Financial statements and reports of independent certified public accountants

Oklahoma Student Loan Authority

June 30, 2010 and 2009

Contents

Grant Thornton

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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, 2010 and 2009, 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 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, 2010 and 2009, 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 25, 2010 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 effectiveness of the Authority's 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 ten 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 25, 2010

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 servicing for 43 other eligible lenders during the fiscal year ending June 30, 2010, 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, 29 eligible lenders in the OSLA Student Lending Network have made the decision to discontinue originating FFEL Program loans. Due to the lenders discontinuing the origination of loans and management's decision not to seek or accept new lenders, the Authority had 14 active eligible lenders in the OSLA Student Lending Network at June 30, 2010. 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 TM". 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 financing 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, 2010. 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, 2010 were approximately $1,174,864,000 which is a decrease of approximately $201,441,000 or 14.6% from June 30, 2009.

- The Authority's net student loans at June 30, 2010 were approximately $1,042,100,000 which is a decrease of approximately $157,555,000 or 13.1% from June 30, 2009.

- The Authority's total operating revenue was approximately $19,858,000 and interest expense was approximately $21,020,000 for the fiscal year ended June 30, 2010, resulting in interest expense in excess of operating revenues of approximately $1,162,000 compared to operating revenues in excess of interest expense of approximately $925,000 for the fiscal year ended June 30, 2009.

- The Authority's total other operating expenses (see page 9) for the fiscal year ended June 30, 2010 were approximately $10,268,000 which is a decrease of $407,000 or 3.8% from the fiscal year ended June 30, 2009.

- The Authority's decrease in fund equity for the fiscal year ended June 30, 2010 was approximately $11,429,000 which is an increase of approximately $1,680,000 or 17.2% over the decrease in fund equity for the fiscal year ended June 30, 2009.

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 – A portion of the Authority's Stafford Loan and PLUS borrowers, including borrowers of loans that the Authority services for the OSLA Student Lending Network and may 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 an 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 – A portion 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 could 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.

<u>CRITICAL ACCOUNTING POLICIES CONTINUED</u>:

<u>Lender Paid Origination Fees</u> – 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 eliminated this incentive program for loans with first disbursement on or after July 1, 2009.

<u>Default Fee Payment Program</u> – 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 eliminated this incentive program for loans with first disbursement on or after July 1, 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, 2010 was approximately $64,816,000 which is a decrease of approximately $11,429,000 or 15.0% from June 30, 2009. Components of the Authority's balance sheet are as follows as of June 30:

	2010	2009
Assets		
Current assets	$ 15,312,719	$ 9,762,905
Capital assets	537,781	751,399
Other noncurrent assets	20,665,111	29,012,626
Restricted assets	1,138,348,478	1,336,778,094
Total Assets	$1,174,864,089	$1,376,305,024
Liabilities		
Current liabilities	$ 514,823	$ 484,720
Current liabilities payable from restricted assets	90,565,622	172,838,539
Noncurrent liabilities payable from restricted assets	1,018,967,647	1,126,736,282
Total Liabilities	1,110,048,092	1,300,059,541
Fund equity		
Invested in capital assets	537,781	751,399
Restricted	28,815,209	37,203,273
Unrestricted	35,463,007	38,290,811
Total Fund Equity	64,815,997	76,245,483
Total Liabilities and Fund Equity	$1,174,864,089	$1,376,305,024

The decline in the Authority's total assets reverses a trend of significant growth from prior years. Investments decreased by approximately $36,551,000 to approximately $116,573,000 at June 30, 2010. Net student loans decreased by approximately $157,555,000 to approximately $1,042,100,000 at June 30, 2010. Total receivables also decreased by approximately $7,009,000 to approximately $13,729,000 at June 30, 2010. The Authority's outstanding notes and bonds payable decreased by approximately $190,998,000 to approximately $1,104,860,000 at June 30, 2010. This decrease in outstanding notes and bonds payable was related to paying off the taxable and tax-exempt lines of credit and pay downs on various bank bonds partially off-set by issuance of additional Funding Notes to the FFELP Student Loan Asset Backed Commercial Paper Conduit lender.

For the fiscal year ended June 30, 2010, the Authority acquired or originated student loans with a principal balance of approximately $31,586,000. This was a 50% decrease compared to the $62,556,000 acquired or originated in the fiscal year ended June 30, 2009. This decrease was due to a decline in the purchases of loans from lender customers. Due to severe and protracted disruptions in the credit markets, the Authority amended our agreements with lender customers to purchase loans on a funds available model. Under this funds available model, the Authority's loan purchases from lender customers decreased to approximately $39,000 for the year ending June 30, 2010 which was an 99.9% decrease compared to $31,879,000 for the year ending June 30, 2009.

The Authority utilized the ECASLA loan participation program beginning in November 2008 which provided the Authority with liquidity needed to fund our originations of loans as a lender for the academic years 2008–2009 and 2009-2010. As a result of the Authority's continuing involvement with the participated loans, the proceeds received were reported as a collateralized borrowing.

FINANCIAL ANALYSIS OF THE AUTHORITY - CONTINUED:

The Authority's decrease in fund equity for the fiscal year ended June 30, 2010 was approximately $11,429,000, which is an increase of approximately $1,680,000 or 17.2% over the decrease in fund equity for the fiscal year ended June 30, 2009. Components of the statement of revenues, expenses and decrease in fund equity are as follows for the fiscal years ending June 30:

	2010	2009
Loan interest income, net of consolidation rebate fees	$ 12,555,083	$35,738,076
Investment interest income	87,068	500,470
Total interest income	12,642,151	36,238,546
Less: Interest expense	21,019,593	38,699,951
Net interest margin (deficit)	(8,377,442)	(2,461,405)
Loan servicing fees	2,859,023	3,386,730
Gain on extinguishment of debt	4,357,000	-
Operating revenues, net of interest expense	(1,161,419)	925,325
Less: Other operating expenses:		
General administration	7,220,708	7,082,175
External loan servicing	687,073	892,914
Professional fees	770,886	938,759
Provision for loan losses	1,589,400	1,761,000
Total other operating expenses	10,268,067	10,674,848
Decrease in fund equity	$(11,429,486)	$ (9,749,523)

The decrease in fund equity of approximately $11,429,000 for the year ended June 30, 2010 relates primarily to the Authority's debt service funds which serve as collateral on outstanding bonds and notes. Net interest margin on the loans in the debt service funds decreased due to a decrease in their loan interest income and investment interest income.

The decrease in loan interest income for the fiscal year ended June 30, 2010 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. The variable interest rates on student loans are reset annually on July 1st. The variable rates for the fiscal year ended June 30, 2010 ranged from 1.88% to 3.73% and the variable rates for the fiscal year ended June 30, 2009 ranged from 3.61% to 5.82%. The fixed rates for loans first disbursed on or after July 1, 2006 ranged from 6.0% 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, by reinvesting principal payments received on existing loans and by utilizing the ECASLA Participation Program from the USDE. A general decline of market interest rates resulted in a weighted average cost of funds of 0.7% at June 30, 2010 as compared to a 2.0% cost of funds at June 30, 2009. This significant decrease led to an overall decrease in interest expense for the fiscal year ended June 30, 2010.

Net Interest Deficit for the fiscal year ended June 30, 2010 was approximately $8,377,000 which is an increase of approximately $5,916,000 or 240% over the fiscal year ended June 30, 2009.

FINANCIAL ANALYSIS OF THE AUTHORITY - CONTINUED:

The Authority's other operating expenses for the fiscal year ended June 30, 2010 decreased by 3.8% over the previous fiscal year. This reduction in other operating expenses was related to staff reductions and decreased loan servicing activities. 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, 2010.

Loan servicing income was primarily related to fees the Authority charged for processing ECASLA loan sales to the USDE for our lender customers.

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, 2010, the Authority had $1,104,859,765 principal amount of bonds and notes payable outstanding, a decrease of 14.7% from the $1,295,858,055 principal amount outstanding at June 30, 2009. Detailed information on the Authority's debt is presented in note E to the financial statements.

$788,385,000 of the Authority's debt was publicly held and had long term credit ratings assigned by Moody's Investors Service (Moody's), Standard and Poor's (S&P) and Fitch Ratings (Fitch) 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 / A+ Fitch	$511,180,000	Senior Lien or Insured
Baa1 Moody's / AA- or A S&P	$248,225,000	Insured
A2 Moody's / A S&P	$28,980,000	Subordinate Bonds

$175,305,000 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 (VMIG1, S.G.), S&P (A-1+ or A-1) and Fitch (F1+).

For the years ending June 30, 2010 and 2009, the Authority met its temporary requirements for funding student loans through a taxable, revolving warehouse line of credit and by utilizing the ECASLA Loan Participation Program. The taxable, revolving line of credit had a commitment amount of $150,000,000 which was reached on August 21, 2008. The line was closed and was paid off in November 2009. In prior years, the Authority also utilized a tax-exempt line of credit to meet its funding requirements which had a commitment amount of $94,814,256, of which $94,814,256 principal amount was outstanding at June 30, 2009. The tax-exempt line of credit was paid off in December 2009.

CONDITIONS AFFECTING FINANCIAL POSITION:

At June 30, 2010, the Authority was servicing student loans from members of the OSLA Student Lending Network with a principal balance of approximately $353,178,000. Additionally at June 30, 2010, certain members of the OSLA Student Lending Network transferred loans with a principal balance of approximately $231,811,000 into the ECASLA Participation Program for these loans to be sold to USDE through the ECASLA PUT Program. The total portfolio of gross student loans that the Authority owns or services for members of the OSLA Student Lending Network was approximately $1,622,007,000 at June 30, 2010. This is an increase of approximately $105,140,000 or 6.9% from June 30, 2009. The total portfolio of student loans that the Authority owns or services at June 30, 2010 includes approximately $422,000,000 in loan principal that will be sold to USDE through the ECASLA PUT Program.

Oklahoma Student Loan Authority

BALANCE SHEETS

June 30,

ASSETS	2010	2009
Current assets		
Cash	**$ 393,868**	$ 390,101
Investments	**14,729,750**	8,504,124
Interest and other receivables	**189,101**	868,680
Total current assets	**15,312,719**	9,762,905
Noncurrent assets		
Loans, net of allowance for loan losses	**20,454,321**	28,691,939
Capital assets, net of accumulated depreciation	**537,781**	751,399
Other noncurrent assets	**210,790**	320,687
Total noncurrent assets	**21,202,892**	29,764,025
Restricted assets		
Cash	**321,183**	158,947
Investments	**101,842,985**	144,619,473
Interest receivable	**13,540,303**	19,869,936
Loans, net of allowance for loan losses	**1,021,645,181**	1,170,962,351
Other restricted assets	**998,826**	1,167,387
Total restricted assets	**1,138,348,478**	1,336,778,094
TOTAL ASSETS	**$1,174,864,089**	$1,376,305,024
LIABILITIES AND FUND EQUITY		
Current liabilities		
Accounts payable and other accrued expenses	**$ 514,823**	$ 484,720
Current liabilities payable from restricted assets		
Accounts payable and other accrued expenses	**2,988,905**	1,160,948
Accrued interest payable	**1,653,666**	2,497,793
Notes payable	**56,959,051**	100,536,798
Bonds payable	**28,964,000**	68,643,000
Total current liabilities payable from restricted assets	**90,565,622**	172,838,539
Noncurrent liabilities payable from restricted assets		
Arbitrage rebate payable	**30,933**	58,025
Notes payable	**331,115,714**	316,414,257
Bonds payable	**687,821,000**	810,264,000
Total noncurrent liabilities payable from restricted assets	**1,018,967,647**	1,126,736,282
Total liabilities	**1,110,048,092**	1,300,059,541
Commitments and contingencies (note G)		
Fund equity		
Invested in capital assets	**537,781**	751,399
Restricted	**28,815,209**	37,203,273
Unrestricted	**35,463,007**	38,290,811
Total fund equity	**64,815,997**	76,245,483
TOTAL LIABILITIES AND FUND EQUITY	**$1,174,864,089**	$1,376,305,024

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,

	2010	2009
Operating revenues		
Loan interest income		
From borrowers	**$ 28,604,600**	$39,383,383
From U.S. Department of Education (USDE)	**(16,049,517)**	(3,645,307)
Investment interest income	**87,068**	500,470
Loan servicing fees	**2,859,023**	3,386,730
Gain on extinguishment of debt	**4,357,000**	-
Total operating revenues	**19,858,174**	39,625,276
Operating expenses		
Interest	**21,019,593**	38,699,951
General administration	**7,220,708**	7,082,175
External loan servicing fees	**687,073**	892,914
Professional fees	**770,886**	938,759
Provision for loan losses	**1,589,400**	1,761,000
Total operating expenses	**31,287,660**	49,374,799
DECREASE IN FUND EQUITY	**(11,429,486)**	(9,749,523)
Fund equity at beginning of year	**76,245,483**	85,995,006
Fund equity at end of year	**$ 64,815,997**	$76,245,483

The accompanying notes are an integral part of these statements.

Oklahoma Student Loan Authority

STATEMENTS OF CASH FLOWS

Year ended June 30,

	2010	2009
Cash flows from operating activities		
Receipts of interest income from borrowers	**$ 45,741,799**	$ 51,916,030
(Payments to) receipts of interest income from USDE	**(15,346,991)**	1,151,458
Receipts of interest on investments	**4,421,968**	235,464
Receipts of loan servicing fees	**3,501,233**	2,744,520
Payments for interest on notes and bonds payable	**(21,344,322)**	(40,017,176)
Payments to Internal Revenue Service for arbitrage rebate	**-**	(1)
Payments to employees and suppliers	**(6,464,282)**	(8,017,056)
Net cash provided by operating activities	**10,509,405**	8,013,239
Cash flows from noncapital financing activities		
Advances on notes payable	**206,287,437**	201,870,508
Proceeds from issuance of bonds	**-**	175,305,000
Payments of debt financing costs	**(334,040)**	(726,984)
Payments on notes payable	**(235,163,727)**	(66,333,709)
Payments on bonds payable	**(162,122,000)**	(233,673,000)
Net cash (used in) provided by noncapital financing activities	**(191,332,330)**	76,441,815
Cash flows from investing activities		
Proceeds from sales of investments	**395,965,277**	189,763,748
Receipts of loan principal payments	**167,281,248**	145,369,414
Increase in student loans receivable and related costs	**(22,793,575)**	(97,774,894)
Purchases of investments	**(359,414,415)**	(326,009,561)
Net cash provided by (used in) investing activities	**181,038,535**	(88,651,293)
Cash flows from capital activities		
Purchases of capital assets	**(49,607)**	(205,956)
NET INCREASE (DECREASE) IN CASH	**166,003**	(4,402,195)
Cash at beginning of year (including $158,947 and $4,230,665 for 2010 and 2009, respectively, reported in restricted assets)	**549,048**	4,951,243
Cash at end of year (including $321,183 and $158,947 for 2010 and 2009, respectively, reported in restricted assets)	**$ 715,051**	$ 549,048

Oklahoma Student Loan Authority

STATEMENTS OF CASH FLOWS - CONTINUED

Year ended June 30,

	2010	2009
Reconciliation of decrease in fund equity to net cash provided by operating activities		
Decrease in fund equity	**$(11,429,486)**	$ (9,749,523)
Adjustments to reconcile decrease in fund equity to net cash provided by operating activities		
Depreciation on capital assets	**263,225**	270,471
Amortization of loan origination costs, guarantee fees and premiums on loan acquisition	**11,477,715**	9,024,711
Amortization of deferred financing costs	**519,398**	512,333
Provision for loan losses	**1,589,400**	1,761,000
(Increase) decrease in assets		
Interest and other receivables	**7,009,212**	7,680,720
Other assets	**93,100**	45,272
Increase (decrease) in liabilities		
Accounts payable and other accrued expenses	**1,858,060**	581,049
Accrued interest payable	**(844,127)**	(1,829,558)
Arbitrage rebate payable	**(27,092)**	(283,236)
Net cash provided by operating activities	**$ 10,509,405**	$ 8,013,239

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 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, 2010 and 2009, 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, 2010 and 2009, the Authority serviced approximately $584,989,000 and $330,727,000, 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.

Due to certain student loan legislation (see Note H), beginning July 1, 2010, the Authority will no longer originate FFEL Program loans and its primary operations will consist of servicing its loans and loans of its network lenders.

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

Cash consists primarily of demand deposit accounts at financial institutions. The Authority also 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, 2010 and 2009, 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 current share 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, 2010 and 2009 were approximately $3,136,000 and $2,927,000, 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, 2010 and 2009 was approximately $9,113,000 and $12,164,000, respectively. The other type of interest payment from the USDE is "Special Allowance Payments" or "SAP". 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. In the event that the quarterly Special Allowance Rates are less than the stated interest rate for the loans with first disbursement on or after April 1, 2006, lenders are required to rebate to the USDE this excess interest over the quarterly Special Allowance rate. This rebate can result in negative Special Allowance income. Net Special Allowance Payments to the USDE for the years ended June 30, 2010 and 2009 were approximately $20,159,000 and $10,392,000, 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, 2010 and 2009 were approximately $5,003,000 and $5,417,000, respectively. Such fees are reported as a reduction to loan interest income.

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, 2010 and 2009 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 $101,201,000 and $143,980,000 at June 30, 2010 and 2009, respectively. The Authority's unrestricted investment in U.S. Government securities-based mutual funds totalled approximately $14,730,000 and $8,504,000 at June 30, 2010 and 2009, respectively.

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

	2010	2009
Restricted		
U.S. Government securities-based mutual funds	$101,200,636	$143,980,373
Repurchase agreements	642,349	639,100
Total restricted investments	101,842,985	144,619,473
Unrestricted		
U.S. Government securities-based mutual funds	14,729,750	8,504,124
Total investments	$116,572,735	$153,123,597

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:

	2010	2009
Stafford	$ 290,083,003	$ 350,542,164
Unsubsidized Stafford	253,378,936	292,008,440
PLUS/SLS	37,225,605	44,710,916
Consolidation	453,539,298	496,001,505
SHELF™	2,791,812	2,876,923
Total gross loans	1,037,018,654	1,186,139,948
Unamortized loan default and guarantee fees	5,410,308	9,570,760
Unamortized loan premiums and loan origination costs	8,883,876	13,899,296
Unprocessed loan payments	22,735	(67,351)
Allowance for loan losses	(9,236,071)	(9,888,363)
Net loans	$1,042,099,502	$1,199,654,290

An analysis of the change in the allowance for loan losses is as follows for the year ended June 30:

	2010	2009
Balances at beginning of year	$ 9,888,363	$9,298,677
Loans charged off, net of recoveries of $0 and $18,166 for 2010 and 2009, respectively	(2,241,692)	(1,171,314)
Provision for loan losses	1,589,400	1,761,000
Balance at end of year	$ 9,236,071	$9,888,363

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, 2010 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 Bill 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, 2010 consisted of approximately 50.3% Negative SAP loans. The calculated quarterly lenders' yield ranged from 1.55% to 3.66% for the fiscal year ending June 30, 2010.

All FFEL Program student loans are guaranteed at 98% or 97% (97% for loans first disbursed on or after July 1, 2006) as to principal and accrued interest. USDE allows the loan guarantors to charge Federal Default or Guarantee fees which are remitted to the loan guarantor. The Authority created a borrower incentive program by paying the Federal Default or Guarantee fees when the loans' guarantors charge this fee for Stafford and PLUS loans guaranteed on or after July 1, 2006. 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. The Authority has eliminated this incentive program for loans with first disbursement on or after July 1, 2009.

In order for the FFEL Program student loans to be or remain guaranteed, certain due-diligence requirements in loan servicing must be met. As of June 30, 2010 and 2009, approximately $382,000 and $366,000, 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 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 eliminated this incentive program for loans with first disbursement on or after July 1, 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, 2010 and 2009 were approximately $982,000 and $1,455,000, respectively.

Premiums paid on student loans purchased, net of accumulated amortization, at June 30, 2010 and 2009 were approximately $7,902,000 and $12,445,000, 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, 2010 and 2009 were approximately $5,410,000 and $9,571,000, respectively.

As discussed in Note A, the Authority was designated as an Exceptional Performer during fiscal 2006. 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).

During fiscal years 2009 and 2010, the Authority participated in the ECASLA Loan Purchase Commitment Program for the 2008-2009 and 2009-2010 Academic Years and sold FFEL Program student loans to the USDE. Proceeds from the sale of these loans to the USDE were approximately $19,922,000 during the year ended June 30, 2010.

Also, during the year ended June 30, 2010, proceeds from the sale to USDE of loans collateralizing the Conduit (see Note E) were approximately $11,960,000. These proceeds were utilized to pay down the notes payable under the Conduit.

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 2008 and 2009, 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 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. At June 30, 2010, variable rate demand obligations totalling $184,755,000 were held as Bank Bonds under such agreements. Variable rate demand obligations totalling $175,305,000 were not associated with a monoline insurer and remained held at the original terms of the bond.

At June 30, 2010, the Authority's notes and bonds payables also consisted of auction rate securities (ARS's) totalling $249,050,000, of which $127,850,000 was tax-exempt with interest rates set every 35 days and $121,200,000 was taxable with interest rates set every 28 days.

NOTE E - NOTES AND BONDS PAYABLE - CONTINUED

Notes payable at June 30, 2010 consist of the following:

$21,600,000 Senior Notes, Series 1995A-1 (1995A-1) dated November 9, 1995. The interest rate on these ARS's is 0.54% and 0.60% as of June 30, 2010 and 2009, 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 0.41% and 0.41% as of June 30, 2010 and 2009 respectively. Interest is payable on a quarterly basis. The principal is due at maturity on December 1, 2017.

Participation interests sold in certain qualifying FFEL Program Loans to USDE under the ECASLA Loan Participation Program (Participation). Under this program, the Authority has the option to sell the loans to USDE under the ECASLA Loan Purchase Commitment Program or redeem the Participation on or before September 30, 2010. As a result of the Authority's continuing involvement with the related loans, the proceeds received by the Authority are reported as a collateralized borrowing. The Participation bears interest based on a quarterly participation yield (0.71% at June 30, 2010), and principle payments on the participated loans reduce the outstanding balance of the borrowing, which was $24,981,789 at June 30, 2010.

$291,492,976 notes payable issued under the FFELP ABCP Conduit program (Conduit) as of June 30, 2010 with an interest rate of 0.80%. The notes bear interest monthly based on financing costs incurred by the Conduit. All payments on the loans collateralizing the Conduit program are deposited into a collections account and are used to pay interest costs, service fees and to reduce the outstanding balance of the notes payable. The principal is due at maturity on September 30, 2014.

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

	2010			
	Beginning balance	Additions	Retirements	Ending balance
1993L	$ 84,409,895	$ -	$84,409,895	$ -
1995A-1	21,600,000	-	-	21,600,000
2001A-4	50,000,000	-	-	50,000,000
2005B	94,814,256	-	94,814,256	-
FFELP ABCP Conduit	150,000,000	178,000,000	36,507,024	291,492,976
ECASLA Loan Participation	16,126,903	28,287,437	19,432,551	24,981,789
	$416,951,054	$206,287,437	$235,163,726	$388,074,765

NOTE E - NOTES AND BONDS PAYABLE - CONTINUED

	2009			
	Beginning balance	Additions	Retirements	Ending balance
1993L	$115,000,000	$35,000,000	$65,590,105	$84,409,895
1995A-1	21,600,000	-	-	21,600,000
2001A-4	50,000,000	-	-	50,000,000
2005B	94,814,256	-	-	94,814,256
FFELP ABCP Conduit	-	150,000,000	-	150,000,000
ECASLA Loan Participation	-	16,870,508	743,605	16,126,903
	$281,414,256	$201,870,508	$66,333,710	$416,951,054

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

	2010			
	Beginning balance	Additions	Retirements	Ending balance
6.35% Series 1995B-2 Subordinate due 9-1-25	$ 3,980,000	$ -	$ -	$ 3,980,000
Variable rate demand obligations Series 1998A, (a)	26,480,000	-	12,150,000	14,330,000
Variable rate Series 2000A-1, 2000A-2 and 2000A-3, due 6-1-30	100,000,000	-	46,200,000	53,800,000
Variable rate demand obligations Series 2000A-4, (b)	20,945,000	-	5,615,000	15,330,000
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	-	7,600,000	67,400,000
Variable rate demand obligations Series 2002A-1, (b)	40,625,000	-	10,540,000	30,085,000
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	-	7,235,000	23,720,000
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)	52,036,000	-	16,836,000	35,200,000
Variable rate demand obligations Series 2006A-1, (a)	122,036,000	-	55,946,000	66,090,000
Variable rate Series 2008IIA-1, due 3-1-37	175,305,000	-	-	175,305,000
	$878,907,000	$ -	$162,122,000	$716,785,000

NOTE E - NOTES AND BONDS PAYABLE – CONTINUED

	2009			
	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	-	6,620,000	26,480,000
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, (b)	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	-	13,009,000	52,036,000
Variable rate demand obligations Series 2006A-1, (a)	152,545,000	-	30,509,000	122,036,000
Variable rate Series 2007A-1, due 3-1-37	109,725,000	-	109,725,000	-
Variable rate Series 2008IIA-1, due 3-1-37	-	175,305,000	-	175,305,000
	$937,275,000	$175,305,000	$233,673,000	$878,907,000

(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 during the year ended June 30, 2009 due to expiration and subsequent non-renewal of liquidity facility by provider in accordance with the terms of standby bond purchase agreements.

NOTE E - NOTES AND BONDS PAYABLE – CONTINUED

The variable rates on the Variable Rate Demand Obligations, Series 1998A are 5.25% and 1.75% as of June 30, 2010 and 2009, respectively. These obligations were held as Bank Bonds during 2010 and 2009 under the terms of a standby bond purchase agreement with interest payable monthly.

The variable rates on the Senior Taxable Auction Rate Bonds, Series 2000A-1, 2, 3 are 1.35%, 1.35% and 1.35% as of June 30, 2010 and 1.32%, 1.32% and 1.32% as of June 30, 2009, respectively. Interest is payable at each auction.

The variable rates on the Variable Rate Demand Obligations, Series 2000A-4 are 2.27% and 5.75% as of June 30, 2010 and 2009, respectively. These obligations became held as Bank Bonds during the year ended June 30, 2009 under the terms of a standby bond purchase agreement and with interest payable monthly.

The variable rates of the Subordinate Auction Rate Obligations, Series 2001B-1 are 0.65% and 0.71% as of June 30, 2010 and 2009, respectively.

The variable rates of the Senior Taxable Auction Rate Bonds, Series 2001A-2 and Series 2001A-3 are 1.35% and 1.35% as of June 30, 2010 and 0.99% and 0.99% as of June 30, 2009, respectively. Interest is payable at each auction.

The rates of the Variable Rate Demand Obligations, Series 2002A-1 are 4.25% and 4.25% as of June 30, 2010 and 2009, respectively. These obligations became held as Bank Bonds during the year ended June 30, 2009 under the terms of a standby bond purchase agreement with interest payable monthly.

The rates of the Variable Rate Demand Obligations, Series 2003A-2 are 4.25% and 4.25% as of June 30, 2010 and 2009, respectively. These obligations became held as Bank Bonds during the year ended June 30, 2009 under the terms of a standby bond purchase agreement with interest payable monthly.

The variable rates of the Senior Auction Rate Bonds, Series 2004A-1 are 0.69% and 0.68% as of June 30, 2010 and 2009, respectively.

The variable rates of the Senior Auction Rate Bonds, Series 2004A-2 are 0.72% and 0.88% as of June 30, 2010 and 2009, respectively.

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 0.72% and 0.85% as of June 30, 2010 and 2009, respectively. Interest is payable on a quarterly basis.

The rates of the Variable Rate Demand Obligations, Series 2005A are 4.50% and 4.75% as of June 30, 2010 and 2009, respectively. These obligations were held as Bank Bonds during 2010 and 2009 under the terms of a standby bond purchase agreement with interest payable monthly.

NOTE E - NOTES AND BONDS PAYABLE - CONTINUED

The rates of the Variable Rate Demand Obligations, Series 2006A-1 are 4.50% and 4.75% as of June 30, 2010 and 2009, respectively. These obligations were held as Bank Bonds during 2010 and 2009 under the terms of a standby bond purchase agreement with interest payable monthly.

The rates of the Variable Rate Demand Obligations, Series 2008IIA-1 are 0.30% and 0.45% as of June 30, 2010 and 2009, respectively.

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

Fiscal year debt service requirements to maturity or redemption date, assuming interest rates on variable rate debt remains at June 30, 2010 levels, are as follows:

	Principal	Interest	Total
Year ending June 30			
2011	$ 85,923,051	$ 16,738,260	$ 102,661,311
2012	96,652,547	12,700,333	109,352,880
2013	93,177,144	9,173,743	102,350,887
2014	39,994,966	6,638,769	46,633,735
2015	185,482,057	5,956,971	191,439,028
2016 - 2020	50,000,000	27,387,783	77,387,783
2021 - 2025	-	26,891,069	26,891,069
2026 - 2030	79,380,000	25,052,766	104,432,766
2031 - 2035	298,945,000	11,232,594	310,177,594
2036 - 2040	175,305,000	878,325	176,183,325
	$1,104,859,765	$142,650,613	$1,247,510,378

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.

NOTE F - RETIREMENT PLAN - CONTINUED

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 2010 and 2009.

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 9.0% through December 31, 2009 and increased to 9.5% at January 1, 2010. The Authority's total payments to the TRS for the employees' and employer's contributions were approximately $590,000, $586,000 and $498,000 for the years ended June 30, 2010, 2009 and 2008.

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 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, 2010 and 2009, the Authority was committed to purchase such loans totalling approximately $415,078,000 and $407,112,000, respectively. The increase in commitment to purchase loans is related to the Authority amending our agreements with lender customers on our loan purchases. Due to server and protracted disruptions in the credit markets, the Authority amended these agreements to purchase loans on a funds available model. Under this funds available mode, the Authority's loan purchases from lender customers decreased approximately 99%. The decreased loan purchases meant the Authority's lender customers had to hold loans which increased the Authority's purchase commitment.

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.

NOTE G - COMMITMENTS AND CONTINGENCIES - CONTINUED

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, 2010 and 2009 was approximately $487,000 and $488,000, respectively. The following is a schedule of future minimum rental payments under operating leases as of June 30, 2010:

Year ending June 30	
2011	$ 458,000
2012	467,000
2013	271,000
	$1,196,000

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 2010 and 2009 implemented, or will implement, various changes to the FFEL Program.

The Health Care and Education Reconciliation Act of 2010 (HCERA) became law on March 30, 2010. The Student Aid and Fiscal Responsibility Act (SAFRA), Title II of HCERA, included provisions that terminated the FFEL Program. Effective July 1, 2010 eligible lenders, including the Authority, are no longer allowed to originate FFEL Program loans. Beginning July 1, 2010, all federal student loans will be solely originated by USDE's Direct Loan Program.

SAFRA also requires USDE to contract with each eligible and qualified not-for-profit servicer (NFP Servicers) to service loans within the USDE's Direct Loan Program. USDE issued a Sources Sought Solicitation on April 29, 2010 to identify eligible NFP Servicers. The Authority responded to this Solicitation and was identified as an eligible NFP Servicer on June 29, 2010. USDE published its solicitation outlining the required qualifications for NFP Servicers on September 29, 2010. The Authority is preparing a proposal for submission to the USDE on or before the December 1, 2010 deadline. This proposal will include the Authority's plan for meeting the USDE's required qualifications as a NFP Servicer. It is generally expected that the USDE will award contracts to NFP servicers in mid year 2011, and servicing of the Federal Direct Loan assets by NFP Servicers that are selected would begin for the Academic Year 2011-2012. Management of the Authority cannot predict with certainty whether or not it will be awarded a contract as a NFP Servicer.

NOTE H - STUDENT LOAN LEGISLATION - CONTINUED

The Ensuring Continued Access to Student Loans Act of 2008 (ECASLA) signed into law on May 7, 2008, implemented 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.

- Provided 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.

On October 7, 2008, legislation was signed into law (Public Law 110-350) that extended for one year, to September 30, 2010, the ECASLA authorities and the Secretary's authority to purchase loans made during academic year 2009-2010. Public Law 110-350 also authorized the Secretary to provide liquidity support to one or more conforming Asset-Backed Commercial Paper Conduit(s) (ABCP Conduit). An ABCP Conduit has the authority to purchase Funding Notes, collateralized by eligible student loans, issued by an eligible FFEL Program lender to provide longer-term stability to the guaranteed student loan marketplace.

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,	
	2010	2009
Loans purchased by the Authority for the year	$ 18,000	$ 3,546,000
Loans being serviced at year end	24,972,000	38,746,000

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:

	2010		2009	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Financial assets				
Cash	$ 715,051	$ 715,051	$ 549,048	$549,048
Investments	116,572,735	116,572,735	153,123,597	153,123,597
Interest receivable	13,729,404	13,729,404	20,738,616	20,738,616
Loans, net	1,042,099,502	1,042,099,502	1,199,654,290	1,199,654,290
Financial liabilities				
Accrued interest payable	1,653,666	1,653,666	2,497,793	2,497,793
Notes payable	388,074,765	388,074,765	416,951,055	416,951,055
Bonds payable	716,785,000	716,872,227	878,907,000	876,816,750

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 current share prices for mutual funds and cost for repurchase agreements.

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 2010 and 2009 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 fair value quotes from a third-party.

The Authority categorizes its fair value estimates based on a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. Classification is based on the lowest level of input that is significant to the fair value of the instrument. The fair value hierarchy is as follows:

Level 1 Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the financial instrument.

NOTE J - FAIR VALUE OF FINANCIAL INSTRUMENTS - CONTINUED

Level 3 Unobservable inputs for determining the fair values of assets or liabilities that reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

The following table summarizes financial assets measured at fair value on a recurring basis as of June 30, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	2010			
	Level 1 inputs	Level 2 inputs	Level 3 inputs	Total fair value
U.S. Government securities-based mutual funds	$115,930,386	$ -	$ -	$115,930,386
Repurchase agreements	-	642,349	-	642,349
	$115,930,386	$642,349	$ -	$116,572,735

	2009			
	Level 1 inputs	Level 2 inputs	Level 3 inputs	Total fair value
Investments	$152,484,497	$639,100	$ -	$153,123,597

NOTE K - SUBSEQUENT EVENTS

The Authority has evaluated events and transactions that occurred subsequent to June 30, 2010 through October 25, 2010, the date these financial statements were available to be issued, for potential recognition or disclosure in these financial statements.

ECASLA Loan Participation and Purchase Commitment Program

As discussed in Note E, the Authority participates in the ECASLA Loan Participation and Purchase Commitment Programs. Subsequent to June 30, 2010, the Authority had multiple sales of loans to the USDE. The proceeds from these sales were utilized to pay-off the ECASLA Loan Participation liability which had an outstanding balance of approximately $24,982,000 at June 30, 2010.

NOTE K - SUBSEQUENT EVENTS - CONTINUED

Series 2010 Bonds

On September 28, 2010, the Trustees of the Authority adopted the Series 2010 Bond Resolution providing for the issuance of the following bonds.

- Series 2010A-1, Tax-Exempt LIBOR floating rate bonds, senior series in the amount of $132,545,000 with final maturity date of September 3, 2024.
- Series 2010A-2A, Tax-Exempt LIBOR floating rate bonds, senior series in the amount of $51,225,000 with final maturity date of September 1, 2037.
- Series 2010A-2B, Tax-Exempt LIBOR floating rate bonds, senior series in the amount of $44,230,000 with final maturity date of September 1, 2037.
- Series 2010B, Tax-Exempt adjustable fixed rate subordinate bond in the amount of $16,500,000 with final maturity date of September 1, 2037.

The 2010 Bonds were issued on October 6, 2010 for net proceeds of approximately $243,370,000 and $240,287,000 was used to pay-off the then current outstanding principal balance and accrued interest on the Bank Bonds from Series 1998A, 2000A-4, 2002A-1, 2003A-2, 2005A and 2006A-1, the fixed rate debt from Series 2003A-1 and the Senior Auction Rate Bonds, Series 2000A-1,2,3 under the 1996 Insured Bond Resolution.

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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, 2010, and have issued our report thereon dated October 25, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 audit procedures for the purpose of expressing an 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 express no such opinion.

A deficiency in internal control over financial reporting 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control would not necessarily identify all deficiencies in internal control over financial reporting that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in the Authority's internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

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 25, 2010