

On May 25, 1989, the University of Maryland System (System) issued \$70,396,000 of revenue bonds (refunding bonds). The refunding bonds, which are dated May 1, 1989, consist of \$51,635,000 of serial bonds with interest rates ranging from 6.7% to 7% and mature annually through the year 2000, \$8,376,000 of capital appreciation bonds which mature annually from 2001 through 2004 carrying yields to maturity ranging from 7% to 7.15%, and \$10,385,000 of term bonds bearing interest at 7.2% and maturing in 2009. The serial capital appreciation bonds are callable at premiums ranging from 3% in 1999 to 1% in 2002 and at par thereafter. The proceeds of the bonds, plus cash and short-term investments of \$7,878,000 previously held in trust funds, were used to purchase government obligations, which pursuant to an Escrow Deposit Agreement dated May 25, 1989, were irrevocably deposited with an escrow agent to provide for all future debt service payments required on their outstanding revenue bonds (refunded bonds) aggregating \$76,380,000. As a result of these transactions, the refunded bonds are considered to be legally defeased and the liability for those bonds has been removed from the balance sheet. The system advance refunded the bonds in order to reduce future debt service payments by \$11,540,000. The advance refunding resulted in an economic loss (the excess of the present value of future debt service payments on the new bonds over the present value of debt service payments previously required for the refunded bonds) of \$454,000.

On May 11, 1989, the System entered into an agreement with an escrow agent to extinguish \$5,710,000 of certain revenue bonds then outstanding. The agreement required the System to irrevocably deposit \$4,873,000 of cash and short-term investments with the escrow agent for the purchase of securities, the maturity and earning of which will satisfy the debt service requirements of the bonds, and resulted in a gain of \$837,000.

The bonds issued are the debt and obligation of the University and are not a debt and obligation of, or pledge of, the faith and credit of the State.

*Obligations Under Capital Leases:*

Obligations under capital leases of \$45,694,000 exist as of June 30, 1989, bearing interest at annual rates ranging from 3.9% to 18%. The following is a schedule of annual future minimum payments under these obligations, along with the present value of the related net minimum payments as of June 30, 1989 (amounts expressed in thousands):

Years ending June 30,	Amount
1990	\$ 11,551
1991	8,109
1992	7,291
1993	6,210
1994	5,158
1995 and thereafter	<u>84,093</u>
Total future minimum payments	122,412
Less amount representing interest	<u>76,718</u>
Present value of net minimum lease payments	<u>\$ 45,694</u>

**13. Contributed Capital:**

The changes in contributed capital of the enterprise funds for the year ended June 30, 1989, are as follows (amounts expressed in thousands):

	Economic Development		Maryland Transportation Authority	Maryland Environmental Service	State Use Industries	Total
	Insurance Programs	Loan Programs				
Balance, July 1, 1988 .....	\$66,795	\$147,738	\$763,785	\$12,657	\$385	\$ 991,360
Contributions .....	2,750	23,838		518		27,106
Depreciation on contributed assets .....				(1,381)		(1,381)
Balance, June 30, 1989 .....	<u>\$69,545</u>	<u>\$171,576</u>	<u>\$763,785</u>	<u>\$11,794</u>	<u>\$385</u>	<u>\$1,017,085</u>