

The Funds participate in a securities lending program as permitted by the investment policies as approved by the Board of Trustees. The Funds' custodian lends specified securities to independent brokers in return for collateral of greater value. All loaned securities are reported as assets on the combined balance sheet and are included in the categorization of credit risk.

Borrowing brokers must transfer in the form of cash, other securities or letters of credits valued at a minimum of 102% of the fair value of domestic securities and international fixed income securities, or 105% of the fair value of international equity securities on loan. Collateral is marked to market daily. If the fair value of the pledged collateral falls below the specified levels, additional collateral is required to be pledged by the close of the next business day. In the event of default by a borrowing broker, the Funds' custodial bank is obligated to indemnify the Funds if, and to the extent that, the fair value of collateral is insufficient to replace the loaned securities. The Funds have not experienced any loss due to credit or market risk on securities lending activity since inception of the program. As of June 30, 2000, the Funds had no credit risk exposure to borrowers because the fair value of collateral held for securities loaned exceeded the fair value of the related securities.

Although the average term of the Funds' security loans is one week, each loan can be terminated at will by either the Funds or the borrower. Cash collateral is invested in two of the lending agent's short-term investment pools, which at June 30, 2000 had interest rate sensitivity durations of seventy-nine and sixty-six days. Because the relationship between the maturities of the investment pools and the Funds security loans is affected by the maturities of the loans made by other entities that use the agent's pools, the Funds cannot match maturities. The Funds cannot pledge or sell collateral securities received unless and until a borrower defaults. Investments made with cash received as collateral and the corresponding liabilities are reported in the Combining Balance Sheet, Fiduciary Fund Types, Pension Trust Funds.

As of June 30, 2000, the fair value of loaned securities and the related collateral were as follows (amounts expressed in thousands).

<u>Securities</u>	<u>Fair Value</u>		
	<u>Loaned Securities</u>	<u>Collateral Received</u>	<u>Percent Collateralized</u>
International equity securities	\$ 844,489	\$ 878,203	104.0%