



OFFICE OF THE TREASURER-TAX COLLECTOR

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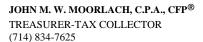
CHANGES IN ELIGIBILE CREDITS

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

1) Merck & Co Inc was removed

Please see the attached report detailing the reason the above action was taken by the Treasurer.







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

Date: October 4, 2004 Subject: Merck & Co Inc

Rating: WAS: A1+/P1/F1+ AAA/Aaa/AAA

NOW: A1+/P1/F1+ AAA/Aaa*-/AAA*-

Exposure: County/Xfund - \$50Million(maturing on 2/22/05)

Schools - \$50Million(maturing on 2/22/05)

JWA - None

Recommendation: Remove from CP/MTN Eligibility List

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

Summary: September 30, 2004 -- Moody's and Fitch Ratings have placed credit watch negative on the Aaa/AAA senior unsecured long term debt rating of Merck & Co. Inc. S&P rated the company's outlook "negative". At the same time, Moody's and Fitch confirmed its respective P1/F1+ short term debt rating on the company.

These rating actions followed Merck's announcement that it will withdraw its pain and arthritis treatment Vioxx from the market globally. Vioxx is a large volume high margin product. With annual sales of roughly \$2.7 billion, Vioxx accounts for about 12% of total Merck sales. The withdrawal will negatively affect cash flow for 2004 and 2005, which may eventually impact Merck's financial policies and capital structure. As a result, the rating agencies believe that Merck's operating risk profile may no longer be consistent with the Aaa-rating.

The review will focus on (1) the earnings, cash flow and capital structure effects of the Vioxx withdrawal; (2) an assessment of Merck's product portfolio and pipeline relative to Aaa, Aa, and A-rated peer companies in the global pharmaceutical industry; (3) the potential for product safety litigation; and (4) possible ramifications for Merck's longer-term strategy. However, the review will also consider key offsetting factors, which include the company's excellent financial condition, its very high degree of liquidity, and the opportunities from recently launched Vytorin, as well as new products in the pipeline such as the HPV vaccine candidate and several recently in-licensed products.

According to our Investment Policy Statement, I recommend taking the name off our CP/MTN Eligibility List.