

*E. Investments-Component Units:*

Investment accounts established by higher education institutions relate principally to endowments and trust accounts required by debt instruments. In general, endowment resources can be invested in debt and equity securities, and trust accounts can be invested only in debt securities. These investments include U.S. Treasury and agency obligations, corporate debt and equity securities, repurchase agreements, and mutual funds that invest in government securities.

The Maryland Stadium Authority's marketable securities are held by the Bond Trustee. Proceeds to purchase these marketable securities were derived from various bond issues and any proceeds from the sale of these marketable securities are restricted to the purpose of the original bond issue.

The investments of the Maryland Environment Service (Service) primarily relate to bond indentures. The Service or its trustee banks are authorized to invest assets related to bond indentures in obligations of the United States of America, any federal agency, high quality commercial paper or mutual funds that invest in U.S. Government securities. Additionally, the Service may otherwise invest in securities allowed by the State.

Investments of the Maryland Stadium Authority, Maryland Environmental Service, Maryland Industrial Development Financing Authority, Maryland Prepaid College Trust and the higher education institutions are stated at fair value which is based on quoted market prices.

The investments as of June 30, 2000, for the discretely presented component units are as follows (amounts expressed in thousands).

	1	Category 2	3	Fair Value
U.S. Treasury and agency obligations .....	\$ 11,068	\$11,144		\$ 22,212
Bonds.....		15		15
Corporate debt securities .....	11,326	460		11,786
Corporate equity securities .....	169,659			169,659
Asset-backed securities .....	17,380	644		18,024
Other .....	250			250
	<u>\$209,683</u>	<u>\$12,263</u>		221,946
Items not subject to classification:				
Mutual funds .....				49,284
Total.....				<u>\$271,230</u>

Derivatives are used to hedge against foreign currency risk, improve yield, adjust the duration of the fixed income portfolio, or hedge against changes in interest rates. These securities are subject to changes in value due to changes in interest rates or currency