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CHANGES IN ELIGIBILE CREDITS

In the month of December, there were seven changes to the Treasurer's approved eligibility list:

The following were removed from the CP/ MTN Eligibility list:

- 1) Pfizer Inc.
- 2) ANZ Delaware Inc.
- 3) Preferred Receivables Funding Co. LLC
- 4) Anheuser Busch Companies Inc.

The following were added to the CP/ MTN Eligibility list:

- 5) Whistlejacket Capital LLC
- 6) K-2 (USA) LLC
- 7) CC USA Inc.



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To: Treasury Investment Committee

From: John Byerly, Senior Financial Analyst

Date: December 4, 2006

Subject: Pfizer Inc.

Ratings: Was: A-1+/P-1/F1+ **AA**A/Aaa /AAA

Now: A-1+/P-1/F1+ **AA**A/Aaa*-/AAA

Summary:

Pfizer is the world's largest research-based pharmaceuticals firm with eight drugs each topping a billion dollars in sales in 2005, down from 10 in 2004. With Pfizer's revenues having been constrained by patent expirations, the company relies on a robust pipeline to generate new sales.

Moody's placed the Aaa long-term ratings of Pfizer Inc. on credit watch negative today, December 4, 2006. The P-1 short-term rating was affirmed. This action follows Pfizer's announcement that it has suspended all clinical development of torcertapib following findings of higher mortality and cardiovascular risk. Without torcetrapib, Moody's pipeline estimate of future revenues loses \$8 billion at a time more patents are expected to expire (2005 revenue was over \$51 billion). The overall average of rating factors may decline to the Aa2 range. Moody's also notes that Pfizer's cash flow from operations to debt and free cash flow to debt ratios are currently in excess of ranges consistent with its Aaa rating.

While Pfizer remains a strong credit, Pfizer issuance has dropped off since 2005. Further, the latest U.S. commercial paper offerings have been from issued through foreign subsidiaries.

I recommend removing Pfizer Inc. from the CP/MTN eligibility list.

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To: Treasury Investment Committee

From: John Byerly, Senior Financial Analyst

Date: December 4, 2006

Subject: ANZ Delaware Inc.

Ratings: A-1+/P-1/NR

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Summary:

Australia and New Zealand Banking Group Ltd (ANZ) (AA-*+/Aa3/AA-) is the third-largest bank in Australia with over \$229 billion in total assets. ANZ offers international banking and financial services to clients in the Americas, Australasia, and Europe.

ANZ Delaware has acted as agent for ANZ in issuing U.S. commercial paper and forwarding the proceeds for general working capital purposes to ANZ.

As of December 4, 2006, ANZ has joined the growing list of strong foreign companies who find it more advantageous to issue U.S. commercial paper directly from the parent. The \$10 billion ANZ Delaware program will be supplanted by the \$15 billion Australia and New Zealand Banking Group Ltd. program.

While ANZ remains a solid credit reflecting strong earnings and asset quality, I recommend removing ANZ Delaware from the CP/MTN eligibility list.



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To: Treasury Investment Committee

From: John Byerly, Senior Financial Analyst

Date: December 4, 2006

Subject: Preferred Receivables Funding Co. LLC (PREFCO)

Ratings: A-1/P-1/F1+

Summary:

PREFCO is a partially supported, multi-seller, ABCP program sponsored by JP Morgan (JPM) that funds traditional trade and term receivables. Assets classes are among the oldest and most familiar, with the three largest types consisting of trade receivables, credit card receivables and autos.

As JPMorgan announced on June 8, 2006, PREFCO assets are being merged into Park Avenue and Chariot. At this time PREFCO commercial paper is no longer being issued.

I recommend removing Private Export Funding Co. LLC from the CP/MTN eligibility list.

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To: **Treasury Investment Committee**

From: John Byerly, Senior Financial Analyst

December 26, 2006 Date:

Subject: Anheuser-Busch Companies, Inc.

Ratings: Was: A-1/P-1/F1 A + /A1 /A +Now: A-1/P-1/F1 A/A1*-/A

County/Schools/ JWA /XFund - None **Exposure**:

Recommendation: Remove from CP/MTN eligibility list

Rationale: Issuer placed on credit watch negative

Summary:

Commanding nearly half of the U.S. beer market, Anheuser-Busch (BUD) continues to maintain its leadership position with the No. 1 and No. 2 beer brands in the country. BUD's most recent operating margin is back over 20% in the face of higher costs for packaging and energy.

On December 20, 2006, the company announced a more aggressive leverage target and new multi-year 100 million share repurchase program. In an effort to invest in growth, "the company intends to modestly increase leverage and reduce its cash flow to total debt target from the previous 30 to 40 percent range to the 25 to 30 percent range" BUD reported.

In response to the company's new posture, Moody's placed BUD's A1 long-term rating on credit watch negative. S&P and Fitch followed with downgrading their respective long-term rating one notch.

Important short-term credit factors remain. The company produces strong and stable cash flows with \$1 to \$2 billion in annual free cash flow. External liquidity, in the form of a 5-year \$2 billion committed unsecured bank facility, provides for same day funding and expires in October 2010. With these and other factors supporting BUD's liquidity position, short-term ratings were affirmed by all three agencies.

In keeping with Investment Policy Statement restrictions, I have removed BUD from the CP/MTN eligibility list.

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To: Treasury Investment Committee

From: John Byerly, Senior Financial Analyst

Date: December 4, 2006

Subject: Whistlejacket Capital LLC

Ratings: AAA/Aaa/NR A-1+/P-1/NR

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Summary:

Whistlejacket Capital LLC (JACKET) is a structured investment vehicle (SIV) which invests in a diversified investment grade assets with the proceeds of US Commercial Paper Notes and Medium Term Notes. JACKET's parent Whistlejacket Capital Ltd. also funds the portfolio with Euro Commercial Paper and Medium Term Notes.

JACKET was originally formed with the intent of leveraging its platform to accommodate adding additional SIVs. As JP Morgan shopped for a new investment manager for its White Pine, Standard Chartered was selected. Managed by Standard Chartered as separate entities since the January 26th, 2006 transition, the two portfolios are expected to be combined by the end of January 2007, effectively doubling the size of JACKET to \$16 billion in core assets.

JACKET has good demonstrated access to both the US and Euro markets with an 80/20 mix of liabilities respectively. Combining White Pine's assets will increase the portfolio's exposure somewhat to AAA-rated US assets, CDO's and Student Loans in favor of financial sector assets and will add further diversity to JACKET's portfolio by utilizing both programs' relationships.

I recommend adding Whistlejacket Capital LLC to the CP/MTN eligibility list.



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To: Treasury Investment Committee

From: John Byerly, Senior Financial Analyst

Date: December 11, 2006

Subject: K2 (USA) LLC

Ratings: AAA/Aaa/NR A-1+/P-1/NR

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Summary:

K2 Corp. (K2) is a structured investment vehicle (SIV) which invests the proceeds of short term debt in diversified investment grade assets. K2 (USA) LLC is a wholly owned subsidiary of K2 that issues U.S. commercial paper and medium term notes.

On November 24, 2006, K2 had over \$22 billion in outstandings, predominately U.S. MTNs. K2 also has demonstrated access to the Euro market with \$2.5 billion in Euro CP/MTNs outstanding.

Dresdner Bank AG, London branch acts as program administrator in evaluating investment opportunities, funding and hedging, asset and liability valuations, arranging for liquidity facilities, and controlling and reporting on risk parameters. Significant investment in complex management activities is a strength of K2.

Operating limits govern portfolio characteristics including weighted average life, maximum leverage, and percent invested by country, industry, and rating.

As of November 2006, 99.9% of assets rated above single-A. A large portion of its portfolio was comprised of U.S. (54%) and U.K. (19%) assets. At 24% of assets, Commercial Bank Subordinate notes represented the largest industry sector.

I recommend adding K2 (USA) LLC to the CP/MTN eligibility list.



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To: Treasury Investment Committee

From: John Byerly, Senior Financial Analyst

Date: December 11, 2006

Subject: CC USA Inc.

Ratings: AAA/Aaa/NR A-1+/P-1/NR

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Summary:

Centauri Corp. is a structured investment vehicle (SIV) which invests the proceeds of short term debt in diversified investment grade assets. CC (USA) Inc., a wholly owned subsidiary of Centauri, issues U.S. Commercial Paper and Medium Term Notes.

At December 1, 2006, Centauri had over \$21 billion in outstandings, predominately U.S. MTNs. Centauri also has demonstrated access to the Euro market with \$4.6 billion in Euro CP/MTNs outstanding.

Citbank International plc (CI) acts as program administrator in evaluating investment opportunities, funding and hedging, asset and liability valuations, arranging for liquidity facilities, and controlling and reporting on risk parameters. Significant investment in complex management activities is a strength of CC.

Operating limits govern portfolio characteristics including weighted average life, maximum leverage, and percent invested by country, industry, and rating.

As of November 2006, 100% of assets were rated A to Aaa. Diversification by country is greater with CC than most SIV's with U.S. assets contributing only 37% of the portfolio. The largest industry category is non-U.S. banks representing 32% of the portfolio.

I recommend adding CC (USA) Inc. to the CP/MTN eligibility list.