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CHANGES IN ELIGIBILE CREDITS

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

1) **Royal Bank of Canada** was added

2) **CXC Funding, LLC** was removed

Please see the attached reports detailing the reasons the above actions were taken by the Treasurer. In addition, we have included two reports regarding issuers with developing credit considerations.

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To: Treasury Investment Committee
From: John Byerly, Financial Analyst
Date: July 21, 2005

Subject: **Royal Bank of Canada**

Rating: Was: **A-1+/P-1/F1+ AA-/Aa2/AA*- B+**
Now: **A-1+/P-1/F1+ AA-/Aa2/AA B+**

Exposure: County/XFund/Schools/JWA – None

Recommendation: Return to Foreign Bank Eligibility List

Rationale: Credit Rating issue resolved

Summary: Fitch placed the ratings of Royal Bank of Canada (RBC) on credit watch negative on September 14, 2004 reflecting concerns regarding continued difficulties and missteps in the company's U.S. operation, as well as the recent announcement of a senior management and business unit realignment in Toronto that has led to the retirement of a number of the company's seasoned well respected management team. On July 18, 2005 Fitch removed the Rating Watch Negative citing improved overall financial performance despite the continued lackluster, although improving, results from their U.S. operation.

RBC is Canada's largest financial institution with more than C$435 billion in total assets ($350 billion USD). RBC has the largest domestic retail-banking platform in Canada with 1,102 branches. RBC's asset quality is stable, with residential mortgages making up 46% of total loans, of which almost half are government guaranteed. The corporate and commercial loan portfolio, which makes up 30% of total loans, is well diversified by industry.

While not as robust as its peer group, RBC's Tier 1 capital ratio has improved to 9.5%. This increase reflects significant capital commitment to build up their U.S. presence. RBC's efficiency ratio has been steadily improving over the last year and their current pretax margin is 18.57%.

I recommend adding Royal Bank of Canada to the Foreign Bank Eligibility List.

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To: Treasury Investment Committee
From: John Byerly, Financial Analyst
Date: July 5, 2005

Subject: **CXC LLC**

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Now: Ratings withdrawn

Exposure: County/Schools/XFund /JWA – None

Recommendation: Remove from the CP/MTN Eligibility List

Rationale: ABCP program assets placed with other Citi programs

Summary:

On June 28, 2005, Citicorp North America requested the credit ratings be withdrawn by the nationally recognized statistical rating organizations. It was the administrator's decision to consolidate the program's assets among four other existing ABCP programs.

CXC was incorporated in 1988 as a fully supported, multiseller ABCP and MTN program administered by Citicorp North America, Inc. The program's $4 billion outstanding ABCP in June 2004 had dropped to just over $1.5 billion by April 2005. The program is now closed.

I recommend removing CXC, LLC from the CP/MTN Eligibility List.