## OFFICE OF THE TREASURER-TAX COLLECTOR



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VICKIE PAZANTI DEPUTY TREASURER-TAX COLLECTOR ADMINISTRATION

CLARISSA ADRIANO-CERES DEPUTY TREASURER-TAX COLLECTOR INFORMATION TECHNOLOGY

BRETT R. BARBRE
DEPUTY TREASURER-TAX COLLECTOR
PUBLIC INFORMATION OFFICER

## **CHANGES IN ELIGIBILE CREDITS**

In the month of January, there was one change to the Treasurer's approved eligibility list:

1) Gillette Company was deleted

Please see the attached reports detailing the reasons the above actions were taken by the Treasurer.

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**To:** Treasury Investment Committee From: Julia Xue, Senior Financial Analyst

Date: January 31, 2005 Subject: Gillette Company

**Rating:** WAS: A1+/P1/F1+ AA-/Aa3/AA-

NOW: A1+/P1/F1+\*- AA-/Aa3\*-/AA-\*-

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

**Recommendation:** Remove from the CP/MTN Eligibility List

**Rationale**: Put on watch negative by Moody's and Fitch

**Summary:** January 28, 2005, Fitch put Gillette's both long and short-term credit ratings on Watch negative. On the same day, Moody's Investors Service placed the company's long-term debt rating on Watch Negative.

The rating action was a result of Procter & Gamble's (P&G) announcement that it has signed a deal to acquire 100% of the Gillette Company for approx. \$55 Billion in P&G stock. The deal is expected to close in the fall of 2005. The rating agencies are concerned about the large increase in its debt balances, which will occur with the share buyback (\$18-\$22 billion) and its attendant negative impact on leverage and cash flow metrics. In light of the fact that much of the cost savings will not occur for a number of years, these metrics will remain pressured in the intermediate term.

According to our current Investment Policy Statement, we are required to remove the name from our eligibility list.