

B. Investments-Governmental Fund Types:

Investments are stated at fair value which is based on quoted market prices. The investments as of June 30, 2000, for the governmental fund types of the Primary Government are categorized as follows (amounts expressed in thousands).

	Category			Fair Value
	1	2	3	
U. S. Treasury and agency obligations.....	\$1,475,807			\$1,475,807
Bonds.....	835			835
	<u>\$1,476,642</u>			<u>1,476,642</u>
Items not subjected to classification:				
Maryland Local Government Investment Pool.....				<u>112,491</u>
				<u>\$1,589,133</u>

The Maryland Local Government Investment Pool is operated in accordance with Rule 2 a-7 of the Investment Company Act of 1940, as amended. As of June 30, 2000, the net asset value, offering and redemption price per share was \$1.00. The fair value of the State of Maryland's investment in the pool is equal to the fair value of its shares in the pool.

Under Section 2-603 of the State's Finance and Procurement Article, the State lends U.S. Government securities to broker-dealers and other entities (borrowers). The State's custodial bank manages the securities lending program by contracting with a lending agent who receives cash as collateral. The lending agent may use or invest the cash collateral in accordance with the reinvestment guidelines approved by the State Treasurer's Office. The cash collateral will be returned for the same securities in the future. The collateral cannot be pledged or sold by the State unless the borrower defaults. Cash collateral is initially pledged at greater than the market value of the securities lent and additional collateral has to be provided by the next business day if the aggregate value of the collateral falls to less than 100 percent of the market value of the securities lent. Either the State or the borrower may terminate the lending agreements on demand. Lending agreements are usually short in duration. Therefore, the duration of lending agreements does not generally match the maturities of the investments made with cash collateral.

The bank is obligated to indemnify the State against liability for any suits, actions, or claims of any character arising from or relating to the performance of the bank under the contract, except for liability caused by acts or omissions of the State.

The State did not recognize any losses on the securities lending program for the period ended June 30, 2000. For the period