COUNTY OF ORANGE

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CHANGES IN ELIGIBILE CREDITS

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

1) **Bank One Corporation** was removed
2) **Legacy Capital Company LLC** was added
3) **American International Group, Inc.** was added
4) **AIG Funding** was added

Please see the attached reports detailing the reasons the above actions were taken by the Treasurer. American International Group, Inc. and AIG Funding are in the same report.

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To: Treasury Investment Committee
From: John Byerly, Financial Analyst
Date: August 9, 2004
Subject: **Bank One Corp**

Rating: A1+/P1/F1 AA-/Aa2/ AA-

Exposure: None

Recommendation: Remove from Domestic Bank Eligibility List

Rationale: JP Morgan Bank One merger

Summary: J.P. Morgan Chase & Co. (JPM) and Bank One Corporation (ONE) completed the merger of their holding companies, effective July 1, 2004. The combined company is J.P. Morgan Chase & Co. The acquisition of ONE and its extensive retail business could diversify JPM's dependence away from private-equity and investment banking businesses.

JPM's William Harrison will remain CEO for the time being, but the company has announced that ONE's CEO Jamie Dimon, now president of the combined firm, will assume full reign of the company by 2006.

With little activity before the merger and new issuance to be under the parent's name in the future, I recommend we remove Bank One from the eligibility list.

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To: Treasury Investment Committee
From: Julia Xue, Senior Financial Analyst
Date: August 23, 2004
Subject: **Legacy Capital Company, LLC**

Rating: A1/P1/NR NR//

Exposure: County/XFund/Schools/JWA – None

Recommendation: Add to the CP/MTN Eligibility List

Rationale: Fully supported ABCP program by The Liberty Hampshire Company, LLC

Summary: Legacy Capital Company, LLC is a fully supported multi-seller ABCP Program administered by The Liberty Hampshire Company, LLC. The program was originally established in September 1996. The assets that Legacy may finance include consumer receivables, short-term commercial trade receivables, medium-term commercial obligations, and ABS certificate and note purchases. It has liquidity agreements with A1/P1 or better rated financial institutions designed to protect investors from risks associated with the underlying assets financed. Because Deutsche Bank, as collateral agent on behalf of ABCP investors, has a security interest in the payment account, investors are secured creditors on a pari passu basis. This is a positive feature and distinguishes Legacy from many other programs, whose investors are unsecured creditors in all respects.

As of June 30, 2004, Legacy has $2 billion of ABCP outstanding. Merrill Lynch and JP Morgan Chase are dealers of this $10 billion program.

Please see the attached analysis report for further information.

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To:	Treasury Investment Committee
From:	John Byerly, Financial Analyst
Date:	August 23, 2004
Subject:	**American International Group, Inc (AIG)** **AIG Funding**

Rating:	A1+/NR/F1+	AAA/Aaa/AAA	(AIG)
	A1+/ P1/NR		(AIG Funding)

Exposure: County/XFund/Schools/JWA - None

Recommendation: Add name to eligibility list

Rationale: Top credit; leading international insurance company

Summary:

AIG Funding Inc. is a wholly owned subsidiary of AAA-rated American International Group, Inc. (AIG). AIG Funding provides for the short-term cash requirements of AIG and subsidiaries through the issuance of commercial paper. AIG Funding benefits from an unconditional and irrevocable guarantee by AIG.

Leading business positions

With over $700 billion in assets, and nearly $10 billion in net income, AIG continues to be an attractive company with leading positions from a diverse line of businesses. American General Finance represents AIG's growing global consumer finance business. AIG SunAmerica and AIG VALIC represent one of the largest U.S. retirement savings businesses. Additionally, through its subsidiaries, AIG is a leader in asset management for the individual and institutional markets, with specialized investment management capabilities in equities, fixed income, alternative investments and real estate.

Strong liquidity position

AIG maintains internal borrowing facilities with liquid subsidiaries totaling $2 billion. AIG Funding, Inc., in addition to its explicit support from AIG, also benefits from its own external credit facilities of $2.75 billion. Subsidiaries not explicitly guaranteed, such as American General Finance and International Lease Finance Corp, maintain their own liquidity facilities.

Improving profitability

AIG produces consistent, diversified earnings. On July 22, 2004, AIG reported second-quarter profit increased 26% from increased life insurance and annuities sales. Net income was $2.86 billion for the quarter or, adjusted to exclude an after-tax $141.4 million realized investment loss, $1.14 earnings per share (above analyst's estimates). First year premiums from AIG's foreign life insurance and retirement savings businesses rose 20%. Almost half of AIG's profit comes from life insurance, personal accident coverage, annuities and pensions. More than half of this is from outside of the US.

Rating actions note company/industry improvement

On February 3, 2003 Fitch Ratings placed AIG on credit watch negative after AIG wrote off $1.8 billion to add to the reserves for policies sold too cheaply in the 1990's. On May 19, 2003, Fitch affirmed the AAA ratings citing that AIG "remains among the very best managed companies in the world." Even so, Fitch still reports a negative outlook since that May 19 date.

On March 30, 2004 Standard and Poor's cited their outlook as stable. On May 19, 2004, Moody's cited their outlook as stable. Additionally, on July 9, Moody's changed its negative outlook of the US Life Insurance industry to stable as they saw earnings improvements materialize.

AIG's solid credit metrics including a very strong interest coverage ratio of 44 times contribute to our view that the AIG names are consistent with our eligibility standards.