds and notes must be approved by the State of Oklahoma bond oversight process prior to being issued. Tax-exempt bonds or notes also must receive an allocation of the State of Oklahoma private activity volume ceiling or "cap". In addition, the issues must comply with federal statutes and with the rules and regulations of the United States Treasury Department and the United States Securities and Exchange Commission.

At June 30, 2008, the Authority had $1,218,689,256 principal amount of bonds and notes payable outstanding, an increase of 18% from the $1,030,896,850 principal amount outstanding at June 30, 2007. Detailed information on the Authority's debt is presented in note E to the financial statements.

$1,008,875,000 of the Authority's debt was publicly held and had long term credit ratings assigned by Moody's Investors Service (Moody's) and Standard and Poor's (S&P) based on the type of security which is reflected in the table below.

Credit Rating(s)	Principal Amount	Type of Security
AAA Moody's/AAA S&P	$453,200,000	Senior Lien or Insured
A2 Moody's/AA S&P	518,465,000	Insured
A2 Moody's/A S&P	37,210,000	Subordinate Bonds

$518,465,000 of the Authority debt listed above bears a Weekly Rate and, in addition to the long-term ratings, also has short-term ratings by Moody's (VMIG 3) and S&P (A-1+ or A-1).

The Authority meets its temporary requirements for funding student loan notes receivable through a taxable, revolving warehouse line of credit and a tax-exempt line of credit commitment provided by commercial banks. The taxable, revolving line of credit has a commitment amount of $150,000,000, of which $115,000,000 principal amount was outstanding at June 30, 2008. The tax-exempt line of credit has a commitment amount of $112,314,181, of which $94,814,256 principal amount was outstanding at June 30, 2008. See note K – Subsequent Events for additional information.

CONDITIONS AFFECTING FINANCIAL POSITION:

At June 30, 2008, the Authority was servicing student loans from members of the OSLA Student Lending Network with a principal balance of approximately $184,931,000. The total portfolio of gross student loans that the Authority owns or services for members of the OSLA Student Lending Network was approximately $1,428,206,000 at June 30, 2008. This is an increase of approximately $226,206,000 or 19% from June 30, 2007.

The Authority has experienced significant growth in all aspects of its operations. With the growth in the volume of student loan applications being processed and the growth in the total loan portfolio serviced by the Authority, particularly the growth in repayment status loans; the Authority's fiscal year 2009 budget reflects continued growth. The Authority's budgeted administrative expenses for fiscal year 2009 reflect the additional costs to be incurred as a result of the Authority's growth.

Oklahoma Student Loan Authority

BALANCE SHEETS

June 30,

ASSETS	2008	2007
Current assets		
Cash	$ 720,578	$ 67,207
Investments	2,136,661	5,270,238
Interest receivable	235,178	784,990
Total current assets	3,092,417	6,122,435
Noncurrent assets		
Loans, net of allowance for loan losses	49,680,631	46,113,609
Capital assets, net of accumulated depreciation	815,914	677,919
Other noncurrent assets	366,867	407,267
Total noncurrent assets	50,863,412	47,198,795
Restricted assets		
Cash	4,230,665	2,981,368
Investments	14,741,124	26,788,286
Interest receivable	28,184,157	26,641,652
Loans, net of allowance for loan losses	1,208,353,890	1,019,564,080
Other restricted assets	951,828	1,417,483
Total restricted assets	1,256,461,664	1,077,392,869
TOTAL ASSETS	$1,310,417,493	$1,130,714,099
LIABILITIES AND FUND EQUITY		
Current liabilities		
Accounts payable and other accrued expenses	$ 420,305	$ 463,197
Current liabilities payable from restricted assets		
Accounts payable and other accrued expenses	644,314	1,103,241
Accrued interest payable	4,327,351	5,719,181
Notes payable	115,000,000	22,000,000
Bonds payable	51,748,000	-
Total current liabilities payable from restricted assets	171,719,665	28,822,422
Noncurrent liabilities payable from restricted assets		
Arbitrage rebate payable	341,261	220,879
Notes payable	166,414,256	71,621,850
Bonds payable	885,527,000	937,275,000
Total noncurrent liabilities payable from restricted assets	1,052,282,517	1,009,117,729
Total liabilities	1,224,422,487	1,038,403,348
Commitments and contingencies (note G)		
Fund equity		
Invested in capital assets	815,914	677,919
Restricted	32,459,482	39,452,718
Unrestricted	52,719,610	52,180,114
Total fund equity	85,995,006	92,310,751
TOTAL LIABILITIES AND FUND EQUITY	$1,310,417,493	$1,130,714,099

The accompanying notes are an integral part of these statements.

Oklahoma Student Loan Authority

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY

Year ended June 30,

	2008	2007
Operating revenues		
Loan interest income		
From borrowers	**$43,170,583**	$35,674,118
From U.S. Department of Education (USDE)	**16,046,380**	25,971,530
Investment interest income	**1,173,639**	3,683,235
Total operating revenues	**60,390,602**	65,328,883
Operating expenses		
Interest	**57,003,410**	45,990,112
General administration	**6,553,069**	5,895,572
External loan servicing fees	**435,253**	409,342
Professional fees	**523,115**	572,074
Provision for loan losses	**2,191,500**	1,276,200
Total operating expenses	**66,706,347**	54,143,300
CHANGE IN FUND EQUITY	**(6,315,745)**	11,185,583
Fund equity at beginning of year	**92,310,751**	81,125,168
Fund equity at end of year	**$85,995,006**	$92,310,751

The accompanying notes are an integral part of these statements.

Oklahoma Student Loan Authority

STATEMENTS OF CASH FLOWS

Year ended June 30,

	2008	2007
Cash flows from operating activities		
Receipts of interest income from borrowers	$ 44,459,699	$ 36,358,968
Receipts of interest income from USDE	21,595,160	25,936,888
Receipts of interest on investments	1,443,398	3,879,281
Payments for interest on notes and bonds payable	(57,916,440)	(44,310,243)
Payments to Internal Revenue Service for arbitrage rebate	(24,586)	-
Payments to employees and suppliers	(7,661,034)	(7,297,181)
Net cash provided by operating activities	1,896,197	14,567,713
Cash flows from noncapital financing activities		
Advances on notes payable	235,814,256	43,993,762
Proceeds from issuance of bonds	-	109,725,000
Payments of debt financing costs	(13,145)	(437,384)
Payments on notes payable	(48,021,850)	(50,971,912)
Net cash provided by noncapital financing activities	187,779,261	102,309,466
Cash flows from investing activities		
Proceeds from sales of investments	299,920,993	433,863,979
Receipts of loan principal payments	160,762,004	289,285,559
Increase in student loans receivable and related costs	(363,265,716)	(424,192,932)
Purchases of investments	(284,740,255)	(417,635,387)
Net cash used in investing activities	(187,322,974)	(118,678,781)
Cash flows from capital activities		
Purchases of capital assets	(449,816)	(123,248)
NET INCREASE (DECREASE) IN CASH	1,902,668	(1,924,850)
Cash at beginning of year (including $2,981,368 and $4,952,000 for 2008 and 2007, respectively, reported in restricted assets)	3,048,575	4,973,425
Cash at end of year (including $4,230,665 and $2,981,368 and $4,952,000 for 2008 and 2007, respectively, reported in restricted assets)	$ 4,951,243	$ 3,048,575

Oklahoma Student Loan Authority

STATEMENTS OF CASH FLOWS - CONTINUED

Year ended June 30,

	2008	2007
Reconciliation of change in fund equity to net cash provided by operating activities		
Change in fund equity	$ (6,315,745)	$ 11,185,583
Adjustments to reconcile change in fund equity to net cash provided by operating activities		
Depreciation on capital assets	311,821	381,236
Amortization of loan origination costs, guarantee fees and premiums on loan acquisition	7,955,381	6,384,054
Amortization of deferred financing costs	478,800	500,642
Provision for loan losses	2,191,500	1,276,200
(Increase) decrease in assets		
Interest receivable	(992,693)	(5,687,497)
Other assets	40,400	(88,703)
Increase (decrease) in liabilities		
Accounts payable and other accrued expenses	(501,819)	(712,727)
Accrued interest payable	(1,391,830)	1,179,228
Arbitrage rebate payable	120,382	149,697
Net cash provided by operating activities	$ 1,896,197	$ 14,567,713

The accompanying notes are an integral part of these statements.

NOTE A - REPORTING ENTITY AND NATURE OF PROGRAM

The Oklahoma Student Loan Authority (the Authority) was created as an express trust under applicable Oklahoma Statutes and a Trust Indenture dated August 2, 1972, with the State of Oklahoma (the State) accepting the beneficial interest therein. The Authority is a component unit of the State and is included in the financial statements of the State as a part of the Enterprise Fund. Enterprise funds are used to account for the operations and financial position of governmental entities that are financed and operated in a manner similar to private enterprise.

The purpose of the Authority is to provide student loan funds to qualified persons at participating post-secondary educational institutions. The Authority also performs origination and interim status servicing for other Federal Family Education Loan (FFEL) Program lenders in addition to providing a secondary market for FFEL Program loans for participating financial institutions. The student loans held by the Authority under the Federal Higher Education Act of 1965 (Higher Education Act), as amended, include Federal Stafford Loans (Stafford), Unsubsidized Stafford Loans for Middle Income Borrowers (Unsubsidized Stafford), Federal Supplemental Loans for Students (SLS), Federal Parent Loans for Undergraduate Students (PLUS) and Federal Consolidation Loans (Consolidation).

The FFEL Program loans are guaranteed by the Oklahoma State Regents for Higher Education Guaranteed Student Loan Program (State Guarantee Agency), which is reinsured by the United States Department of Education (USDE), or guaranteed by other guarantors approved by the USDE (Guarantee Agencies). The Authority was designated as an Exceptional Performer effective January 1, 2006 by the USDE in recognition of its exceptional level of performance in servicing FFEL Program loans. As a result of this designation, the Authority received 100% reimbursement (99% reimbursement effective July 1, 2006) on all eligible FFEL Program default claims submitted since the effective date of the Exceptional Performer designation. The Exceptional Performer designation was eliminated effective October 1, 2007 by the College Cost Reduction and Access Act (see note H). As of June 30, 2008, the majority of loans are guaranteed at 98% or 97% (97% for loans first disbursed on or after July 1, 2006)

As of June 30, 2008 and 2007, the Authority serviced approximately $184,931,000 and $149,728,000, respectively, in FFEL Program loans for other financial institutions. As a servicer of FFEL Program loans, the Authority collects student loan remittances and subsequently disburses these remittances to the appropriate lending entities.

The Authority also originates and holds private loans through our Supplemental Higher Education Loan Financing (SHELF™) Program. These loans are not guaranteed under the Higher Education Act. The Authority retains a percentage of SHELF™ loan proceeds as a reserve against loan losses. The Authority discontinued originations of SHELF loans effective July 1, 2008.

NOTE B - SUMMARY OF ACCOUNTING POLICIES

The financial statements of the Authority included herein reflect the combined assets, liabilities, fund equity and changes therein for the Authority.

1. Basis of Accounting

The Authority accounts for its operation as an enterprise fund. Enterprise funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting, similar to private business enterprises. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when incurred. In accordance with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 20, the Authority applies all relevant GASB pronouncements as well as Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

2. Accounts of the Authority

The accounts of the Authority are organized on the basis of individual funds as prescribed by the Oklahoma Student Loan Act (the Act) and terms of various debt obligations. The various accounts assigned to each fund could include any of the following, depending upon the terms of the related debt obligation: Principal Account, Interest Account, Student Loan Account, Repayment Account, Debt Service Reserve Account, Rebate Account and General Investment Account.

3. Cash

The Authority considers cash in demand deposit accounts and money market funds to be cash equivalents. The Authority utilizes bank deposit accounts which periodically sweep cash into uninsured short-term investment securities. The Authority has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on such accounts.

4. Investments

Investments consist of repurchase agreements and U.S. Government Securities based mutual funds. Applicable Oklahoma Statutes authorize certain types of investments the Authority can utilize. As of June 30, 2008 and 2007, the Authority is in compliance with these investment requirements.

NOTE B - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

4. Investments - continued

Investments are stated at fair value, based on quoted prices for mutual funds and at cost for repurchase agreements, with changes in fair value included in the statements of revenues, expenses and changes in fund equity.

5. Loans and Allowance for Loan Losses

Loans are stated at cost, net of an allowance for loan losses. The Authority includes as the cost of a loan any premium paid on student loans purchased. Premiums are amortized over the estimated life of the loan as an adjustment to interest income. Loan origination costs are capitalized when the loan is made and are amortized, using the interest method, over the estimated life of the loan.

All of the FFEL Program loans made or acquired by the Authority are guaranteed as described in Note A. There is still risk to the Authority if the loans should lose their guarantee. The Authority has established cure and recovery procedures to be applied to loans that have lost their guarantee. If the cure and recovery procedures are not successful within a maximum of three years, the loan will be written off as uncollectible.

The allowance for loan losses was established by the Authority's management to provide for this type of loss, as well as losses on non-guaranteed SHELF™ loans. Student loans are written off when they are deemed uncollectible and charged against the allowance upon such determination. Any subsequent collection or recovery on an account written off as uncollectible is credited to the allowance.

6. Capital Assets

The Authority capitalizes expenditures for equipment, system development and leasehold improvements. Depreciation and amortization are calculated primarily on a straight-line basis of three to ten years. Accumulated depreciation and amortization on capital assets at June 30, 2008 and 2007 were approximately $2,669,000 and $2,421,000, respectively. Maintenance of equipment and other assets is expensed as incurred.

7. Restricted Fund Equity

Certain assets of the Authority are restricted by the applicable bond and note covenants for the purpose of providing collateral for the outstanding debt obligations and paying debt interest and principal payments that are due (see Note E).

NOTE B - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

8. Operating Revenues and Expenses

Balances classified as operating revenues and expenses are those which comprise the Authority's principal ongoing operations. Since the Authority's operations are similar to those of any other finance company, all revenues and expenses are considered operating.

9. Interest Income

Interest is earned from the borrowers on the various types of student loans, from the USDE and from investments. The USDE makes two types of interest payments to the Authority. One is for the interest on Subsidized Stafford and Consolidation loans when the borrower is not currently required to make principal and interest payments under the terms of the loan. Such interest income from the USDE for the years ended June 30, 2008 and 2007 was approximately $13,634,000 and $12,252,000, respectively. The other type of interest payment from the USDE is "Special Allowance Payments." The rates for Special Allowance Payments are based on quarterly formulas that differ according to the type of loan, the date the loan was first disbursed, the interest rate and the type of funds used to finance such loans (tax-exempt or taxable). These rates are based upon the average rate established in the auctions of 91-day U.S. Treasury bills during such quarter or the quotes of three-month commercial paper (financial) in effect for each of the days in such quarter. Special Allowance Payments from the USDE for the years ended June 30, 2008 and 2007 were approximately $7,858,000 and $18,732,000, respectively.

Additionally, the Authority pays a consolidation rebate fee to the USDE on a monthly basis. The consolidation rebate fee is based on the outstanding principal and unpaid accrued interest on consolidation loans at month end. Consolidation rebate fees paid to the USDE for the years ended June 30, 2008 and 2007 were approximately $5,446,000 and $5,012,000, respectively. Such fees are reported as a reduction to loan interest income from USDE.

10. Arbitrage Rebate

The proceeds from the Authority's tax-exempt debt issuances are subject to arbitrage rebate laws under the Internal Revenue Code. This arbitrage rebate limits the earnings on investment of tax-exempt proceeds in non-purpose investments. The Authority has calculated and made provisions for the estimated cumulative rebatable arbitrage that must be remitted to the Internal Revenue Service for the excess earnings on non-purpose investments.

11. Income Taxes

As a State beneficiary trust, the income of the Authority earned in the exercise of its essential function is exempt from state and federal income taxes.

NOTE C - INVESTMENTS

The Authority invests its idle cash in collateralized repurchase agreements and U.S. Government securities-based money market mutual funds in accordance with the Authority's investment policy. Generally, the policy requires investments in U.S. Government Obligations or obligations explicitly guaranteed by the U. S. Government to reduce the Authority's related credit risk, custodial credit risk and interest rate risk.

The U.S. Government securities-based money market mutual funds, at June 30, 2008 and 2007 were rated AAA by the Standards & Poor's Corporation, Aaa by Moody's Investors Service, AAA by Duff & Phelps and AAA/V1+ by Fitch Ratings. The Authority's restricted investment in U.S. Government securities-based mutual funds totalled approximately $14,102,000 and $26,149,000 at June 30, 2008 and 2007, respectively. The Authority's unrestricted investment in U.S. Government securities-based mutual funds totalled approximately $2,137,000 and $5,270,000 at June 30, 2008 and 2007, respectively.

Investments at fair value consist of the following at June 30:

	2008	2007
Restricted		
U.S. Government securities-based mutual funds	$14,102,024	$26,149,186
Repurchase agreements	639,100	639,100
Total restricted investments	14,741,124	26,788,286
Unrestricted		
U.S. Government securities-based mutual funds	2,136,661	5,270,238
Total investments	$16,877,785	$32,058,524

NOTE D - LOANS AND ALLOWANCE FOR LOAN LOSSES

The Authority originates purchases and holds various types of student loans as described in Note A. The terms of these loans, which vary on an individual basis, depending upon loan type and the date the loan was originated, generally provide for repayment in monthly installments of principal and interest over a period of up to 30 years for Consolidation loans and generally up to ten years for other loans. The repayment period begins after a grace period of six months following graduation or loss of qualified student status for the Stafford and Unsubsidized Stafford loans. The repayment period for Consolidation, SLS and PLUS loans begins within 60 days from the date the loan is fully disbursed. Loans consist of the following as of June 30:

	2008	2007
Stafford	$ 371,926,019	$ 294,271,577
Unsubsidized Stafford	294,818,332	218,634,974
PLUS/SLS	48,217,306	35,630,532
Consolidation	525,336,296	500,968,132
SHELF™	2,976,798	3,025,760
Total gross loans	1,243,274,751	1,052,530,975
Unamortized loan default and guarantee fees	7,300,850	3,865,222
Unamortized loan premiums and loan origination costs	19,018,517	17,581,700
Unprocessed loan payments	(2,260,920)	(638,253)
Allowance for loan losses	(9,298,677)	(7,661,955)
Net loans	$1,258,034,521	$1,065,677,689

An analysis of the change in the allowance for loan losses is as follows as of June

	2008	2007
Balances at beginning of year	$7,661,955	$6,619,319
Loans charged off, net of recoveries of $21,329 and $21,395 for 2008 and 2007, respectively	(554,778)	(233,564)
Provision for loan losses	2,191,500	1,276,200
Balance at end of year	$9,298,677	$7,661,955

NOTE D - LOANS AND ALLOWANCE FOR LOAN LOSSES - CONTINUED

The stated interest rates on student loans which are based on USDE regulations ranged from 2.0% to 11.0% for the fiscal year ended June 30, 2008 depending upon the type and date of origination of the individual loan and whether the borrower had earned any of the Authority's interest rate reduction incentives. This stated interest rate is paid by the borrowers or by USDE. For loans that had first disbursement on or after April 1, 2006, the lenders' yield on student loans is based on a quarterly calculation that uses the quarterly average rates of either the 91 day Treasury Bills or 90 day Commercial Paper – Financial indices. The lender yield is calculated using these quarterly average rates plus an allowable mark-up that is based on the type and date of the loan's first disbursement. If the quarterly lenders' yield on the loans is less than the stated interest rate, the lender must rebate the excess to USDE. The excess of the loans' stated interest rate over the quarterly lenders' yield is referred to as Negative SAP. The Authority's loan portfolio at June 30, 2008 consisted of approximately 39% Negative SAP loans. The calculated quarterly lenders' yield ranged from 8.03% to 4.09% for the fiscal year ending June 30, 2008.

All FFEL Program student loans are guaranteed as to principal and accrued interest. Federal Default and Guarantee fees paid by the Authority are capitalized when the loan is made and are amortized, using the interest method, over the estimated life of the loan. In order for the loans to be or remain guaranteed, certain due-diligence requirements in loan servicing must be met. As of June 30, 2008 and 2007, approximately $334,000 and $244,000, respectively, of loans were no longer considered to be guaranteed.

The Authority also withholds certain origination fees from the loan disbursements on FFEL Program loans to the borrowers and remits these fees to the USDE. The amount of the origination fees is a certain percentage of the gross loan amount. The Authority and most members of the Authority's lending network implemented a new borrower incentive program effective March 1, 2006 or later to pay these origination fees on Stafford loans. Participation in this incentive program is at the discretion of the members of OSLA Lending Network. The Authority will reimburse participating members of OSLA Lending Network 50% of the lender paid origination fees. The Authority has committed to this incentive program at least through June 30, 2009.

The Authority is also required to pay to the USDE certain lender origination and consolidation loan rebate fees. The amount of the lender fees includes a certain percentage of the gross loan amount on all FFEL Program loans originated after October 1, 1993 and a certain percentage of the carrying value of the Consolidation loans.

The capitalized loan origination costs, net of accumulated amortization, at June 30, 2008 and 2007 were approximately $1,666,000 and $1,817,000, respectively.

Premiums paid on student loans purchased, net of accumulated amortization, at June 30, 2008 and 2007 were approximately $17,353,000 and $15,765,000, respectively.

NOTE D - LOANS AND ALLOWANCE FOR LOAN LOSSES - CONTINUED

The deferred cost for Federal Default and Guarantee fees paid by the Authority and the Authority's Lender Paid Origination Fees, net of accumulated amortization, at June 30, 2008 and 2007 were approximately $7,301,000 and $3,865,000, respectively.

As discussed in Note A, the Authority was designated as an Exceptional Performer during 2007. Effective July 1, 2006, the reimbursement rate on all eligible FFEL Program default claims for Exceptional Performers was reduced to 99% as the result of legislative changes. Effective October 1, 2007, the exceptional performer designation was eliminated (see note H).

Generally, student loans of the Authority are pledged as collateral for the various obligations of the Authority.

NOTE E - NOTES AND BONDS PAYABLE

The Authority periodically issues notes and bonds for the purpose of funding student loans. All notes and bonds payable are primarily secured by student loans, related accrued interest and by the amounts on deposit in accounts established under the respective bond resolution or financing agreement as maintained by the corporate trustees. The Authority is in compliance with all significant financing agreement requirements and bond covenants.

Generally, for variable rate demand obligations interest rates are set on a weekly basis by the remarketing agent and credit enhancement is provided through insurance issued by a monoline insurer. During the year ended June 30, 2008, the monoline insurer's ratings were downgraded due to exposure to the sub prime mortgage market. The downgrades and the resulting lack of investor confidence and lack of demand for monoline insured debt resulted in remarketing rates as high as 11.0% during the year. The lack of demand also resulted in certain of these obligations becoming "Bank Bonds" as defined by the terms of the standby bond purchase agreements. The terms of the Bank Bonds provide for accelerated principal payments (generally requiring equal annual principal payments over approximately five years) and for interest, payable monthly, determined by a defined spread to an index, such as the prime rate or LIBOR. Bank Bonds under the standby bond purchase agreements resulted in rates as high as 7.25% during the year ended June 30, 2008. At June 30, 2008, variable rate demand obligations totaling $356,895,000 had become Bank Bonds under such agreements. Also, at June 30, 2008, $51,900,000 of variable rate demand obligations were not held as Bank Bonds, but became Bank Bonds subsequently. As a result of these circumstances, the Authority's cost of funds for this type of debt increased significantly during the year ended June 30, 2008.

At June 30, 2008, the Authority's notes and bonds payables also consisted of auction rate securities (ARS's) totaling $412,575,000, of which $237,575,000 was tax-exempt with interest rates set every 35 days and $175,000,000 was taxable with interest rates set every 28 days. Beginning in February of 2008, auction procedures utilized to establish interest rates failed and subsequent auctions have continued to fail. The ARS's provide for a maximum interest rate, generally referenced to a defined index rate, when the rate is not set by auction; however, the Authority temporarily amended, through March 30, 2008, certain maximum rate provisions resulting in rates as high as 17% for taxable and 12% for tax-exempt ARS's.

NOTE E - NOTES AND BONDS PAYABLE – CONTINUED

Notes payable at June 30, 2008 and 2007 consist of the following:

$150,000,000 Taxable Variable Rate Revenue Note (line of credit), Series 1993L (1993L), dated May 30, 2008, payable at the offices of JP Morgan Chase Bank, N.A., as administrative agent. The interest rate is adjusted periodically based on a LIBOR index plus 0.8% (LIBOR index plus 0.5% prior to May 30, 2008) and is payable on a monthly basis. The interest rate ranged from 3.25% to 3.28% as of June 30, 2008 and was 5.82% as of June 30, 2007. The principal amount outstanding on this line at June 30, 2008 was $115,000,000. The principal is due at maturity on September 2, 2008. Advances and payments can be made under the provisions of the note, provided that the amount outstanding does not exceed the note amount. This line of credit is not rated. See note K – Subsequent Events for additional information.

$21,600,000 Senior Notes, Series 1995A-1 (1995A-1) dated November 9, 1995. The interest rate on these ARS's is 2.905% and 3.745% as of June 30, 2008 and 2007, respectively. The principal is due at maturity on September 1, 2025.

$50,000,000 Senior Notes, Series 2001A-4 (2001A-4) dated December 20, 2001. The interest rate is adjusted quarterly to the three-month financial Commercial Paper Rate with rates of 2.745% and 5.38% as of June 30, 2008 and 2007 respectively. Interest is payable on a quarterly basis. The principal is due at maturity on December 1, 2017.

$112,314,181 Line of Credit Commitment for Variable Rate Revenue Notes, Series 2005B (2005B), payable to Bank of America, N.A., issued under a financing agreement dated August 1, 2007. The interest rate is adjusted periodically based on USD - Securities Industry and Financial Markets Association Municipal Swap Index (SIFMA) plus 0.9% with rates of 2.45% and 5.32% as of June 30, 2008 and 2007, respectively. Presently, two notes in an aggregate principal amount of $94,814,256 are outstanding on this line. The notes are subject to a put on September 1, 2010. The tax-exempt line of credit is not rated. See note K – Subsequent Events for additional information.

NOTE E - NOTES AND BONDS PAYABLE - CONTINUED

The following schedules summarize the notes payable outstanding as of June 30:

	2008			
	Beginning balance	Additions	Retirements	Ending balance
1993L	$22,000,000	$141,000,000	$48,000,000	$115,000,000
1995A-1	21,600,000	-	-	21,600,000
2001A-4	50,000,000	-	-	50,000,000
2005B	21,850	94,814,256	21,850	94,814,256
	$93,621,850	$235,814,256	$48,021,850	$281,414,256

	2007			
	Beginning balance	Additions	Retirements	Ending balance
1993L	$ 22,000,000	$ -	$ -	$22,000,000
1995A-1	21,600,000	-	-	21,600,000
1995A-2	7,000,000	-	7,000,000	-
2001A-4	50,000,000	-	-	50,000,000
2005B	-	43,993,762	43,971,912	21,850
	$100,600,000	$43,993,762	$50,971,912	$93,621,850

NOTE E - NOTES AND BONDS PAYABLE - CONTINUED

The following schedules summarize the bonds payable outstanding as of June 30:

	2008			
	Beginning balance	Additions	Retirements	Ending balance
5.80% Series 1995B-1 Subordinate, due 9-1-08	$ 2,000,000	$ -	$ -	$ 2,000,000
6.35% Series 1995B-2 Subordinate, due 9-1-25	3,980,000	-	-	3,980,000
Variable rate demand obligations Series 1996A, (a)	32,580,000	-	-	32,580,000
5.10% Series 1996B-2 Subordinate, due 8-1-08	6,230,000	-	-	6,230,000
Variable rate demand obligations Series 1997A, (a)	33,000,000	-	-	33,000,000
Variable rate demand obligations Series 1998A, (a)	33,100,000	-	-	33,100,000
Variable rate Series 2000A-1, 2000A-2 and 2000A-3, due 6-1-30	100,000,000	-	-	100,000,000
Variable rate demand obligations Series 2000A-4, (b)	20,945,000	-	-	20,945,000
5.625% Senior Series 2001A-1, due 6-1-31	15,625,000	-	-	15,625,000
Variable rate Series 2001B-1, Subordinate, due 6-1-31	25,000,000	-	-	25,000,000
Variable rate Series 2001A-2 and 2001A-3, due 12-1-31	75,000,000	-	-	75,000,000
Variable rate demand obligations Series 2002A-1, (a)	40,625,000	-	-	40,625,000
5.30% Series, 2003A-1, due 12-1-32	9,670,000	-	-	9,670,000
Variable rate demand obligations Series 2003A-2, (b)	30,955,000	-	-	30,955,000
Variable rate Series 2004A-1, due 12-1-33	40,625,000	-	-	40,625,000
Variable rate Series 2004A-2, due 6-1-34	40,625,000	-	-	40,625,000
Senior floating rate Series 2004A-3, due 9-1-34	100,000,000	-	-	100,000,000
Variable rate demand obligations Series 2005A, (a)	65,045,000	-	-	65,045,000
Variable rate demand obligations Series 2006A-1, (a)	152,545,000	-	-	152,545,000
Variable rate Series 2007A-1, due 3-1-37	109,725,000	-	-	109,725,000
	$937,275,000	$ -	$ -	$937,275,000

NOTE E - NOTES AND BONDS PAYABLE – CONTINUED

(a.) Became held as Bank Bonds during the year ended June 30, 2008 due to either investor tenders to liquidity facility providers and/or expiration and subsequent non-renewal of liquidity facility by provider in accordance with the terms of standby bond purchase agreements.

(b.) Became held as Bank Bonds subsequent to June 30, 2008 due to either investor tenders to liquidity facility providers and/or expiration and subsequent to non-renewal of liquidity facility by provider in accordance with the terms of standby bond purchase agreements.

	2007			
	Beginning balance	Additions	Retirements	Ending balance
5.80% Series 1995B-1 Subordinate, due 9-1-08	$ 2,000,000	$ -	$ -	$ 2,000,000
6.35% Series 1995B-2 Subordinate, due 9-1-25	3,980,000	-	-	3,980,000
Variable rate demand obligations Series 1996A, due 6-1-26	32,580,000	-	-	32,580,000
5.10% Series 1996B-2 Subordinate, due 8-1-08	6,230,000	-	-	6,230,000
Variable rate demand obligations Series 1997A, due 12-1-26	33,000,000	-	-	33,000,000
Variable rate demand obligations Series 1998A, due 6-1-28	33,100,000	-	-	33,100,000
Variable rate Series 2000A-1, 2000A-2 and 2000A-3, due 6-1-30; 2000A-4 (demand obligation) due 6-1-29	120,945,000	-	-	120,945,000
5.625% Senior Series 2001A-1, due 6-1-31	15,625,000	-	-	15,625,000
Variable rate Series 2001B-1, Subordinate, due 6-1-31	25,000,000	-	-	25,000,000
Variable rate Series 2001A-2 and 2001A-3, due 12-1-31	75,000,000	-	-	75,000,000
Variable rate demand obligations Series 2002A-1, due 12-1-31	40,625,000	-	-	40,625,000
5.30% Series, 2003A-1, due 12-1-32	9,670,000	-	-	9,670,000
Variable rate demand obligations Series 2003A-2, due 12-1-32	30,955,000	-	-	30,955,000
Variable rate Series 2004A-1, due 12-1-33	40,625,000	-	-	40,625,000
Variable rate Series 2004A-2, due 6-1-34	40,625,000	-	-	40,625,000
Senior floating rate Series 2004A-3, due 9-1-34	100,000,000	-	-	100,000,000
Variable rate demand obligations Series 2005A, due 12-1-34	65,045,000	-	-	65,045,000
Variable rate demand obligations Series 2006A-1, due 3-1-36	152,545,000	-	-	152,545,000
Variable rate Series 2007A-1, due 3-1-37	-	109,725,000	-	109,725,000
	$827,550,000	$109,725,000	$ -	$937,275,000

NOTE E - NOTES AND BONDS PAYABLE – CONTINUED

The variable rates on the Variable Rate Demand Obligations, Series 1996A are 3.01% and 3.80% as of June 30, 2008 and 2007, respectively. These obligations became held as Bank Bonds during the year ended June 30, 2008 under the terms of a standby bond purchase agreement with interest payable monthly. During fiscal year 2008, the interest rates were as high as 9.00% due to distress with the related monoline insurer.

The variable rates of the Variable Rate Demand Obligations, Series 1997A are 3.01% and 3.78% as of June 30, 2008 and 2007, respectively. These obligations became held as Bank Bonds during the year ended June 30, 2008 under the terms of a standby bond purchase agreement with interest payable monthly. During fiscal year 2008, the interest rates were as high as 11.00% due to distress with the related monoline insurer.

The variable rates on the Variable Rate Demand Obligations, Series 1998A are 3.50% and 3.78% as of June 30, 2008 and 2007, respectively. These obligations became held as Bank Bonds during the year ended June 30, 2008 the terms of a standby bond purchase agreement with interest payable monthly. During fiscal year 2008, the interest rates were as high as 11.00% due to distress with the related monoline insurer.

The variable rates on the Senior Taxable Auction Rate Bonds, Series 2000A-1, 2, 3 are 3.48%, 3.45% and 3.45% as of June 30, 2008 and 5.25%, 5.28% and 5.27% as of June 30, 2007, respectively. Interest is payable at each auction. Due to failed auctions associated with these bonds during fiscal year 2008, interest rates were as high as 17.00%.

The variable rates on the Variable Rate Demand Obligations, Series 2000A-4 are 10.00% and 3.78% as of June 30, 2008 and 2007, respectively. A portion of these obligations became held as Bank Bonds subsequent to June 30, 2008 under the terms of a standby bond purchase agreement and with interest payable monthly. During fiscal year 2008, rates were as high as 11.00% due to distress with the related monoline insurer.

The variable rates of the Subordinate Auction Rate Obligations, Series 2001B-1 are 2.53% and 3.90% as of June 30, 2008 and 2007, respectively. Due to failed auctions associated with this bond in fiscal 2008, interest rates were as high as 10.00%. Interest is payable at each auction.

The variable rates of the Senior Taxable Auction Rate Bonds, Series 2001A-2 and Series 2001A-3 are 0.00% and 0.00% as of June 30, 2008 and 5.25% and 5.25% as of June 30, 2007, respectively. Interest is payable at each auction. The 0.00% rates at June 30, 2008 were due to maximum rate calculations from failed auctions associated with these bonds, interest rates were as high as 17.00% during fiscal year 2008.

The rates of the Variable Rate Demand Obligations, Series 2002A-1 are 2.80% and 3.78% as of June 30, 2008 and 2007, respectively. These obligations became held as Bank Bonds during the year ended June 30, 2008 under the terms of a standby bond purchase agreement with interest payable monthly. During fiscal year 2008, the interest rates were as high as 11.00% due to distress with the related monoline insurer.

NOTE E - NOTES AND BONDS PAYABLE - CONTINUED

The rates of the Variable Rate Demand Obligations, Series 2003A-2 are 10.00% and 3.78% as of June 30, 2008 and 2007, respectively. A portion of these obligations became held as Bank Bonds subsequent to June 30, 2008 under the terms of a standby bond purchase agreement with interest payable monthly. During fiscal year 2008, the interest rates were as high as 11.00% due to distress with the related monoline insurer.

The variable rates of the Senior Auction Rate Bonds, Series 2004A-1 are 2.78% and 3.87% as of June 30, 2008 and 2007, respectively. Due to failed auctions associated with these bonds in fiscal 2008, interest rates were as high as 12.00%. Interest is payable at each auction.

The variable rates of the Senior Auction Rate Bonds, Series 2004A-2 are 0.00% and 3.82% as of June 30, 2008 and 2007, respectively. The 0.00% interest rate at June 30, 2008 was due to maximum rate calculations from failed auctions associated with these bonds, interest rates were as high as 12.00% during fiscal year 2008.

The floating rates of the Senior Taxable Bonds, Series 2004A-3 are based on the three-month LIBOR rate plus a spread factor of 0.18% with a rate of 2.86% and 5.54% as of June 30, 2008 and 2007, respectively. Interest is payable on a quarterly basis.

The rates of the Variable Rate Demand Obligations, Series 2005A are 6.25% and 3.78% as of June 30, 2008 and 2007, respectively. These obligations became held as Bank Bonds during the year ended June 30, 2008 under the terms of a standby bond purchase agreement with interest payable monthly. During fiscal year 2008, the interest rates were as high as 11.00% due to distress with the related monoline insurer.

The rates of the Variable Rate Demand Obligations, Series 2006A-1 are 6.25% and 3.80% as of June 30, 2008 and 2007, respectively. These obligations became held as Bank Bonds during the year ended June 30, 2008 under the terms of a standby bond purchase agreement with interest payable monthly. The conversion of this debt to Bank Bonds during fiscal year 2008 has resulted in rates as high as 7.25%.

The rates of the Senior Auction Rate Bonds, Series 2007A-1 are 2.98% and 3.82% as of June 30, 2008 and 2007, respectively. Due to failed auctions associated with this bond in fiscal year 2008, interest rates were as high as 12.00%.

Interest on the Authority's bonds payable is payable on a semi-annual basis unless noted otherwise.

NOTE E - NOTES AND BONDS PAYABLE - CONTINUED

Fiscal year debt service requirements to maturity or redemption date, assuming interest rates on variable rate debt remains at June 30, 2008 levels, are as follows:

	Principal	Interest	Total
Year ending June 30			
2009	$ 166,748,000	$ 45,609,620	$ 212,357,620
2010	76,759,000	41,600,573	118,359,573
2011	171,573,256	35,566,660	207,139,916
2012	76,759,000	31,054,384	107,813,384
2013	76,759,000	26,978,779	103,737,779
2014 - 2018	83,241,000	113,929,291	197,170,291
2019 - 2023	-	106,989,881	106,989,881
2024 – 2028	25,580,000	103,922,417	129,502,417
2029 - 2033	250,295,000	71,307,872	321,602,872
2034 - 2038	290,975,000	16,458,363	307,433,363
	$1,218,689,256	$593,417,840	$1,812,107,096

NOTE F - RETIREMENT PLAN

The Authority contributes to the Teachers Retirement System of Oklahoma (the TRS), a cost-sharing multiple-employer public employee retirement system which is self-administered. The TRS provides retirement, disability and death benefits to plan members and beneficiaries. The benefit provisions are established and may be amended by the legislature of the State. Title 70 of the Oklahoma Statutes, Sections 17-101 through 116.9, as amended, assigns the authority for management and operation of the plan to the Board of Trustees of the TRS. The TRS issues a publicly available annual financial report that includes financial statements and required supplementary information for the TRS. That annual report may be obtained by writing to the TRS, P. O. Box 53524, Oklahoma City, OK 73152 or by calling 1-405-521-2387.

Employees of the Authority, as TRS members, are required to contribute to the plan at a rate set by State Statute (employees' contributions). The contribution rate for TRS members is based on 7% of their covered salary. The Authority made the system members' required contribution on behalf of its employees in 2008 and 2007.

The Authority itself is required to contribute a statutory percentage of participating employees' regular annual compensation for administration of the plan (employer's contributions). The contribution rate for the Authority was 7.85% through December 31, 2007 and increased to 8.35% at January 1, 2008. The Authority's total payments to the TRS for the employees' and employer's contributions were approximately $498,000, $430,000 and $386,000 for the years ended June 30, 2008, 2007 and 2006, respectively.

NOTE G - COMMITMENTS AND CONTINGENCIES

The Authority conducts certain programs subject to audit by various federal and state agencies. Amounts questioned as a result of audits, if any, may result in refunds to these governmental agencies.

As part of its lender network activities for FFEL Program loans, the Authority has entered into various loan purchase commitments with certain financial institutions for which it performs interim status loan servicing. Under such loan purchase commitments, the seller is required to offer these FFEL Program loans to the Authority and the Authority is required to purchase the loans (subject to the Authority's available finances to fund acquisitions) under certain terms and conditions. As of June 30, 2008 and 2007, the Authority was committed to purchase such loans totalling approximately $268,000,000 and $214,256,000, respectively.

Proceeds from the Authority's tax-exempt debt that are invested in student loans are subject to the federal government yield adjustment payment rebate law which limits the earnings rate on funds received by an organization which issues tax-exempt debt. Any excess student loan interest over the allowable debt yield and spread would be rebated to the student loan borrowers as interest rate reductions or loan principal forgiveness, or rebated to the Internal Revenue Service at the maturity of the related debt. The Authority's management is actively monitoring and managing this spread and will take necessary action to maintain student loan yields within the allowable spread over the life of the respective debt issuances. In recent years, the excess interest estimate has shown a significant decreasing trend.

The Authority leases certain facilities and equipment under noncancelable operating leases that expire at various dates through January 2013. Related rent expense for the years ended June 30, 2008 and 2007 was approximately $385,000 and $309,000, respectively. The following is a schedule of future minimum rental payments under operating leases as of June 30, 2008:

Year ending June 30	
2009	$ 436,000
2010	448,000
2011	458,000
2012	467,000
2013	271,000
	$2,080,000

NOTE H - STUDENT LOAN LEGISLATION

The Higher Education Act is the subject of frequent amendments, including amendments from the federal government's budget process. Legislation passed in 2008 and 2007 implemented, or will implement, various changes to the FFEL Program.

The Ensuring Continued Access to Student Loans Act of 2008 (ECASLA) signed into law on May 7, 2008, will implement the following changes:

- Create a Parent PLUS loan deferment whereas the borrower can elect to postpone repayment until six months after their dependent for whom the loan was borrowed fails to carry at least one-half the normal full-time workload. Effective for loans first disbursed on or after July 1, 2008.
- Provide the Secretary of Education (Secretary) the temporary authority to purchase certain FFEL Program loans (as well as participation interests in these loans) made during the 2008-2009 academic year. The Secretary's authority to purchase loans under this section expires September 30, 2010.

The College Cost Reduction and Access Act that was signed into law on September 27, 2007, implemented the following changes with a general effective date of October 1, 2007 or other effective dates to be set by regulations to be issued by the Department:

- Reduced Special Allowance Payments to not-for-profit lenders by 40 basis points on Stafford, Stafford Unsubsidized and Consolidation loans and by 70 basis points on PLUS loans.
- Increased the lender origination fee from 0.5% to 1.0% for all loans.
- Eliminated the Exceptional Performer designation.
- Decreased the guarantor's reimbursement rate on default claims from 99% for Exceptional Performers to 97% for all lenders. The guarantor's reimbursement rate on default claims is also scheduled to be reduced to 95% for all lenders in 2012.
- Decreased the borrowers' fixed interest rate on Stafford loans from 6.8% to 3.4% over the next four years
- Created new borrower payment plans that guarantees borrowers will not have to pay more than 15% of their discretionary income in loan repayments, effective July 1, 2009.
- Allowed borrowers in economic hardship to have their loans forgiven after 25 years, effective July 1, 2009.

NOTE I - RELATED PARTIES

Certain members of the Authority's Board of Trustees are officers or directors of lenders in the Authority's student lending network. The following relates to these lenders:

	June 30,	
	2008	2007
Loans purchased by the Authority for the year	$25,259,000	$18,398,000
Loans being serviced at year end	3,337,000	269,000

These related party lenders participate in the Authority's student lending network on terms and conditions available to other network lenders similarly situated.

NOTE J - FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value estimates, methods and assumptions are set forth below for the Authority's financial instruments. Carrying amounts and estimated fair values of financial instruments at June 30 are summarized as follows:

	2008		2007	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Financial assets				
Cash	$ 4,951,243	$ 4,951,243	$ 3,048,575	$ 3,048,575
Investments	16,877,785	16,877,785	32,058,524	32,058,524
Interest receivable	28,419,335	28,419,335	27,426,642	27,426,642
Loans, net	1,258,034,521	1,258,034,521	1,065,677,689	1,065,677,689
Financial liabilities				
Accrued interest payable	4,327,351	4,327,351	5,719,181	5,719,181
Notes payable	281,414,256	281,414,256	93,621,850	93,621,850
Bonds payable	937,275,000	936,794,450	937,275,000	938,004,000

The carrying amount for cash, interest receivable and accrued interest payable approximates fair value because of the short maturity of these financial instruments. The fair value of investments is based upon quoted prices.

The carrying value of loans approximates fair value because of the variable rate nature of the majority of loans and the Special Allowance Payments by the USDE.

The carrying value of notes payable approximates fair value for 2008 and 2007 because all notes were variable rate and approximated rates currently available for notes with similar terms and remaining maturities. The fair value of bonds payable has been determined based on a fair value appraisal performed by a third-party broker.

NOTE K - SUBSEQUENT EVENTS

The Ensuring Continued Access to Student Loans Act of 2008 (ECASLA)

The Authority expects to utilize the loan participation option offered by USDE through ECASLA to provide funding for student loans made subsequent to June 30, 2008. The Authority has filed a Notice of Intent to Participate and had all of the Authority's network lenders file these Notices. The Authority has filed a Master Participation Agreement and selected Bank of Oklahoma as Custodian. The Authority plans to submit the first Participation Funding Request in November of 2008.

New Finance Issuance to Refinance High Cost Debt

Beginning in the fall of 2007 and continuing throughout 2008, financial markets have been disrupted significantly. Aspects of this disruption have adversely impacted asset backed securities, including student loan asset backed securities. The disruptions affect bonds and notes issued in the past, which have been subjected to severe deterioration in the auction rate securities market, severe deterioration in markets for obligations enhanced by monoline bond insurers, and very limited market availability of credit and liquidity support. These events have caused the Authority to suffer increased debt service costs and a need to restructure much of its debt as a response to market conditions by issuing new obligations under a new Bond Resolution, separate from two other master trusts currently outstanding. The two existing master trusts are:

- the senior-subordinate 1995 Master Bond Resolution, as Supplemented, which includes numerous parity supplemental bond resolutions; and
- the monoline bond insured Series 1996A Bond Resolution, as Supplemented, which includes numerous parity supplemental bond resolutions.

The Authority is actively working to refinance current outstanding tax-exempt debt by issuing variable rate demand obligations supported by irrevocable transferable direct pay letters of credit. As a result, the Authority is finalizing plans to issue Series 2008A Bonds that will refund several, but not all of the outstanding tax-exempt issues. The Authority anticipates the first issuance of the Series 2008A Bonds in the amount of $175,305,000 in October 2008.

1993L Revolving Taxable Line of Credit

The commitment amount of the taxable line of credit is $150,000,000, of which $115,000,000 was outstanding at June 30, 2008 and all $150,000,000 was outstanding as of August 31, 2008. The taxable line of credit was renewed September 2, 2008 and expires on June 1, 2009. By its revised terms the line will not be renewed upon expiration. Consequently, the Authority plans to refinance this debt before its expiration date.

NOTE K - SUBSEQUENT EVENTS - CONTINUED

2005B Non Revolving Tax-Exempt Line of Credit

The remaining commitment amount of the tax-exempt line of credit at June 30, 2008 was $17,499,925, but that commitment is being terminated by agreement between the lender and the Authority. Presently, two notes in an aggregate principal amount of $94,814,256 are outstanding on this line. The notes are subject to a put on September 1, 2010. Consequently, the Authority plans to refinance this debt before its put date.

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Report of Independent Certified Public Accountants on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees
Oklahoma Student Loan Authority

We have audited the financial statements of the Oklahoma Student Loan Authority (the Authority) as of and for the year ended June 30, 2008, and have issued our report thereon dated October 27, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting
In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Trustees, others within the Authority and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Grant Thornton LLP

Oklahoma City, Oklahoma
October 27, 2008